MARION COUNTY SCHOOL DISTRICT AUDIT REPORT JUNE 30, 2019

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October 25, 2019

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Marion County School District
Lebanon, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, or the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 11, 56 through 59, and 62 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marion County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2019, on our consideration of Marion County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marion County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

Management's discussion and analysis of the Marion County School District (District) offers readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2019. We encourage readers to review the information presented here in conjunction with additional information found within the body of these financial statements.

FINANCIAL HIGHLIGHTS

- The General Fund had $30.1 million in revenues, which primarily consisted of funding through the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle, and utilities taxes. This compares to $29.9 million in General Fund revenues for the prior year.

- Total local taxes collected were $9,964,844 including property, vehicles, and utility taxes. Penalties and interest, omitted property taxes, and revenue in lieu of taxes are also included in this amount. $1,397,370 of the total local taxes collected was for the building fund (5 Cent Levy and Recallable Nickel Levy) required for participation in the School Facilities Construction Commission (SFCC). SFCC funds must be used for projects identified in the District's Facility Plan.

- The District levied tax rates of 60.0 cents (real estate), 60.0 cents (tangible property), and 52.6 cents (motor vehicles) per $100 of assessed value, and continued the 3% utility tax.

- General Fund expenditures totaled $29.8 million, compared to $30.7 million in the prior year.

FACILITIES AND CONSTRUCTION HIGHLIGHTS

- State law requires districts to update a priority list of construction and renovation needs, called a Local Facilities Plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The district updated its facilities plan during fiscal year 2018. The plan indicated over $64 million dollars in needs.

OVERVIEW OF FINANCIAL STATEMENTS

This overview is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components:

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 12 - 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 - 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 - 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $1.497 million as of June 30, 2019.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The District-wide Governmental Net Position comparison is as follows:

Statement of Net Position

	Governmental Activities		Business Activities		Total	
	FY18	FY19	FY18	FY19	FY18	FY19
Current Assets	$ 9,159,080	$ 10,538,452	$ 320,045	$ 398,033	$ 9,479,125	$10,936,485
Non-Current Assets	29,228,910	27,671,485	103,634	107,756	29,332,544	27,779,241
Total Assets	38,387,990	38,209,937	423,679	505,789	38,811,669	38,715,726
Deferred Outflows	4,176,131	3,517,134	851,784	642,548	5,027,915	4,159,682
Total Assets and Deferred Outflows	42,564,121	41,727,071	1,275,463	1,148,337	43,839,584	42,875,408
Current Liabilities	2,254,858	2,265,604	390	7,444	2,255,248	2,273,048
Non-Current Liabilities	36,605,662	35,033,947	2,329,581	2,308,641	38,935,243	37,342,588
Total Liabilities	38,860,520	37,299,551	2,329,971	2,316,085	41,190,491	39,615,636
Deferred Inflows	869,536	1,497,012	212,257	269,841	1,081,793	1,766,853
Total Liabilities and Deferred Inflows	39,730,056	38,796,563	2,542,228	2,585,926	42,272,284	41,382,489
Net Position:						
Invested in capital (net of debt)	10,863,910	10,582,763	103,634	107,756	10,967,544	10,690,519
Restricted	2,374,258	3,408,794	(1,370,399)	(1,545,345)	1,003,859	1,863,449
Unrestricted	(10,404,103)	(11,061,049)	-	-	(10,404,103)	(11,061,049)
Total Net Position	$ 2,834,065	$ 2,930,508	$(1,266,765)	$(1,437,589)	$ 1,567,300	$ 1,492,919

Statement of Activities

Revenues	Governmental Activities FY18	Governmental Activities FY19	Business Activities FY18	Business Activities FY19	Total FY18	Total FY19
Program Revenues:						
Charges for Services	$ 65,275	$ 58,605	$ 470,727	$ 216,700	$ 536,002	$ 275,305
Operating Grants and Contributions	3,598,978	4,159,935	2,123,978	2,470,567	5,722,956	6,630,502
Capital Grants and Contributions	171,433	94,695		24,396	171,433	119,091
General Revenue:						
Property Taxes	7,123,710	7,668,681			7,123,710	7,668,681
Motor Vehicle Taxes	703,904	712,290			703,904	712,290
Utility Taxes	1,753,736	1,453,509			1,753,736	1,453,509
Other Taxes	135,521	130,364			135,521	130,364
State Aid - Formula Grants	21,851,210	22,201,599			21,851,210	22,201,599
Investment Earnings	95,312	203,124	1,702		97,014	203,124
Miscellaneous Revenues	392,968	349,511		1,534	392,968	351,045
Gain (Loss) on Sale of Capital Assets	13,405	431		225	13,405	656
Loss Compensation	5,100				5,100	
Total Revenues	35,910,552	37,032,744	2,596,407	2,713,422	38,506,959	39,746,166
Expenses						
Instructional	25,733,381	25,696,289			25,733,381	25,696,289
Student Support Services	1,493,562	1,175,480			1,493,562	1,175,480
Staff Support Services	1,583,236	1,344,061			1,583,236	1,344,061
District Administration	973,009	1,135,997			973,009	1,135,997
School Administration	1,553,031	1,564,305			1,553,031	1,564,305
Business Support Services	937,922	903,383			937,922	903,383
Plant Operation & Maintenance	2,287,142	2,173,411			2,287,142	2,173,411
Student Transportation	2,128,846	2,012,271			2,128,846	2,012,271
Food Service		1,265	3,097,097	2,884,246	3,097,097	2,885,511
Community Service Operations	275,230	355,578			275,230	355,578
Adult Education Operations		34,469				34,469
Interest on Long-Term Debt	568,660	539,792			568,660	539,792
Total Expenses	37,534,019	36,936,301	3,097,097	2,884,246	40,631,116	39,820,547
Change in Net Position	(1,623,467)	96,443	(500,690)	(170,824)	(2,124,157)	(74,381)
Net Position July 1,	4,457,532	2,834,065	(766,075)	(1,266,765)	3,691,457	1,567,300
Net Position June 30,	$ 2,834,065	$ 2,930,508	$ (1,266,765)	$ (1,437,589)	$ 1,567,300	$ 1,492,919

On-Behalf Payments

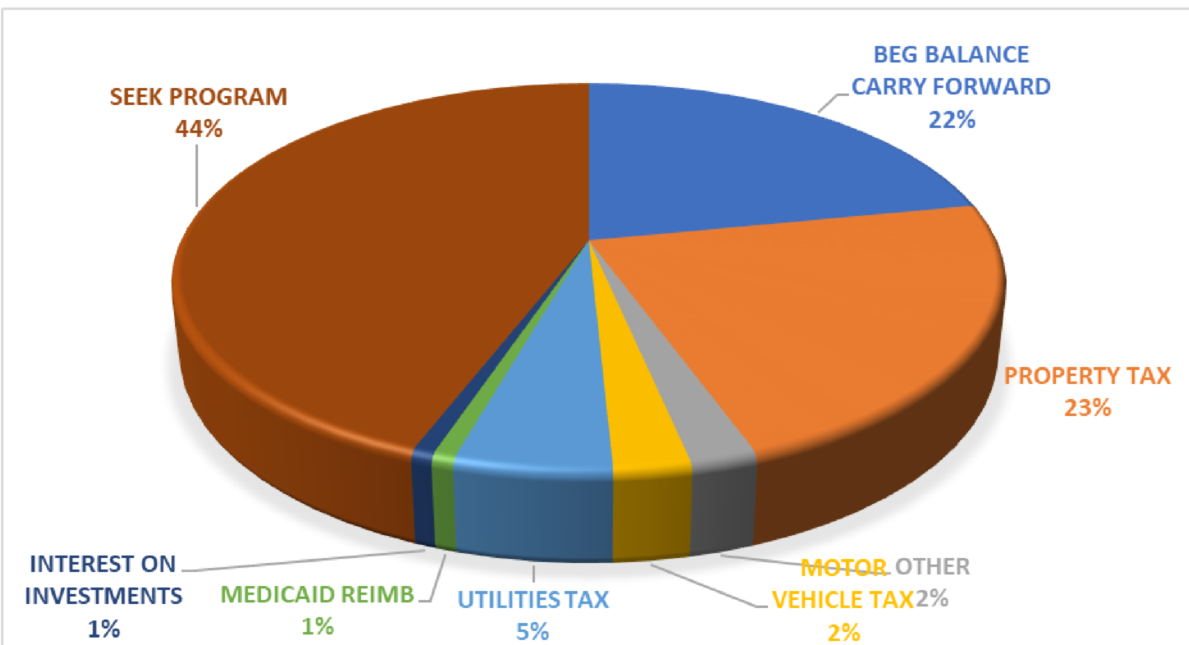
The State of Kentucky makes on-behalf payments for school districts in areas of health and life insurance, retirement benefits, vocational education, and technology. The following table presents a summary of the on-behalf payments.

