Allen County School District

Financial Statements

June 30, 2019



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Join Our Conversation





Independent Auditors' Report

Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District Scottsville, Kentucky Carr, Riggs & Ingram, LLC

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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 the Allen County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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

Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District

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 the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the 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, and select pension/OPEB information on pages 4 through 12 and 72 through 83 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic 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* (CFR) 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.

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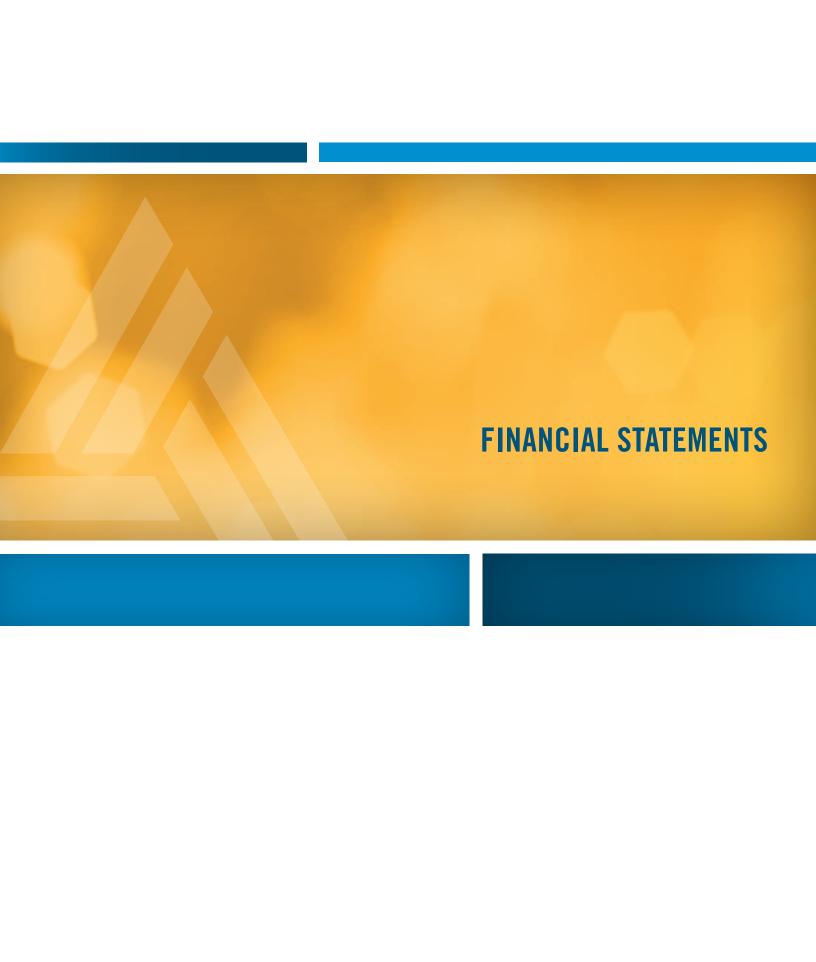
The combining and individual nonmajor fund financial statements and other information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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, other information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of Allen 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 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 the District's internal control over financial reporting and compliance.

Can, Rigge & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC Bowling Green, KY November 12, 2019





As management of the Allen County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The district maintains 6 schools and education centers, serving approximately 3,000 students. An effort to centralize our schools has provided educational benefits in addition to good physical management. We have a campus of approximately 200 acres of which there is still land available for future construction to meet our long-range educational needs. Allen County is very proud of our facilities and our ability to maintain them; nevertheless, our main purpose is educating kids and providing quality instructional resources and staff which we are able to do with our general fund dollars.
- The District continues to be concerned about the drain on the General Fund. Concerted efforts were made to curb the declining balance by continuing to provide additional monies into the general fund from local tax revenues. Because the state has allowed use of Capital Outlay Funds, the District transferred Capital Outlay funds to the General Fund to offset allowable operational expenditures.
- The Superintendent and Finance department working in conjunction with other district leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources.
- The Superintendent and Finance department worked with staff to review and implement sound fiscal practices in utilizing school funding.
- A concerted effort was focused on purchasing in the areas of supplies and food, resulting in several economies due to changed management strategies. The District utilizes multi-district cooperative bidding through the Green River Regional Educational Cooperative, Kentucky Educational Development Corporation, as well as, taking advantage of state and federal bidding opportunities for purchasing of supplies and food.
- Local Revenue is divided 65% / 35% between the general fund and the building fund respectively. We have no occupational, utility or excise taxes.
- Excluding inter-fund transfers, the General Fund had \$25.0 million in revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky), and local property and motor vehicle taxes. There was \$25.6 million in General Fund expenditures.
- The District continues to evaluate policies & procedures dealing with fixed assets and GASB reporting. The District is responsible for ensuring that inventories, values and depreciation are correctly reported on the Annual Financial Report.



OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three components - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include government-wide financial statements and fund financial statements, which reflect different perspectives of the District's financial operations.

The government-wide financial statements consist of two statements: *Statement of Net Position* and *Statement of Activities*. These statements provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual funds of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements reflect how operations were financed in the short term as well as what remains for future spending. The proprietary funds statements show short-term and long- term financial information about the activity the District operates like a business (food service). Fiduciary funds statements provide information on financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include Notes to Financial Statements that provide more detailed and additional information that is essential to a full understanding of the data provided in the basic government-wide and fund financial statements. Following the statements is Required Supplementary Information that further supports the financial statements with a comparison of the District's budget for the year and schedules of pension proportionate liability and contributions.

The Notes to Financial Statements can be found on pages 27 through 71 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using the accrual basis of accounting similar to that which is used by private-sector businesses. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or disbursed.

The two government-wide statements report the District's net position - the difference between the District's total assets, deferred items, and total liabilities, and how they have changed. Increases or decreases in the net position over time may be an indicator of the District's financial position. One must consider, however, additional factors in assessing the overall financial position of the District such as Kentucky's funding from the state's general budget, the District's local tax base, educational programs and expenditures required by law regardless of funding, and other factors.



The District's activities are divided into two categories in the government-wide financial statements:

Governmental Activities - Most of the District's services are included here such as instruction, student and administrative support, operation and maintenance of facilities, and pupil transportation. Capital assets and long-term obligations are also included. Locally assessed taxes and intergovernmental revenues principally support these governmental activities.

Business-Type Activities - These activities are partially funded by charges for the goods and services provided. The District's food service is reported as a business-type activity. Food service is also partially funded by federal and state grants.

The most striking difference between the District and a private-sector company is the source of revenues. Unlike most private-sector businesses, the assets of the District exist to provide services to students and do not generate revenue. The major revenue sources include Kentucky's Seek Excellence in Education Funding (SEEK), the state's school funding formula appropriated from its biennial general budget, and locally assessed taxes. Current and future operations, including the payment of related debt on capital assets, are dependent upon these funding sources continuing at adequate levels.

Government-wide financial statements can be found on pages 13 through 16 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information regarding the District's accounting funds as opposed to the District as a whole, focusing on the District's major funds. A fund is a grouping of related accounts used to segregate sources of funding and spending on particular programs or activities. The District's funds are mandated by the state as part of a statewide uniform system of accounting for school districts to ensure compliance with finance and legal requirements. The District's major funds are the General Fund, Special Revenue Fund, and Debt Service Fund. The District has three types of funds:

Governmental Funds - Most of the District's services and activities are included in governmental funds which focus on cash inflows and outflows and the balances remaining at year-end that are available for future spending. The modified accrual method of accounting is used to report these funds, which measures cash and financial assets that can be readily converted to cash. Therefore, the governmental funds statements provide a detailed short-term view to help indicate the financial resources available to finance the District's programs in the near future. Since the governmental funds statements do not encompass the additional long-term focus of the government-



wide statements, a reconciliation of the differences is provided in the financial statements.

Proprietary Funds - The District's proprietary fund is the food service fund. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary Funds – The District is fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. The District's fiduciary funds consist of student activities funds. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 17 through 26 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 exceeded liabilities by \$9.5 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.



NET POSITION

A summary of the net position for 2019 and 2018 are as follows:

		2019		2018								
	Governmental	Business Type		Governmental	Business Type							
	Activities	Activities	Total	Activities	Activities	Total						
Current Assets	\$ 4,191,620	\$ 1,212,330	\$ 5,403,950	\$ 8,988,917	\$ 1,007,308	\$ 9,996,225						
Noncurrent Assets	54,739,366	359,662	55,099,028	64,859,933	368,623	65,228,556						
Total Assets	\$ 58,930,986	\$ 1,571,992	\$ 60,502,978	\$ 73,848,850	\$ 1,375,931	\$ 75,224,781						
Deferred Outflows of Resources	\$ 3,222,484	\$ 454,347	\$ 3,676,831	\$ 3,254,407	\$ 561,218	\$ 3,815,625						
Current Liabilities	\$ 829,872	\$ -	\$ 829,872	\$ 3,476,471	\$ 3,143	\$ 3,479,614						
Noncurrent Liabilities	47,356,681	1,794,438	49,151,119	55,924,274	1,725,965	57,650,239						
Total Liabilities	\$ 48,186,553	\$ 1,794,438	\$ 49,980,991	\$ 59,400,745	\$ 1,729,108	\$ 61,129,853						
Deferred Inflows of Resources	\$ 4,458,552	\$ 190,618	\$ 4,649,170	\$ 866,673	\$ 131,979	\$ 998,652						
Net Position												
Invested in Capital Assets, Net												
of Related Debt	\$ 25,785,317	\$ 359,662	\$ 26,144,979	\$ 25,071,206	\$ 368,623	\$ 25,439,829						
Restricted	604,123	-	604,123	6,009,134	-	6,009,134						
Unrestricted	(16,881,075)	(318,379)	(17,199,454)	(14,244,501)	(292,561)	(14,537,062)						
Total Net position	\$ 9,508,365	\$ 41,283	\$ 9,549,648	\$ 16,835,839	\$ 76,062	\$ 16,911,901						