On-Behalf Distribution 2018-2019

Health Insurance, Life, Admin,HRA/Dental/Vision	$ 3,619,882
Kentucky Teachers Retirement	$ 4,956,562
Technology	$ 102,365
Debt Service	$ 499,718
Total On-Behalf Payments	$ 9,178,527

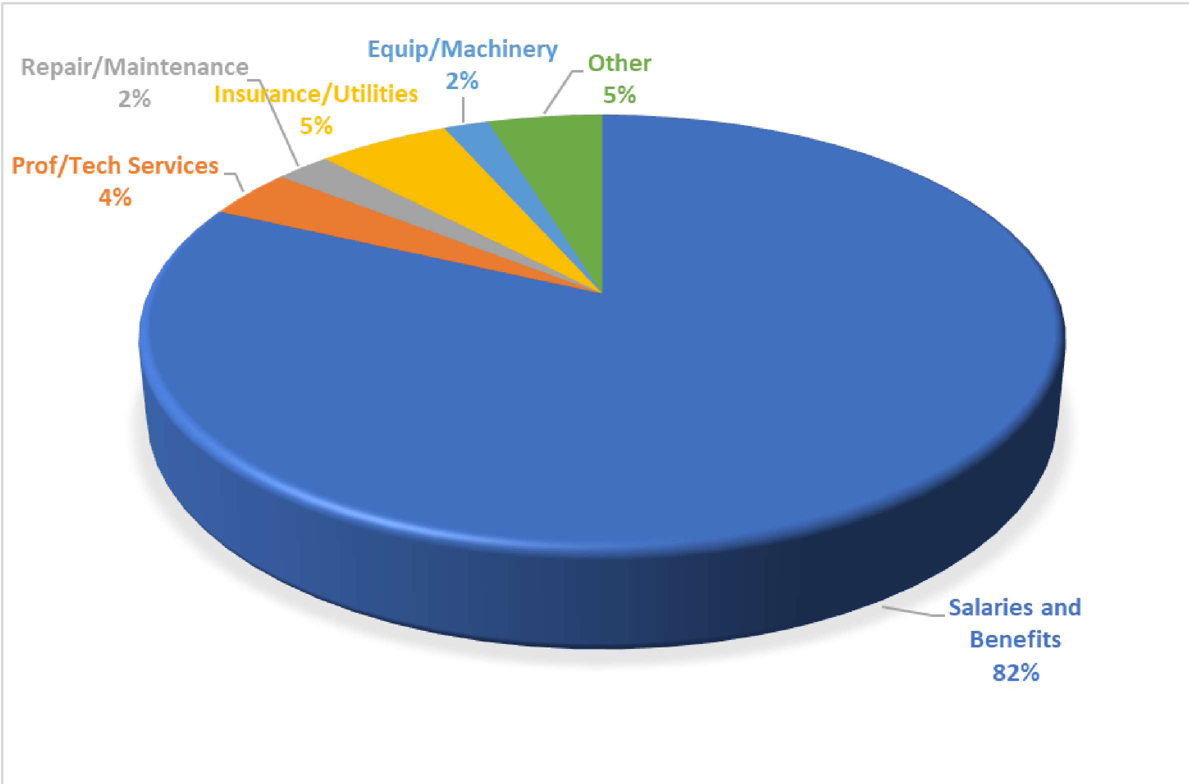
General Fund Revenue Chart 1.

The majority of general revenue was derived from SEEK (state funding) 44%, with local taxes (property, motor vehicle, and utility) making up 30% of total general revenue. Percentages exclude on-behalf revenue.



General Fund Expenditures Chart 2.

Approximately 82% of the general fund expenses were spent for salaries and fringe benefits. A breakdown of all general fund expenditures is found in the chart below. Percentages exclude on-behalf expenditures.



GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is based on accounting for certain transactions on the cash basis for receipts, expenditures, and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of $20,777,327 with actual results being $30,388,943. Budgeted expenditures were $22,688,163 compared to actual expenditures of $30,004,009. The most significant variance between budget and actual was the District's contingency account of $4,079,164 which is required by law to be budgeted, but no actual expenses were incurred. The District also did not budget for state on-behalf payments, which are stated in the actual expenses. For many years, the District has prepared its budget in a conservative manner. A sizable fund balance at the beginning of the year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. The District's fund balance is used to offset the delay in tax receipts for the year.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The table below shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2019 and 2018.

	Governmental Activities (Net of Depreciation)		Business – Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	2019	2018	2019	2018	2019	2018
Land	$ 814,396	$ 814,396	$ -	$ -	$ 814,396	$ 814,396
Construction in Progress	5,936	-	-	-	5,936	-
Buildings and Improvements	24,827,520	26,266,129	-	-	24,827,520	26,266,129
Technology	393,815	549,713	1,814	3,936	395,629	553,649
Vehicles	1,342,574	1,289,508	-	-	1,342,574	1,289,508
General Equipment	287,244	309,164	105,942	99,698	393,186	408,862
Total	$ 27,671,485	$ 29,228,910	$ 107,756	$ 103,634	$ 27,779,241	$ 29,332,544

The table below shows the changes in capital assets for fiscal years ended June 30, 2019 and 2018.

	Governmental Activities		Business – Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Beginning Balance	$ 29,228,910	$ 30,639,003	$ 103,634	$ 136,128	$ 29,332,544	$ 30,775,131
Additions	373,272	545,492	28,518	-	401,790	545,492
Retirements	(8,107)	(4,600)	-	-	(8,107)	(4,600)
Depreciation	(1,922,590)	(1,950,985)	(24,396)	(32,494)	(1,946,986)	(1,983,479)
Ending Balance	$ 27,671,485	$ 29,228,910	$ 107,756	$ 103,634	$ 27,779,241	$ 29,332,544

Long-Term Debt

At year-end the District had $17,020,000 in bonds outstanding. No bonds were issued during the fiscal year ended June 30, 2019. A total of $1,345,000 of bond principal is due within one year.

Contacting the District's Financial Management

Questions regarding this report should be directed to Taylora Schlosser, Superintendent, or to Ruth Ann Cocanougher, Finance Director, at (270) 692-3721 or by mail at 755 East Main Street, Lebanon, KY 40033.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	9,816,795	318,073	10,134,868
Accounts Receivable:			
Taxes - Current	199,584		199,584
Taxes - Delinquent	22,622		22,622
Accounts	29,567	25,797	55,364
Intergovernmental - State	24,294		24,294
Intergovernmental - Federal	445,590		445,590
Inventories for Consumption	0	54,163	54,163
Total Current Assets	10,538,452	398,033	10,936,485
Noncurrent Assets - Note F			
Land	814,396		814,396
Buildings & Improvements	50,301,570		50,301,570
Furniture & Equipment	8,176,454	826,046	9,002,500
Construction in Progress	5,936		5,936
Less: Accumulated Depreciation	(31,626,871)	(718,290)	(32,345,161)
Total Noncurrent Assets	27,671,485	107,756	27,779,241
TOTAL ASSETS	38,209,937	505,789	38,715,726
Deferred Outflows Related to Pensions	1,936,013	475,284	2,411,297
Deferred Outflows Related to Other Post Employment Benefits	1,253,002	167,264	1,420,266
Deferred Outflows from Advanced Bond Refundings	328,119		328,119
TOTAL DEFERRED OUTFLOWS	3,517,134	642,548	4,159,682
TOTAL ASSETS AND DEFERRED OUTFLOWS	41,727,071	1,148,337	42,875,408
LIABILITIES:			
Current Liabilities:			
Accounts Payable	17,900	7,444	25,344
Accrued Sick Leave - Note A	153,144		153,144
Advances from Grantors	587,648		587,648
Bond Obligations - Note E	1,345,000		1,345,000
Capital Lease Obligations	33,229		33,229
KSBIT Assessment - Note R	37,143		37,143
Accrued Interest Payable	91,540		91,540
Total Current Liabilities	2,265,604	7,444	2,273,048
Noncurrent Liabilities:			
Bond Obligations - Note E	15,675,000		15,675,000
Capital Lease Obligations	35,493		35,493
KSBIT Assessment - Note R	37,140		37,140
Net Pension Liability	7,542,780	1,921,127	9,463,907
Net Other Post Employment Benefits Liability	11,018,351	387,514	11,405,865
Accrued Sick Leave - Note A	725,183		725,183
Total Noncurrent Liabilities	35,033,947	2,308,641	37,342,588
TOTAL LIABILITIES	37,299,551	2,316,085	39,615,636
Deferred Inflows Related to Other Post Employment Benefits	913,547	117,731	1,031,278
Deferred Inflows Related to Pensions	583,465	152,110	735,575
TOTAL DEFERRED INFLOWS	1,497,012	269,841	1,766,853
TOTAL LIABILITIES AND DEFERRED INFLOWS	38,796,563	2,585,926	41,382,489
NET POSITION:			
Net Investment in Capital Assets	10,582,763	107,756	10,690,519
Restricted for:			
Capital Projects	689,878		689,878
School Activities	85,061		85,061
SFCC Escrow	2,630,042		2,630,042
Debt Service	3,813		3,813
Food Service		(1,545,345)	(1,545,345)
Unrestricted	(11,061,049)		(11,061,049)
TOTAL NET POSITION	2,930,508	(1,437,589)	1,492,919
TOTAL LIABILITIES AND NET POSITION	41,727,071	1,148,337	42,875,408

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION: TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	25,696,289	43,600	3,477,862		(22,174,827)		(22,174,827)
Support Services:							
Student Support Services	1,175,480		105,201		(1,070,279)		(1,070,279)
Staff Support Services	1,344,061		204,508		(1,139,553)		(1,139,553)
District Administration	1,135,997				(1,135,997)		(1,135,997)
School Administration	1,564,305				(1,564,305)		(1,564,305)
Business Support Services	903,383				(903,383)		(903,383)
Plant Operation & Maintenance	2,173,411		13,806		(2,159,605)		(2,159,605)
Student Transportation	2,012,271	15,005			(1,997,266)		(1,997,266)
Food Service Operation	1,265		1,265		0		0
Community Service Operations	355,578		320,956		(34,622)		(34,622)
Adult Education Operations	34,469		36,337		1,868		1,868
Interest on Long-Term Debt	539,792			94,695	(445,097)		(445,097)
TOTAL GOVERNMENTAL ACTIVITIES	36,936,301	58,605	4,159,935	94,695	(32,623,066)		(32,623,066)
BUSINESS-TYPE ACTIVITIES:							
Food Service	2,884,246	216,700	2,470,567	24,396		(172,583)	(172,583)
TOTAL BUSINESS-TYPE ACTIVITIES	2,884,246	216,700	2,470,567	24,396	0	(172,583)	(172,583)
TOTAL SCHOOL DISTRICT	39,820,547	275,305	6,630,502	119,091	(32,623,066)	(172,583)	(32,795,649)
GENERAL REVENUES:							
Taxes:							
Property					7,668,681		7,668,681
Motor Vehicle					712,290		712,290
Utility					1,453,509		1,453,509
Other					130,364		130,364
State Aid - Formula Grants					22,201,599		22,201,599
Investment Earnings					203,124		203,124
Miscellaneous					349,511	1,534	351,045
Gain(Loss) Sale of Assets					431	225	656
TOTAL GENERAL REVENUES					32,719,509	1,759	32,721,268
CHANGE IN NET POSITION					96,443	(170,824)	(74,381)
NET POSITION					2,834,065	(1,266,765)	1,567,300
NET POSITION - ENDING					2,930,508	(1,437,589)	1,492,919

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	6,284,301	117,764	2,630,042	642,312	142,376	9,816,795
Accounts Receivable:						
Taxes - Current	199,584					199,584
Taxes - Delinquent	22,622					22,622
Accounts	29,567					29,567
Intergovernmental - State		24,294				24,294
Intergovernmental - Federal		445,590				445,590
TOTAL ASSETS	6,536,074	587,648	2,630,042	642,312	142,376	10,538,452
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	11,964				5,936	17,900
Advances from Grantors		587,648				587,648
Total Liabilities	11,964	587,648	0	0	5,936	605,548
Fund Balance:						
Restricted for:						
Capital Projects				642,312	47,566	689,878
Debt Service					3,813	3,813
School Activities					85,061	85,061
SFCC Escrow			2,630,042			2,630,042
Committed for:						
Sick Leave	153,144					153,144
Unassigned Fund Balance	6,370,966					6,370,966
Total Fund Balance	6,524,110	0	2,630,042	642,312	136,440	9,932,904
TOTAL LIABILITIES AND FUND BALANCES	6,536,074	587,648	2,630,042	642,312	142,376	10,538,452

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		9,932,904
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	59,298,356	
Accumulated Depreciation	(31,626,871)	
		27,671,485
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		328,119
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		1,936,013
Deferred Outflows Related to Other Post Employment Benefits are not a current and therefore are not reported as assets in governmental funds.		1,253,002
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
KSBIT Assessment	(74,283)	
Bonds Payable	(17,020,000)	
Capital Lease Obligation	(68,722)	
Net Pension Liability	(7,542,780)	
Net Other Post Empoyment Benefits Liability	(11,018,351)	
Accrued Interest on Bonds	(91,540)	
Accrued Sick Leave	(878,327)	
		(36,694,003)
Deferred Inflows Related to Other Post Employment Benefits are not a current lialities and therefore are not reported as liabilities in governmental funds.		(913,547)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		(583,465)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		2,930,508