<u>Net Position</u>- The net position for FY 2018 was reported at \$16,835,839, but had to be restated to reflect prior year adjustments for construction in progress, OPEB-related deferred outflows of resources, deferred loss of debt refunding, compensated absences, long-term debt, accrued interest on long term debt and deferred gain of debt defeasance.

Most notably was \$8,222,693 construction in progress asset that was incorrectly stated in the 2018 financials. The 2019 total assets reflect the removal of \$8,222,693 from the over-stated entry from the prior year. Another significant item was the estimate for compensated absences which was understated in 2018. The dollar amount should have been reflected as a long-term liability using the calculation of all employees within the district. The incorrect dollar amount only estimated compensated absences qualified for retirement effective June 30, 2018. Which would include only staff members with 27 years of employment or 55 years of age. This discrepancy reflected approximately \$600,000. The resulting restatement of the FY 2018 was \$10,048,331.

The net position for FY 2019 is reported as \$9,508,365 showing a decrease of \$539,966.



REVENUE & EXPENSES

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2019 and June 30, 2018:

		2019		2018							
	Government	Government Business Type		Government	Business Type						
	Activities	Activities	Total	Activities	Activities	Total					
Program Revenues:											
Charges for services	\$ 1,375	\$ 152,709	\$ 154,084	\$ 199,612	\$ 139,109	\$ 338,721					
Operating grants	3,635,778	2,181,809	5,817,587	3,554,970	1,993,932	5,548,902					
Capital grants	2,734,798	-	2,734,798	1,197,711	-	1,197,711					
General Revenues:				-	-	-					
Taxes	6,012,469	-	6,012,469	5,846,581	-	5,846,581					
State aid formula grant	10,987,713	-	10,987,713	25,358,119	-	25,358,119					
Investment earnings	155,792	33,673	189,465	116,844	19,061	135,905					
Miscellaneous	403,124	-	403,124	256,457	-	256,457					
Total Program Revenues	\$ 23,931,049	\$ 2,368,191	\$ 26,299,240	\$ 36,530,294	\$ 2,152,102	\$ 38,682,396					
Transfers	106,500	(106,500)	-	160,420	(160,420)	-					
Total Revenues	\$ 24,037,549	\$ 2,261,691	\$ 26,299,240	\$ 36,690,714	\$ 1,991,682	\$ 38,682,396					
Program Expenses:											
Instruction	\$ 11,432,026	\$ -	\$ 11,432,026	\$ 24,821,410	\$ -	\$ 24,821,410					
Student support	979,237	-	979,237	1,375,247	-	1,375,247					
Instruction staff	708,561	-	708,561	1,024,608	-	1,024,608					
District administration	742,282	-	742,282	905,206	-	905,206					
School administration	1,507,468	-	1,507,468	1,813,735	-	1,813,735					
Business support	957,493	-	957,493	845,967	-	845,967					
Plant operations	3,838,408	-	3,838,408	3,071,456	-	3,071,456					
Student transportation	2,635,323	-	2,635,323	2,341,771	-	2,341,771					
Other	289,263	-	289,263	308,567	-	308,567					
Interest on long-term debt	1,486,810	-	1,486,810	1,550,871	-	1,550,871					
Food service	644	2,296,470	2,297,114	1,266	2,123,183	2,124,449					
Total Expenses	\$ 24,577,515	\$ 2,296,470	\$ 26,873,985	\$ 38,060,104	\$ 2,123,183	\$ 40,183,287					
Net (Decrease)/Increase in Net position	\$ (539,966)	\$ (34,779)	\$ (574,745)	\$ (1,369,390)	\$ (131,501)	\$ (1,500,891					

Govt. Activities – Revenues & Expenses reflect changes due to the on-behalf adjustment for KTRS pension. This is due to the actuary for the KTRS pension plan changing the discount rate from 4.49% in 2018 to 7.50% in 2019. The change in the interest rate made state aid and instruction expense less in 2019 as compared to 2018.

Business-type Activities – School food services (fund 51) increased in total revenue from 2018 to 2019 due to CEP (Community Eligibility Provision) district wide. This is a win-win for the district in that it provides a free meal for each student in the district daily. It also helps the school food service fund standalone financially.