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	GENERAL	SPECIAL REVENUE	BUILDING FUND	CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	6,271,311		1,397,370			7,668,681
Motor Vehicle	712,290					712,290
Utility	1,453,509					1,453,509
Other	130,364					130,364
Earnings on Investments	201,247	1,501			376	203,124
Intergovernmental - State	20,893,535	1,503,533	616,775	285,876	500,108	23,799,827
Intergovernmental - Federal	206,897	2,449,505				2,656,402
Other Sources	225,376	112,905			69,835	408,116
TOTAL REVENUES	30,094,529	4,067,444	2,014,145	285,876	570,319	37,032,313
EXPENDITURES:						
Instructional	20,076,001	3,299,078			51,420	23,426,499
Support Services:						
Student Support Services	1,043,229	99,793				1,143,022
Staff Support Services	1,112,184	193,995			1,504	1,307,683
District Administration	986,187					986,187
School Administration	1,491,546					1,491,546
Business Support Services	907,278					907,278
Plant Operation & Maintenance	2,074,930	13,096			3,075	2,091,101
Student Transportation	2,027,426					2,027,426
Food Service Operation		1,265				1,265
Community Service Operations	50,305	304,457				354,762
Adult Educaiton Operations		34,469				34,469
Facilities Acquisiton & Construction					5,936	5,936
Debt Service:						
Principal	31,108				1,345,000	1,376,108
Interest	5,669				462,430	468,099
TOTAL EXPENDITURES	29,805,863	3,946,153	0	0	1,869,365	35,621,381
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	288,666	121,291	2,014,145	285,876	(1,299,046)	1,410,932
OTHER FINANCING SOURCES(USES):						
Loss Compensation						0
Proceeds from Sale of Assets	8,538					8,538
Operating Transfers In - Note N	285,876	60,035			1,307,712	1,653,623
Operating Transfers Out - Note N	(198,146)	(181,326)	(988,275)	(285,876)		(1,653,623)
TOTAL OTHER FINANCING SOURCES	96,268	(121,291)	(988,275)	(285,876)	1,307,712	8,538
NET CHANGE IN FUND BALANCE	384,934	0	1,025,870	0	8,666	1,419,470
FUND BALANCES - BEGINNING	6,139,176	0	1,604,172	642,312	127,774	8,513,434
FUND BALANCES - ENDING	6,524,110	0	2,630,042	642,312	136,440	9,932,904

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		1,419,470
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(1,922,590)	
Capital Outlays	373,272	
		(1,549,318)
Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal Paid		1,376,108
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Deferred Outflows on Advanced Bond Refundings	(76,757)	
District Pension Contributions	453,307	
Cost of Benefits Earned Net of Employee Contributions - Pension	(1,267,182)	
District Other Post Employment Benefits Contributions	617,311	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(534,784)	
Accrued Interest Payable	5,063	
KISBIT Assessment	37,143	
Accrued Sick Leave	(375,811)	
		(1,141,710)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Loss- Sale of Assets		(8,107)
CHANGES - NET POSITION GOVERNMENTAL FUNDS		96,443

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	ENTERPRISE FUND
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	318,073
Accounts Receivable	25,797
Inventories for Consumption	54,163
Total Current Assets	398,033
Noncurrent Assets:	
Furniture & Equipment	826,046
Less: Accumulated Depreciation	(718,290)
Total Noncurrent Assets	107,756
TOTAL ASSETS	505,789
Deferred Outflows Related to Other Post Employment Benefits	167,264
Deferred Outflows Related to Pensions	475,284
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,148,337
LIABILITIES:	
Current Liabilities:	
Account Payable	7,444
Total Current Liabilities	7,444
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	387,514
Net Pension Liability	1,921,127
Total Noncurrent Liabilities	2,308,641
TOTAL LIABILITIES	2,316,085
Deferred Inflows Related to Other Post Employment Benefits	117,731
Deferred Inflows Related to Pensions	152,110
TOTAL LIABILITIES AND DEFERRED INFLOWS	2,585,926
Net Position:	
Net Investment in Capital Assets	107,756
Restricted	(1,545,345)
Total Net Position	(1,437,589)
TOTAL LIABILITIES AND NET POSITION	1,148,337

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	ENTERPRISE FUND
	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	150,793
Other Operating Revenues	65,907
TOTAL OPERATING REVENUES	216,700
OPERATING EXPENSES:	
Salaries & Benefits	1,409,369
Contract Services	47,657
Materials & Supplies	1,393,111
Depreciation - Note F	24,396
Other Operating Expenses	9,713
TOTAL OPERATING EXPENSES	2,884,246
OPERATING INCOME(LOSS)	(2,667,546)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	2,121,135
State Grants	220,581
Donated Commodities	153,247
Gain on Sale of Assets	225
Interest Income	1,534
TOTAL NONOPERATING REVENUE	2,496,722
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(170,824)
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	(170,824)
TOTAL NET POSITION - BEGINNING	(1,266,765)
TOTAL NET POSITION - ENDING	(1,437,589)

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	150,793
Other Activities	66,132
Cash Paid to/for:	
Employees	(987,572)
Supplies	(1,265,715)
Other Activities	(57,370)
Net Cash Used by Operating Activities	(2,093,732)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Federal Grants	2,116,271
State Grants	44,664
Net Cash Provided by Non-Capital and Related Financing Activities	2,160,935
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	(28,518)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest Income	1,534
Net Increase in Cash and Cash Equivalents	40,219
Balances, Beginning of Year	277,854
Balances, End of Year	318,073
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	(2,667,546)
Adjustments to Reconcile Operating Loss to Net Cash (Used) by Operating Activities	
Depreciation	24,396
Gain on Sale of Assets	225
State On-Behalf Payments	175,917
Donated Commodities	153,247
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Inventory	(32,905)
Deferred Outflows	209,236
Deferred Inflows	57,584
Net Pension Liability	62,347
Net Other Post Employment Benefits	(83,287)
Accounts Payable	7,054
Net Cash Used by Operating Activities	(2,093,732)
Schedule of Non-Cash Transactions:	
Donated Commodities	153,247
State On-Behalf Payments	175,917

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUND
ASSETS:		
Cash and Cash Equivalents	-	174,893
Investments - Note D	144,221	
TOTAL ASSETS	144,221	174,893
LIABILITIES:		
Due to Student Groups	-	174,893
TOTAL LIABILITIES	-	174,893
NET POSITION HELD IN TRUST	144,221	0

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:	
Net Interest and Investment Gains(Losses)	8,411
DEDUCTIONS:	
Broker Fees	1,992
Benefits Paid	5,000
Changes in Net Position	1,419
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	142,802
NET POSITION HELD IN TRUST - END OF YEAR	144,221

See independent auditor's report and accompanying notes to financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Marion County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Marion County Board of Education ("District"). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Marion County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Marion County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Marion County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. <u>Governmental Fund Types</u>

   A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

   B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.

   C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

      1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also us the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2019, to finance the General Fund operations were $0.60 per $100 valuation for real property, $0.60 per $100 valuation for business personal property, and $0.526 per $100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	**Governmental Activities Estimated Lives**
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

> Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
>
> Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

Fund Balance Type	**Amount**	**Action**
General Fund	153,144	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Major Special Revenue Fund	**Revenue Source**
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

County Employees Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was $10,309,761. Of the total cash balance, $316,723 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2019, consisted of the following:

	Bank Balance	**Book Balance**
U.S. Bank	10,653	10,060
Citizens National Bank	13,631,728	10,243,038
Farmers National Bank	56,608	56,663
Total	13,698,989	10,309,761

Breakdown per financial statements:	
Governmental Funds	9,816,795
Proprietary Funds	318,073
Cash per Statement of Net Position	10,134,868
Agency Funds	174,893
Total Cash	10,309,761

NOTE D – INVESTMENTS

Private purpose trust funds reflected in the statement of fiduciary net position consist of trust fund monies restricted by the donors for awarding college scholarships. These restricted funds are managed by USB Financial Services, Inc. These funds are held in the District's name and invested in money market and mutual fund investments.

Credit Risk – Credit risk is the risk that the issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are held in the possession of an outside party.

Interest Rate Risk – Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair market value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Concentration of Credit Risk – The District's investment policy places no limit on the amount the District may invest in any one issuer.

Risks and Uncertainties – The District invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the account balances and the amounts reports in the statement of fiduciary net position.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The initial cost of the investments was $108,650. Investments at June 30, 2019, consist of the following:

	Fair Value
Money Market Funds	$ 4,946
Mutual Funds	139,275
Total	144,221

All fair values listed above are valued using quoted market prices (Level 1 inputs).

While such investments are not in conformity with state law, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Marion County School District Finance Corporation in the original amount aggregating $20,719,000.

The original amount of each issue and interest rates are summarized below:

2012 Refunding	3,210,000	1.25% - 2.125%
2012 Series B	1,030,000	1.70% - 3.25%
2012 Refunding, Series C	4,750,000	1.00% - 2.375%
2014 Refunding	5,645,000	1.00% - 3.50%
2015	3,524,000	1.00% - 3.75%
2015 Series A	815,000	1.30% - 3.50%
2015 Series B	1,745,000	0.40% - 1.5%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by Marion County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice if its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2019, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2019-20	1,345,000	440,127	414,136	1,370,992
2020-21	1,310,000	422,715	345,083	1,387,632
2021-22	1,355,000	396,253	344,232	1,407,020
2022-23	1,385,000	367,888	343,382	1,409,506
2023-24	1,380,000	328,026	287,925	1,420,101
2024-25	1,425,000	295,414	291,426	1,428,988
2025-26	1,435,000	261,289	264,982	1,431,307
2026-27	1,305,000	224,365	186,940	1,342,425
2027-28	1,340,000	184,107	185,291	1,338,816
2028-29	1,400,000	141,161	188,503	1,352,658
2029-30	1,425,000	94,428	154,130	1,365,298
2030-31	380,000	64,775	69,225	375,550
2031-32	400,000	51,975	67,113	384,862
2032-33	355,000	38,494	0	393,494
2033-34	380,000	26,450	0	406,450
2034-35	400,000	13,563	0	413,563
	17,020,000	3,351,030	3,142,368	17,228,662

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	18,365,000	0	1,345,000	17,020,000	1,345,000
KSBIT Assessment	111,426	0	37,143	74,283	37,143
Capital Leases	99,830	0	31,108	68,722	33,229
Net Pension Liability	7,312,416	230,364	0	7,542,780	0
Net OPEB Liability	11,727,083	0	708,732	11,018,351	0
Accrued Sick Leave	502,516	501,486	125,675	878,327	153,144
Total Governmental Activities:	38,118,271	731,850	2,247,658	36,602,463	1,568,516
Proprietary Activities:					
Net OPEB Liability	470,801	0	83,287	387,514	0
Net Pension Liability	1,858,780	62,347	0	1,921,127	0
Total Long-Term Liabilities:	40,447,852	794,197	2,330,945	38,911,104	1,568,516

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	814,396			814,396
Construction		5,936		5,936
Depreciable Assets:				
Buildings & Building Improvements	50,301,570			50,301,570
Technology Equipment	3,562,827	45,013	220,973	3,386,867
Vehicles	3,839,550	292,680	317,635	3,814,595
General Equipment	958,621	29,643	13,272	974,992
TOTAL AT HISTORICAL COST	59,476,964	373,272	551,880	59,298,356
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	24,035,441	1,438,609		25,474,050
Technology Equipment	3,013,114	196,353	216,415	2,993,052
Vehicles	2,550,042	239,614	317,635	2,472,021
General Equipment	649,457	48,014	9,723	687,748
TOTAL ACCUMULATED DEPRECIATION	30,248,054	1,922,590	543,773	31,626,871
GOVERNMENTAL ACTIVITIES CAPITAL NET	29,228,910	(1,549,318)	(8,107)	27,671,485
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	18,563			18,563
General Equipment	778,965	28,518		807,483
TOTALS AT HISTORICAL COST	797,528	28,518	-	826,046
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	14,627	2,122		16,749
General Equipment	679,267	22,274		701,541
TOTAL ACCUMULATED DEPRECIATION	693,894	24,396	-	718,290
PROPRIETARY ACTIVITIES CAPITAL NET	103,634	4,122	-	107,756

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	1,458,180
Student Support Services	4,020
Staff Support Services	9,658
District Administration	126,054
School Administration	10,923
Business Support Services	88
Plant Operation & Maintenance	80,113
Student Transportation	232,738
Community Service Operations	816
TOTAL	1,922,590

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from http://kyret.ky.gov/.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	$	9,463,907
Commonwealth's proportional share of the TRS net pension liability associated with the District		63,065,214
	$	72,529,121

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2018, the District's proportion was 0.155393% percent.

For the year ended June 30, 2019, the District recognized pension expense of $1,610,143 related to CERS and $4,956,562 related to TRS. The District also recognized revenue of $4,956,562 for TRS support provided by the Commonwealth. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 308,686	$ 138,532
Changes of assumptions	924,899	-
Net difference between projected and actual earnings on pension plan investments	440,079	553,556
Changes in proportion and differences between District contributions and proportionate share of contributions	161,639	43,487
District contributions subsequent to the measurement date	575,994	-
Total	$ 2,411,297	$ 735,575

$575,994 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	852,755
2021	415,764
2022	(117,997)
2023	(50,794)
2024	-

Actuarial assumptions—The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Projected salary increases	4.0-8.2%, includes inflation
Cost of living adjustments	1.50% annually
Inflation rate	3.50%

County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	6.25%, net of pension plan investment expenses, including inflation
Projected salary increases	3.05% average, includes inflation
Inflation rate	2.30%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories	8.00%	3.30%
Real Estate	6.00%	3.80%
Private Equity	7.00%	6.3%
Cash	2.0%	.9%
Total	100.0%	

For CERS the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	**17.50%**	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non U.S. Equity	**17.50%**	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	11,914,079	9,463,907	7,411,092
TRS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	0	0	0

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/financial-reports-information.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2019, the Marion County District reported a liability of $8,647,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .24921 percent, compared to .25375 percent June 30, 2017.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 8,647,000
State's proportionate share of the net OPEB liability associated with the District	7,452,000
Total	$16,099,000

For the year ended June 30, 2019, the District recognized OPEB expense of $290,814 and revenue of $387,008 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 443,108
Changes of assumptions	118,699	-
Net difference between projected and actual earnings on pension plan investments	-	35,449
Changes in proportion and differences between District contributions and proportionate share of contrbutions	48,339	-
District contributions subsequent to the measurement date	467,946	-
Total	634,984	478,557

Of the total amount reported as deferred outflows of resources related to OPEB, $467,946 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	$ (63,915)
2020	(63,915)
2021	(63,915)
2022	(47,802)
2023	(51,025)
Thereafter	(20,947)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and Older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B Premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Municipal Bond Index Rate	3.56%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Additional Categories	20.0%	3.3%
Cash	1.0%	0.9%
Total	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	10,140,000	8,647,000	7,403,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	7,170,000	8,647,000	10,469,000

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

Plan description – Life Insurance Plan – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

At June 30, 2018, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB liability associated with the District	128,000
Total	$ 128,000

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4.00-8.10%, including inflation
Inflation rate	3.5%
Real Wage Growth	0.50%
Wage Inflation	4.00%
Municipal Bond Index Rate	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2016 valuation were based on a review of recent plan experience done concurrently with the June 30, 2016 valuation.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

Asset Class*	**Target Allocation**	**30 Year Expected Geometric Real Rate of Return**
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estaet	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.3%
Cash	2.0%	90.0%
Total	100.0%	

**As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return.*
***Modeled as 50% High Yield and 50% Bank Loans.*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

County Employees' Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Marion County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member's initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	Paid By Insurance Fund (%)
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy tenths percent (4.70%) of the gross annual payroll of members is contributed for the year ended June 30, 2018 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2019, the Marion County District reported a liability of $2,758,865 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .155387 percent as compared to .156684 percent at June 30, 2017.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ 2,758,865
State's proportionate share of the net OPEB liability associated with the District	-0-
Total	$ 2,758,865

For the year ended June 30, 2019, the District recognized OPEB expense of $307,002. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 321,509
Changes of assumptions	550,986	6,374
Net difference between projected and actual earnings on pension plan investments	-	190,032
Changes in proportion and differences between District contributions and proportionate share of contrbutions	-	34,806
District contributions subsequent to the measurement date	234,296	-
Total	785,282	552,721

Of the total amount reported as deferred outflows of resources related to OPEB, $234,296 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2019	$ 2,985
2020	2,985
2021	2,985
2022	39,893
2023	(30,789)
Thereafter	(19,794)

Actuarial assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pat
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% average
Inflation rate	2.30%
Payroll Growth Rate	4.00%
Wage Inflation	3.50%

Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table Projected with Scale BB to 2013 (Set-back for one year for females) For Disabled members, the RP-2000 Combined Disability Mortality Table projected with Scale BB to 2013(set back four years for males) is used for period after disability retirement.