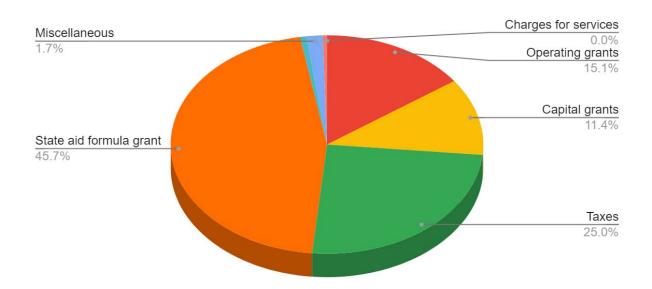
There is a net decrease in net position for government and business type activities. Improvement is shown in 2019 compared to 2018.

The district will be thoroughly analyzing both revenues and expenditures in an effort to maximize available revenue sources and reduce recurring expenditures. Our goal is to have a positive change in the net position in the future.

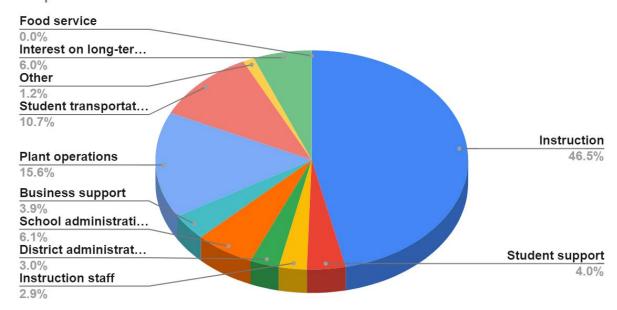
The following graphs reflect the program revenues and expenses for government activities:



Revenues/Transfers



Expenses





Governmental Activities

Instruction and support services continue to be the majority of total expenses for 2019 and 2018.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

	2019 Governm	ental Activities	2018 Governm	rnmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services			
Instruction	\$ 11,432,026	\$ 8,263,162	\$ 24,655,410	\$ 21,665,934			
Support	11,658,679	10,224,035	11,687,823	11,088,717			
Interest on long-term debt	1,486,810	(281,633)	1,550,871	353,160			
Total Expenses	\$ 24,577,515	\$ 18,205,564	\$ 37,894,104	\$ 33,107,811			

Capital Assets

At the end of fiscal year 2019 the School District had \$55 million invested in land, buildings, equipment and construction in progress. The following table shows fiscal year 2019 and 2018 balances:

The table below shows the changes in capital assets for the fiscal years 2019 and 2018:

	Government	tal Activities	Business-Typ	oe Activities	District Total				
	2019	2018	2019	2018	2019	2018			
Land	\$ 1,007,132	\$ 1,021,700	\$ -	\$ -	\$ 1,007,132	\$ 1,021,700			
Land Improvements	1,863,977	2,022,138	4,603	5,087	1,868,580	2,027,225			
Building & Improvements	50,134,628	43,803,886	226,363	232,118	50,360,991	44,036,004			
Technology	303,612	358,483	-	-	303,612	358,483			
Vehicles	515,930	422,636	15,124	-	531,054	422,636			
General	914,087	434,985	113,572	131,418	1,027,659	566,403			
Construction in Progress	-	16,796,105	-	-	-	16,796,105			
Total Governmental Activities	\$ 54,739,366	\$ 64,859,933	\$ 359,662	\$ 368,623	\$ 55,099,028	\$ 65,228,556			
	Government	tal Activities	Business-Typ	Business-Type Activities Distr					
	2019	2018	2019	2018	2019	2018			
Beginning Balance	\$ 56,637,240	\$ 62,973,809	\$ 368,623	\$ 347,615	\$ 57,005,863	\$ 63,321,424			
Additions	9,090,608	3,939,221	17,122	46,595	9,107,730	3,985,816			
Retirements/Reclassifications	(8,868,870)	(340,579)	-	(2,094)	(8,868,870)	(342,673)			
Depreciation	(2,119,612)	(1,712,518)	(26,083)	(23,493)	(2,145,695)	(1,736,011)			
Ending Balance	\$ 54,739,366	\$ 64,859,933	\$ 359,662	\$ 368,623	\$ 55,099,028	\$ 65,228,556			



The district reduced total governmental activities by \$10,000,000 from 2018 to 2019. The majority of this change was due to the \$16,796,105 construction in progress error overstated in 2018. The construction in progress was an EOY adjustment and correctly reflected as \$0 construction in progress 2019.

At June 30, 2019, the District had \$29,068,497 in outstanding bonds. Bond payments are primarily paid from the building funds. The District paid \$2,327,990 in principal payments and \$1,462,035 in interest payments during 2019. This amount includes \$716,473 from federal rebates and \$432,251 from the state for on-behalf payments paid through SFCC.

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's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,041,000.00 in contingency (3.43%).

The beginning General Fund cash balance for 2019 fiscal year was \$2.6 million. The district currently participates in approximately 32 local, state and federal grants. The total budget for these grants is \$3.6 million.