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	**17.50%**	
U.S. Large Cap	5.00%	4.50%
U.S. Mid Cap	6.00%	4.50%
U.S. Small Cap	6.50%	5.50%
Non U.S. Equity	**17.50%**	
International Developed	12.50%	2.63%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	**24.00%**	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.0%	1.5%
Total	100.0%	6.09%

Discount rate - The discount rate used to measure the total OPEB liability was 5.85%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.85%	5.85%	6.85%
District's proportionate share of net OPEB liability	3,583,324	2,758,865	2,056,577

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Systems' net pension liability	2,054,003	2,758,865	3,589,696

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

NOTE I – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of $1,437,589 at June 30, 2019. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	8,635
Debt Service Fund	1,307,712

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	60,035
Operating	Capital Outlay	General	Operations	285,876
Operating	General	Debt Service	Debt Service	138,112
Operating	Building	Debt Service	Debt Service	988,274
Operating	Special Revenue	Debt Service	Debt Service	181,326
			Total Transferred Funds	1,653,623

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2019.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 25, 2019, the date the financials were available for release. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2019, $9,178,527 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	$4,569,554
Teachers Retirement System (GASB 75)	387,008
Health Insurance	3,498,543
Life Insurance	5,629
Administrative Fee	46,231
HRA/Dental/Vision	208,800
Federal Reimbursement	(139,321)
Technology	102,365
SFCC Debt Service Payments	499,718
Total	$9,178,527

NOTE R – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between $50 million and $60 million. As of June 30, 2019, Marion County School District's remaining assessment is valued at $74,283. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year Ending June 30,	KSBIT Assessment Payable
2020	37,143
2021	37,140
Total	74,283

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	8,171,226	8,171,226	8,567,474	396,248
Other Local Sources	147,500	147,500	233,914	86,414
State Sources	12,155,601	12,155,601	20,893,535	8,737,934
Federal Sources	150,000	150,000	206,897	56,897
Other Sources	153,000	153,000	487,123	334,123
TOTAL REVENUES	20,777,327	20,777,327	30,388,943	9,611,616
EXPENDITURES:				
Instructional	13,599,394	13,599,394	20,076,001	(6,476,607)
Student Support Services	944,619	944,619	1,043,229	(98,610)
Staff Support Services	1,005,596	1,005,596	1,112,184	(106,588)
District Administration	879,083	879,083	986,187	(107,104)
School Administration	1,243,208	1,243,208	1,491,546	(248,338)
Business Support Services	836,567	836,567	907,278	(70,711)
Plant Operation & Maintenance	2,112,051	2,112,051	2,074,930	37,121
Student Transportation	1,715,657	1,715,657	2,027,426	(311,769)
Community Service Operations	63,875	63,875	50,305	13,570
Debt Service	0	0	36,777	0
Other	298,113	298,113	198,146	99,967
TOTAL EXPENDITURES	22,698,163	22,698,163	30,004,009	(7,269,069)
NET CHANGE IN FUND BALANCE	(1,920,836)	(1,920,836)	384,934	2,342,547
FUND BALANCES - BEGINNING	1,920,836	1,920,836	6,139,176	0
FUND BALANCES - ENDING	0	0	6,524,110	2,342,547

On-behalf payments totaling $8,502,893 are not budgeted by Marion County School District.

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	126,429	126,429	112,905	(13,524)
State Sources	1,205,711	1,205,711	1,503,533	297,822
Federal Sources	2,372,964	2,372,964	2,449,505	76,541
Other Sources	0	0	61,536	61,536
TOTAL REVENUES	3,705,104	3,705,104	4,127,479	422,375
EXPENDITURES:				
Instructional	3,156,162	3,156,162	3,299,078	(142,916)
Student Support Services	85,269	85,269	99,793	(14,524)
Staff Support Services	9,860	9,860	193,995	(184,135)
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Support Services	0	0	0	0
Plant Operation & Maintenance	0	0	13,096	(13,096)
Student Transportation	0	0	0	0
Food Service Operations	6,000	6,000	1,265	4,735
Community Service Operations	309,731	309,731	304,457	5,274
Adult Education	36,634	36,634	34,469	2,165
Facility Acquisition & Construction	0	0	0	0
Other	101,448	101,448	181,326	(79,878)
TOTAL EXPENDITURES	3,705,104	3,705,104	4,127,479	(422,375)
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	$ -	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	96,394,423	106,254,758	135,901,392	129,140,223	63,065,214
TOTAL	$ 96,394,423	$ 106,254,758	$ 135,901,392	$ 129,140,223	$ 63,065,214
District's covered-employee payroll	$ 14,732,249	14,399,066	15,081,686	15,772,834	15,598,190
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019
District's proportion of net pension liability	0.149159%	0.144760%	0.147930%	0.156684%	0.155393%
District's proportionate share of the net pension liability	$ 4,839,279	6,353,138	7,283,415	9,171,196	9,463,907
State of Kentucky's share of the net pension liability associated with the district	$ -	-	-	-	-
TOTAL	4,839,279	6,353,138	7,283,415	9,171,196	9,463,907
District's covered-employee payroll	$ 3,469,620	3,544,319	3,828,762	3,932,344	3,551,136
District's proportionate share of the net pension liability as a percentage of its covered-payroll	157.02%	139.48%	190.23%	233.22%	266.50%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019
Contractually required contributions (actuarially determined)	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 14,732,249	$ 14,399,066	$ 15,081,686	$ 15,772,834	$ 15,598,190
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019
Contractually required contributions (actuarially determined)	$ 442,377	$ 440,446	$ 542,219	$ 569,403	$ 575,994
Contributions in relation to the actuarially determined contributions	442,377	440,446	542,219	569,403	575,994
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 3,469,620	$ 3,544,319	$ 3,828,762	$ 3,932,344	$ 3,551,136
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.156684%	0.155387%
District's proportionate share of the net OPEB liability	3,149,884	2,758,865
State of Kentucky's share of the net OPEB liability associated with the district	-	-
TOTAL	3,149,884	2,758,865
District's covered-employee payroll	3,932,344	3,551,136
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	80.10%	77.69%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.2537%	0.2492%
District's proportionate share of the net OPEB liability	9,048,000	8,647,000
State of Kentucky's share of the net OPEB liability associated with the district	7,391,000	7,452,000
TOTAL	16,439,000	16,099,000
District's covered-employee payroll	$ 15,772,834	$ 15,598,190
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.36%	55.44%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
District's proportion of net OPEB liability	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-
State of Kentucky's share of the net OPEB liability associated with the district	99,000	128,000
TOTAL	99,000	128,000
District's covered-employee payroll	$ 15,772,834	$ 15,598,190
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	$ 184,820	$ 186,790
Contributions in relation to the actuarially determined contributions	184,820	186,790
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 3,932,344	$ 3,551,136
Contributions as a percentage of Covered employee payroll	4.70%	5.26%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	$ 444,141	$ 467,946
Contributions in relation to the actuarially determined contributions	444,141	467,946
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 14,804,699	$ 15,598,190
Contributions as a percentage of Covered employee payroll	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MARION COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	2018	2019
Contractually required contributions (actuarially determined)	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 15,772,834	$ 15,598,190
Contributions as a percentage of Covered employee payroll	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.00 to 8.20 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015
The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%

The assumed inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females)

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 20013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016
There were no changes of assumptions for the year ended June 30, 2016.