KTRS rates will remain the same for 2019-20 at 16.105% on the employer federal matching portion; while the KTRS non-federally funded employees rate will remain the same at 3.0%. Classified retirement rate will increase in 2019-20 from 21.48% to 24.06%.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance.

Local property tax revenue makes up approximately 10.6% of the general fund revenue. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1st of the prior year. However, this revenue is not received until the months of November – February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed by mail to: Superintendent Travis Hamby, Allen County Schools, 570 Oliver Street, Scottsville, KY 42164.

Allen County School District Statement of Net Position

June 30, 2019	G	overnmental Activities	Business- Type Activities	Total
June 30, 2019		rictivities	71011111100	10141
Assets				
Cash	\$	3,806,637	\$ 1,152,465	\$ 4,959,102
Accounts receivable:				
Taxes		58,400	-	58,400
Accounts		326,583	-	326,583
Intergovernmental		-	14,613	14,613
Inventory		-	45,252	45,252
Non-depreciable capital assets		1,007,132	-	1,007,132
Depreciable capital assets		85,101,944	1,267,373	86,369,317
Less: accumulated depreciation		(31,369,710)	(907,711)	(32,277,421)
Total assets		58,930,986	1,571,992	60,502,978
			_,	00,000,000
Deferred Outflows of Resources				
Deferred loss on debt refundings		114,448	-	114,448
OPEB related		1,092,546	111,385	1,203,931
Pension related		2,015,490	342,962	2,358,452
Total deferred outflows of resources		3,222,484	454,347	3,676,831
Liabilities				
Accounts payable		85,629		85,629
Accounts payable Accrued liabilities		19,572	-	19,572
Unearned revenue		333,818	_	333,818
Accrued interest		390,853	_	390,853
Long-term obligations:		390,633	_	390,033
Due within one year:				
Outstanding bonds		2 262 649		2 262 649
Compensated absences		2,363,648 374,809	_	2,363,648 374,809
Due beyond one year:		374,009	_	374,009
Outstanding bonds		26,704,849		26,704,849
Compensated absences		507,604	-	507,604
·		9,240,380	404.002	
Net OPEB liability Net pension liability			404,993	9,645,373
Net pension hability		8,165,391	1,389,445	9,554,836
Total liabilities		48,186,553	1,794,438	49,980,991

See accompanying notes to the financial statements.

Allen County School District Statement of Net Position

	Business-					
	G	overnmental		Type		
June 30, 2019		Activities	1	Activities		Total
						_
Deferred Inflows of Resources						
Deferred gain on debt defeasance		2,755,279		-		2,755,279
OPEB related		1,037,352		77,303		1,114,655
Pension related		665,921	113,315			779,236
Total deferred inflows of resources		4,458,552		190,618		4,649,170
Net Position						
Net investment in capital assets		25,785,317		359,662		26,144,979
Restricted for:		23,703,317		333,002		20,144,575
Capital projects		604,123		_		604,123
Unrestricted		(16,881,075)		(318,379)		(17,199,454)
Total net position	\$	9,508,365	\$	41,283	\$	9,549,648

Allen County School District Statement of Activities

Net (Expense) Revenue and Changes in Net Position

		Program Revenues			Changes in Net Position					
			Operating	Capital Grants						
		Charges for	Grants and	and	Governmental	Business-Type				
Year Ended June 30, 2019	Expenses	Services	Contributions	Contributions	Activities	Activities	Total			
Governmental Activities:										
Instruction	\$ 11,432,026	\$ -	\$ 3,080,232	\$ 88,632	\$ (8,263,162)	\$ -	\$ (8,263,162)			
Support Services:										
Student	979,237	-	50,898	-	(928,339)	-	(928,339)			
Instructional staff	708,561	-	18,214	-	(690,347)	-	(690,347)			
District administration	742,282	-	12,168	-	(730,114)	-	(730,114)			
School administration	1,507,468	-	30,390	-	(1,477,078)	-	(1,477,078)			
Business	957,493	-	50,620	-	(906,873)	-	(906,873)			
Plant operations and										
maintenance	3,838,408	1,375	131,706	877,723	(2,827,604)	-	(2,827,604)			
Student transportation	2,635,323	-	-	-	(2,635,323)	-	(2,635,323)			
Food service operations	644	-	644	-	-	-	-			
Other	289,263	-	260,906	-	(28,357)	-	(28,357)			
Interest on long-term debt	1,486,810	-	-	1,768,443	281,633	-	281,633			
Total governmental activities	24,577,515	1,375	3,635,778	2,734,798	(18,205,564)	-	(18,205,564)			
Business-Type Activities:										
Food services	2,296,470	152,709	2,181,809	-	-	38,048	38,048			
Total business-type activities	2,296,470	152,709	2,181,809	-	-	38,048	38,048			
Total school district	\$ 26,873,985	\$ 154,084	\$ 5,817,587	\$ 2,734,798	(18,205,564)	38,048	(18,167,516)			

Allen County School District Statement of Activities

Net (Expense) Revenue and Changes in Net Position

	Governmental	Business-Type	
Year Ended June 30, 2019	Activities	Activities	Total
General Revenues			
Taxes:			
Property	5,138,353	-	5,138,353
Motor vehicle	688,562	-	688,562
Unmined minerals	3,046	-	3,046
Other	182,508	-	182,508
State aid	10,987,713	-	10,987,713
Investment earnings	155,792	33,673	189,465
Other	411,897	-	411,897
Transfers	106,500	(106,500)	-
Loss on disposal of assets	(8,773)	-	(8,773)
Total general revenues and transfers	17,665,598	(72,827)	17,592,771
Change in net position	(539,966)	(34,779)	(574,745)
Net position - beginning of year, as previously reported	16,835,839	76,062	16,911,901
Prior period adjustments	(6,787,508)	-	(6,787,508)
Net position - beginning of year, as restated	10,048,331	76,062	10,124,393
Net position - end of year	\$ 9,508,365	\$ 41,283	\$ 9,549,648

Allen County School District Balance Sheet Governmental Funds

June 30, 2019		General Fund	R	Special evenue Fund	ı	Debt Service Fund	G	Other lovernmental Funds	G	Total overnmental Funds
Assets										
Cash	\$	3,210,323	Ś	10,048	Ś	-	\$	586,266	Ś	3,806,637
Accounts receivable:	*	0,==0,0=0	τ	20,010	Ψ.		7	333,233	τ	2,200,007
Taxes		40,543		_		-		17,857		58,400
Accounts		-		326,583		-				326,583
Total assets	\$	3,250,866	\$	336,631	\$	-	\$	604,123	\$	4,191,620
Liabilities and Fund Balances										
Liabilities										
Accounts payable	\$	82,816	\$	2,813	\$	-	\$	-	\$	85,629
Accrued liabilities		19,572		-		-		-		19,572
Unearned revenue		-		333,818		-		-		333,818
Total liabilities		102,388		336,631		-		-		439,019
Fund Balances										
Restricted		-		-		-		604,123		604,123
Assigned		165,761		-		-		-		165,761
Unassigned		2,982,717		-		-		-		2,982,717
Total fund balances		2 1 4 0 4 7 0				_		604 122		2 752 601
Total fully palatices		3,148,478				-		604,123		3,752,601
Total liabilities and fund balances	\$	3,250,866	\$	336,631	\$	-	\$	604,123	\$	4,191,620

Allen County School District Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30,	2019
Total fund balances – governmental funds	\$ 3,752,601
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$86,109,076 and the accumulated depreciation is \$31,369,710.	54,739,366
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements.	1,349,569
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, therefore, are not reported in the fund statements.	55,194
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	114,448
Governmental funds record gains on debt defeasance as other financing sources when the defeasance occurs. Unamortized gains on debt defeasance are included on the government-wide financial statements as a deferred inflow of resources.	(2,755,279)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable Accrued interest on outstanding bonds Compensated absences Net OPEB liability Net pension liability	(29,068,497) (390,853) (882,413) (9,240,380) (8,165,391)
Total net position – governmental activities	\$ 9,508,365

See accompanying notes to the financial statements.

Allen County School District Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

Year Ended June 30, 2019	General Fund	Special Revenue Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 3,424,158	- 3	\$ -	\$ 1,714,195	\$ 5,138,353
Motor vehicle	464,856	-	-	223,706	688,562
Unmined minerals	2,012	_	-	1,034	3,046
Other	182,508	-	-	-	182,508
Earnings on investments	138,369	1,001	-	17,423	156,793
Other local revenue	55,547	335,192	-	-	390,739
Intergovernmental - state	20,583,342	1,342,495	432,251	1,497,442	23,855,530
Direct federal	173,693	3 -	-	-	173,693
Intergovernmental - federal		- 2,045,722	716,473		2,762,195
Total revenues	25,024,485	3,724,410	1,148,724	3,453,800	33,351,419
Expenditures					
Current:					
Instruction	15,640,762	3,225,741	-	-	18,866,503
Support services:					
Student	1,230,539	50,898	-	-	1,281,437
Instructional staff	988,827	7 18,214	-	-	1,007,041
District administration	844,346	12,168	-	-	856,514
School administration	1,630,717	30,390	-	-	1,661,107
Business	672,023	50,620	-	-	722,643
Plant operations and maintenance	2,580,097	7 131,706	-	-	2,711,803
Student transportation	1,881,147	-	-	-	1,881,147

Allen County School District Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

		Special	Debt Service	Other Governmental	Total Governmental
Year Ended June 30, 2019	General Fund	Revenue Fund	Fund	Funds	Funds
Other	27,323	260,906	-	-	288,229
Debt service:					
Principal	36,831	-	2,291,159	-	2,327,990
Interest	4,825	-	1,457,210	-	1,462,035
Food service operations	-	644	-	-	644
Building acquisition & construction	-	-	-	31,507	31,507
Architectural & engineering services			-	3,638	3,638
Total expenditures	25,537,437	3,781,287	3,748,369	35,145	33,102,238
Excess (deficiency) of revenues over expenditures	(512,952) (56,877)	(2,599,645)	3,418,655	249,181
Other Financing Sources (Uses)					
Operating transfers-in	1,142,408	56,877	2,599,645	-	3,798,930
Operating transfers-out	(56,877) -	-	(3,635,553)	(3,692,430)
Total other financing sources (uses)	1,085,531	56,877	2,599,645	(3,635,553)	106,500
Net change in fund balances	572,579	-	-	(216,898)	355,681
Fund balances - beginning of year, as previously reported	2,575,899	-	5,188,113	821,021	8,585,033
Prior period adjustments	-	-	(5,188,113)	-	(5,188,113)
Fund balances - beginning of year, as restated	2,575,899	-	-	821,021	3,396,920
Fund balances - end of year	\$ 3,148,478	\$ -	\$ -	\$ 604,123	\$ 3,752,601

Allen County School District Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

Year Ended June 30,	2019
Total net change in fund balances – governmental funds	\$ 355,681
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, \$2,356,584, exceeds capital outlays, \$467,483, in the period.	(1,889,101)
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year.	(8,773)
Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,327,990
Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. District pension contributions Cost of benefits earned net of employee contributions	552,450 (1,617,058)
Government funds report District OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as pension expense. District OPEB contributions Cost of benefits earned net of employee contributions	523,149 (1,001,203)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	216,899
Change in net position - governmental activities	\$ (539,966)

Allen County School District Statement of Net Position Proprietary Funds

June 30, 2019	Enterprise Fund Food Service	
Assets		
Current Assets		
Cash	\$ 1,152,465	
Accounts receivable		
Intergovernmental	14,613	
Inventory	45,252	
Total current assets	1,212,330	
Non-Current Assets		
Fixed assets - net	359,662	
Total assets	1,571,992	
Deferred Outflows of Resources		
OPEB related	111,385	
Pension related	342,962	
Total deferred outflows of resources	454,347	
Liabilities		
Long-Term Liabilities		
Net OPEB liability	404,993	
Net pension liability	1,389,445	
Total long-term liabilities	1,794,438	
Deferred Inflows of Resources		
OPEB related	77,303	
Pension related	113,315	
Total deferred inflows of resources	190,618	
Net Position		
Net investment in capital assets	359,662	
Unrestricted	 (318,379)	
Total net position	\$ 41,283	

See accompanying notes to the financial statements.

Allen County School District Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

		interprise Fund
Year Ended June 30, 2019	Fo	ood Service
Operating Revenues		
Lunchroom sales	\$	152,709
Total operating revenues		152,709
Operating Expenses		
Salaries and wages		1,131,601
Contract services		18,110
Materials and supplies		1,120,276
Other operating expenses		400
Depreciation expense		26,083
Total operating expenses		2,296,470
Operating loss		(2,143,761)
Non-Operating Revenues		
State operating grants		146,660
Federal operating grants		1,939,265
Donated commodities		95,884
Interest revenue		33,673
Total non-operating revenues		2,215,482
Income before transfers		71,721
Transfers		(106,500)
Change in net position		(34,779)
Net position - beginning of year		76,062
Net position - end of year	\$	41,283

See accompanying notes to the financial statements.

Allen County School District Statement of Cash Flows Proprietary Funds

Year Ended June 30, 2019	Enterprise Fund Food Service	
Cash Flows from Operating Activities		
Cash received from user charges	\$	152,688
Cash payments to employees for services	•	(768,920)
Cash payments for contract services		(18,110)
Cash payments to suppliers for goods and services		(1,031,457)
Cash payments for other operating expenses		(400)
Net cash used in operating activities		(1,666,199)
Cash Flows from Non-Capital Financing Activities		
Indirect cost transfer to general fund		(106,500)
Non-operating grants received		1,957,227
Tron operating grants received		2,337,227
Net cash provided by non-capital financing activities		1,850,727
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets		(17,122)
Net cash used in capital and related financing activities		(17,122)
Cash Flows from Investing Activities		
Interest on investments		33,673
interest on investments		33,073
Net cash provided by investing activities		33,673
Net increase in cash		201,079
Cash - beginning of year		951,386
Cash - end of year	\$	1,152,465

Allen County School District Statement of Cash Flows Proprietary Funds

	Enterprise Fund	
Year Ended June 30, 2019	Food Service	
Reconciliation of Operating Loss to Net Cash Used In Operating		
Activities		
Operating loss	\$	(2,143,761)
Adjustments To Reconcile Operating Loss To Net Cash Used In		
Operating Activities:		
Depreciation		26,083
Commodities used		95,884
On-behalf payments received		128,698
Pension contributions in excess of pension expense		141,441
OPEB contributions in excess of OPEB expense		92,542
Changes in assets and liabilities:		
Inventories		(3,922)
Accounts payable		(3,143)
Net cash used in operating activities	\$	(1,666,199)

Noncash Activities

- The food service fund received \$95,884 of donated commodities from the federal government.
- The District received on-behalf payments of \$128,698 relating to insurance benefits.
- The District reclassified \$94,007 related to pension expense to deferred outflows of resources.
- The District reclassified \$30,502 related to OPEB expense to deferred outflows of resources.

Allen County School District Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2019	Agency Fund	
Assets		
Cash	\$ 513,125	
Total assets	\$ 513,125	
Liabilities		
Due to student groups	\$ 513,125	
Total liabilities	\$ 513,125	

Allen County School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Allen County Board of Education (the "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 the Allen County School District (the "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, as 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 relevant to the operation of the Allen County School District. 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., except those funds administered as an activity in the agency funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units," the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

Allen County School District Finance Corporation — The Allen County Board of Education resolved to authorize the establishment of the Allen County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Allen County Board of Education also comprise the Corporation's Board of Directors.

Allen County School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 reconciliations 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's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

Governmental Fund Types

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

Allen County School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The Special Revenue Fund accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of 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. The special revenue fund is a major fund.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

The Facility Support Program of Kentucky (FSPK) Fund 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 are restricted for use in financing projects identified in the District's facility plan.

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs. The debt service fund is a major fund.

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 contributions of commodities from the USDA. The food service fund is a major fund.

Allen County School District Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

To the proprietary activities, the District applies all GASB pronouncements 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.

Fiduciary Fund Types (includes agency funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or as an agent on behalf of others.

Agency Funds

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

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements — Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects fund.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

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 capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Description	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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Outflows of Resources – Pension Related and Debt Refundings

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's financial statements include (1) deferred amount arising from the refunding of bonds, (2) a deferred outflow of resources for contributions made to the District's defined benefit pension plan between the measurement date of the net pension liabilities from the plan and the end of the District's fiscal year (3) and deferred outflows of resources related to the differences between the expected and actual demographics for the cost sharing defined benefit plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred amounts related to the actuarial assumptions for demographic factors in the cost sharing pension plan will be recognized over a closed period equal to the average of the expected remaining services lives of all employees participating in the plan. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources – Pension Related

The District's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the District's various statements of net position for actual pension plan investment earnings in

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources (Continued)

excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 5 years, including the current year. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources - OPEB Related

The District's statement of net position reports a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teacher Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 6 provides further detail on the net pension liability.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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. Note 7 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and KTRS plans.

Unearned Revenue

Unearned 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 unearned revenue.

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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 resources 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. Revenues from nonexchange transactions must also be available before they can be recognized.

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 as non-operating revenues/expenses in proprietary funds.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 12, 2019, which was the date the financial statements were made available.

Recent Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District is evaluating the requirements of this Statement.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the requirements of this Statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61.* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The District is evaluating the requirements of this Statement.

NOTE 2: CASH

Deposits

At June 30, 2019, the carrying amounts of the District's cash in deposits were \$5,472,227 and the bank balances were \$6,605,327, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follow:

June 30,	2019				
Governmental funds Proprietary fund	\$ 3,806,637 1,152,465				
Fiduciary funds	513,125				
	\$ 5,472,227				

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$6,605,327 was not exposed to custodial credit risk as of June 30, 2019.

NOTE 3: CAPITAL ASSETS

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

	Capital Cost						
June 30, 2019	As restated Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance			
Governmental Activities:							
Capital assets that are not							
depreciated:							
Land	\$ 1,021,700	\$ -	\$ 14,568	\$ 1,007,132			
Construction in progress	8,573,412	35,145	8,608,557	-			
	-,,		-,,				
Total non-depreciable historical cost	9,595,112	35,145	8,623,125	1,007,132			
Capital assets that are depreciated:							
Land improvements	4,408,349	16,567	-	4,424,916			
Buildings and improvements	64,885,055	8,261,953	-	73,147,008			
Technology equipment	2,431,810	11,257	76,162	2,366,905			
Vehicles	3,302,084	197,155	144,268	3,354,971			
General	1,264,928	568,531	25,315	1,808,144			
Total depreciable historical cost	76,292,226	9,055,463	245,745	85,101,944			
Less accumulated depreciation for:							
Land improvements	2,386,211	174,728	-	2,560,939			
Buildings and improvements	21,081,169	1,931,211	76.460	23,012,380			
Technology equipment	2,073,327	66,128	76,162	2,063,293			
Vehicles	2,879,448	103,861	144,268	2,839,041			
General	829,943	80,656	16,542	894,057			
Total accumulated depreciation	29,250,098	2,356,584	236,972