2017
The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018
There were no changes in assumptions

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2023
Ages 65 and older	5.75% for FY 2017 decreasing to an ultimate rate of 5.00% by FY 2020
Medicare Part B premiums	1.02% for FY 2017 with an ultimate rate of 5.00% by 2029
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	28 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	4.0 percent, average
Investment Rate of Return	7.5 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.5% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY INFORMATION

MARION COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	CONSTRUCTION FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	53,502	3,813	85,061	142,376
TOTAL ASSETS	53,502	3,813	85,061	142,376
LIABILITIES AND FUND BALANCES:				
Accounts Payable	5,936	0	0	5,936
Total Liabilities	5,936	0	0	5,936
Fund Balance:				
Restricted for:				
Capital Projects	47,566			47,566
Debt Service		3,813		3,813
School Activities			85,061	85,061
Total Fund Balance	47,566	3,813	85,061	136,440
TOTAL LIABILITIES AND FUND BALANCES	53,502	3,813	85,061	142,376

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	CONSTRUCTION FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Earnings from Investments	376			376
Intergovernmental - State		499,718	390	500,108
Other Sources			69,835	69,835
TOTAL REVENUES	376	499,718	70,225	570,319
EXPENDITURES:				
Instructional			51,420	51,420
Support Services:				
Staff Support Services			1,504	1,504
Plant Operations & Maintenance	3,075			3,075
Facilities Acquisition & Construction	5,936			5,936
Debt Service:				
Principal		1,345,000		1,345,000
Interest		462,430		462,430
TOTAL EXPENDITURES	9,011	1,807,430	52,924	1,869,365
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(8,635)	(1,307,712)	17,301	(1,299,046)
OTHER FINANCING SOURCES(USES):				
Operating Transfers In - Note N		1,307,712		1,307,712
TOTAL OTHER FINANCING SOURCES(USES)	0	1,307,712	0	1,307,712
NET CHANGE IN FUND BALANCES	(8,635)	0	17,301	8,666
FUND BALANCES - BEGINNING	56,201	3,813	67,760	127,774
FUND BALANCES - ENDING	47,566	3,813	85,061	136,440

See independent auditor's report and accompanying notes to financial statements.

MARION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	FUND BALANCE JULY 1, 2018	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2019
Marion County High School	120,191	431,297	470,668	80,820
Charitable Gaming	500	158	157	501
Marion County Middle School	38,733	63,252	73,347	28,638
Marion County Knight Academy	17,037	72,969	69,478	20,528
Lebanon Elementary School	6,110	42,364	39,951	8,523
Calvary Elementary School	5,974	51,170	50,147	6,997
Charitable Gaming	500	-	-	500
Glasscock Elementary School	20,217	65,416	67,000	18,633
West Marion Elementary School	19,871	44,145	54,263	9,753
Total Activity Funds (Due to Student Groups)	229,133	770,771	825,011	174,893

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	CASH BALANCE JULY 1, 2018	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2019	ACCOUNTS RECEIVABLE JUNE 30, 2019	ACCOUNTS PAYABLE JUNE 30, 2019	FUND BALANCE JUNE 30, 2019
Academic Team	0	264	0	264	0	0	264
AP Account	0	12,714	12,714	0	0	0	0
AP Govt	5	0	(12)	17	0	0	17
AP Psych	10	0	10	0	0	0	0
AP Social Studies	83	10	0	93	0	0	93
Art Department	0	3,146	2,979	167	0	0	167
ASL	5	0	5	0	0	0	0
Band	1,786	9,621	11,242	165	0	0	165
Chorus	23	3,533	2,495	1,061	0	0	1,061
Beta Club	882	60,502	60,728	656	0	0	656
Beta - NHS Charitable	538	4,569	4,726	381	0	0	381
Central KY Beta Inv	3	696	632	67	0	0	67
Business Ed Department	1,187	19,023	18,245	1,965	0	0	1,965
Class of 2018	7,419	0	7,419	0	0	0	0
Class of 2019	2,910	22,499	21,864	3,545	0	0	3,545
Class of 2020	1,910	595	0	2,505	0	0	2,505
Class of 2021	0	510	0	510	0	0	510
FCCLA	1,313	10,759	11,641	431	0	0	431
FFA	1,189	29,611	26,494	4,306	0	0	4,306
FCA	0	38	0	38	0	0	38
Journalism	36	320	356	0	0	0	0
FMD	121	0	108	13	0	0	13
General	19,770	21,876	33,459	8,187	0	0	8,187
Graphic Designs	1,306	1,365	693	1,978	0	0	1,978
HCS Academy	128	0	128	0	0	0	0
Key Club	792	0	792	0	0	0	0
Library	0	1,515	1,515	0	0	0	0
National Honor Society	183	1,605	1,654	134	0	0	134
Pep Club	54	195	244	5	0	0	5
Project Lead the Way	104	1,615	1,719	0	0	0	0
PLTW Alumni Acct	350	0	0	350	0	0	350
Ultimate Frisbee	33	0	33	0	0	0	0
ROTC	8,839	16,660	19,182	6,317	0	0	6,317
Sandra Owen Scholar	760	0	760	0	0	0	0
Student Ambassador	411	1,394	1,375	430	0	0	430
Student Council	524	1,590	2,080	34	0	0	34
Student of the Week	231	0	0	231	0	0	231
Teachers' Activity	165	1,241	1,192	214	0	0	214
TSA	318	315	309	324	0	0	324
Yearbook Journalism	8,511	9,746	9,905	8,352	0	0	8,352
Peers Over Pressure	1,564	785	848	1,501	0	0	1,501

FEA	21	0	0	21	0	0	21
Athletic Department	14,006	72,412	81,847	4,571	0	0	4,571
Baseball	1,902	3,560	4,270	1,192	0	0	1,192
Bass Fishing Team	775	2,538	2,787	526	0	0	526
Boys' Basketball	670	2,992	2,800	862	0	0	862
Boys' Soccer	2,179	2,005	1,960	2,224	0	0	2,224
Tennis	440	770	212	998	0	0	998
Cheerleaders	2,483	8,600	11,083	0	0	0	0
Cross Country	196	962	722	436	0	0	436
Football	924	9,991	10,915	0	0	0	0
Girls' Basketball	4,834	36,972	41,806	0	0	0	0
Girls' Soccer	2,330	2,474	4,330	474	0	0	474
Track	2,720	2,816	4,444	1,092	0	0	1,092
Golf	2,053	4,275	5,702	626	0	0	626
Softball	973	3,483	2,697	1,759	0	0	1,759
Swim Team	1,148	1,630	2,240	538	0	0	538
Volleyball	1,665	31,883	30,115	3,433	0	0	3,433
Concessions	1,565	44,272	44,835	1,002	0	0	1,002
Uniform Rotation Ac	12,079	14,637	11,639	15,077	0	0	15,077
Start Up Change	0	12,800	12,800	0	0	0	0
Heather Garrett Sch	1,135	0	0	1,135	0	0	1,135
Nancy Colvin Sch	1,099	760	1,500	359	0	0	359
Coach Rob Scholarship	1,531	723	2,000	254	0	0	254
DAF Instruction	0	23,410	23,410	0	0	0	0
DAF Athletics	0	6,117	6,117	0	0	0	0
DAF Library	0	995	995	0	0	0	0
DAF Building/Grounds M&R	0	1,803	1,803	0	0	0	0
Total All Funds	120,191	531,192	570,563	80,820	0	0	80,820
Interfund Transfers	0	(99,895)	(99,895)	0	0	0	0
Total	120,191	431,297	470,668	80,820	0	0	80,820

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS THROUGH NUMBER (if applicable)	MUNIS PROJECT NUMBER	EXPENDITURES
U.S. Department of Education				
Passed-Through Kentucky Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310B	137
Title I - Grants to Local Educational Agencies	84.010	3100002	310C	4,686
Title I - Parent Involvement	84.010	3100002	310CM	3,356
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	558,697
Title I - Parent Involvement	84.010	3100002	310DM	10,273
Title I - Grants to Local Educational Agencies	84.010	3100002	310E	611,385
Title I - Parent Involvement	84.010	3100002	310EM	1,572
Title I - Educational Recovery Special (MOA)	84.010	3100002	320DE	199
Title I - Educational Recovery Special (MOA)	84.010	3100002	320EE	116,935
Title I Cluster Total				1,307,240
Migrant Education - State Grant Program	84.011	3110002	311C	3,097
Migrant Education - State Grant Program	84.011	3110002	311D	32,298
Migrant Education - State Grant Program	84.011	3110002	311E	64,398
Migrant Education Cluster Total				99,793
IDEA - Special Education - Grants to State	84.027	3810002	337CP	1,942
IDEA - Special Education - Grants to State	84.027	3810002	337D	478,597
IDEA - Special Education - Grants to State	84.027	3810002	337DP	16,003
IDEA - Special Education - Grants to State	84.027	3810002	337E	200,573
IDEA - Special Education - Preschool Grants	84.173	3800002	343DP	526
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	51,123
IDEA - Special Education - Preschool Grants	84.173	3800002	343EP	81
Special Education Cluster Total				748,845
Perkins Vocational Education	84.048	3710002	348DA	946
Perkins Vocational Education	84.048	3710002	348E	24,766
Perkins Vocational Education Total				25,712
Community Based Work Transition	84.341	371C	371C	5,297
Community Based Work Transition	84.341	371D	371D	34,960
Community Based Work Transition Total				40,257
Adult Education	84.002	1700001246	365B	103
Adult Education	84.002	1700001246	365C	219
Adult Education	84.002	1700001246	365E	18,722
Adult Education	84.002	1700001246	373C	240
Adult Education	84.002	1700001246	373E	26,857
Adult Education Total				46,141

Title II - Part A - Teacher Quality Enhancement Grants	84.367	3230002	401E	69,801	
Title IV, Part A - Student Support and Academic Enrichment	84.424	342002	552D	22,701	
Title IV, Part A - Student Support and Academic Enrichment	84.424	342002	552E	24,744	
Title IV Total				47,445	
Rural and Low Income Schools	84.358	3140002	350A	20	
Rural and Low Income Schools	84.358	3140002	350C	29,593	
Rural and Low Income Schools	84.358	3140002	350D	45,194	
Rural and Low Income Schools Total				74,807	
Total U.S. Department of Education				2,460,041	
U.S. Department of Agriculture					
Passed-Through State Department of Education					
Summer Meal Program	10.559	7690024-18	7690024-18	3,277	
Summer Meal Program	10.559	7690024-19	7690024-19	262	
Summer Meal Program	10.559	7740023-18	7740023-18	31,266	
Summer Meal Program	10.559	7740023-19	7740023-19	2,506	
National School Lunchroom	10.555	7750002-18	7750002-18	289,539	
National School Lunchroom	10.555	7750002-19	7750002-19	1,073,632	
School Breakfast Program	10.553	7760005-18	7760005-18	127,708	
School Breakfast Program	10.553	7760005-19	7760005-19	479,415	
Child Nutrition Cluster				2,007,605	*
Child & Adult Care Food Program	10.558	7790021-18	7790021-18	14,114	
Child & Adult Care Food Program	10.558	7790021-19	7790021-19	89,933	
Child & Adult Care Food Program	10.558	7800016-18	7800016-18	1,002	
Child & Adult Care Food Program	10.558	7800016-19	7800016-19	6,385	
Child & Adult Care Food Program Total				111,434	
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-16	7840027-16	24,352	
Passed-Through State Department of Agriculture					
Commodity Supplemental Food Program	10.565	057502-10	057502-10	153,247	
Total U.S. Department of Agriculture				2,296,638	
Total Federal Financial Assistance				4,756,679	

* Tested as major program

MARION COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Marion County School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Marion County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Marion County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are present where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Section I – Summary of Auditor's Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _______ Yes __X__ None Reported

Noncompliance material to financial statements noted? _______ Yes __X__ No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _______ Yes __X__ None Reported

Type of auditor's report issued on compliance for major programs (unmodified):

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _______ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.559/10.555/10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2019

There were no prior year audit findings.

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October 25, 2019

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Education
Marion County School District
Lebanon, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements, and have issued our report thereon dated October 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marion County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marion County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.* In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements.*

We noted certain matters that we reported to management of Marion County School District in a separate letter dated October 25, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 25, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board of Education
Marion County School District
Lebanon, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Marion County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Marion County School District's major federal programs for the year ended June 30, 2019. Marion County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marion County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report.* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Marion County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Marion County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Marion County School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Marion County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements. We issued our report thereon dated October 25, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 25, 2019

MANAGEMENT LETTER

Members of the Board of Education
Marion County School District
Lebanon, Kentucky

In planning and performing our audit of the financial statements of Marion County School District for the year ended June 30, 2019, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendations – School Activity Funds:

2018-1 Prior Year Recommendation

During prior year testing, one instance was found at Glasscock Elementary School of purchase orders approved after the charge was incurred. We recommend that all disbursements be supported by a purchase order that has been properly approved prior to the date the charge is incurred in accordance with Redbook policies and procedures.

Current Year Status and Recommendation:

During current year testing, two instances were noted at Glasscock Elementary School of a charge occurring prior to the issuance of a purchase order. Again, we recommend that a purchase order be issued prior to a charge occurring.

Management Response

We will take measures to ensure that purchase orders are completed and approved prior to charges being incurred.

Prior Year District Recommendations:

2017-4 Prior Year Recommendation:

During testing, 2 instances were found where purchase orders were not properly completed and approved prior to funds being obligated. More specifically, for one of the instances, the purchase order was completed after the invoice date. For the second instance, the purchase order did not contain all of the proper signatures. We recommend that all purchase orders be properly completed and approved prior to funds being obligated.

Current Year Status and Recommendation:

During current year testing, two instances were noted of a purchase order not being properly completed and approved prior to funds being obligated. We recommend that all disbursements be supported by a purchase order that has been properly approved prior to the date the charge is incurred in accordance with District policies and procedures.

Management Response:

We will take measures to ensure that purchase orders are completed and approved prior to charges being incurred.

Current Year District Recommendations:

2019-1 – Current Year District Recommendation

During the current payroll testing, an administrative assistant's pay was misallocated between departments. The employee's pay was divided equally among three departments but the corresponding work for the departments was not necessarily equal to one-third of the employee's time. It is noted that the misallocated portion of pay was not material. However, it warrants management's attention so that it can be corrected and prevented in future years. We recommend that the pay allocation reflect time actually worked by department.

Management Response:

We will charge time to each department based on time worked.

Current Year Recommendations – School Activity Funds:

2019-2 – Current Year Recommendation

During current year testing, two instances were noted at Marion County Middle School, two instances were noted at Marion County High School, one instance at Lebanon Elementary School, and one instance at Marion County Knight Academy of charges occurring prior to the issuance of a purchase order. Again, we recommend that a purchase order be issued prior to a charge occurring.

Management Response

We will take measures to ensure that purchase orders are completed and approved prior to charges being incurred.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 25, 2019

Members of the Board of Education
Marion County School District
Lebanon, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Auditing Findings:</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Marion County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by Marion County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 25, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Marion County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Marion County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 56 and 57, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 58-59 and 62-64, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 60-61 and 65-67, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Marion County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants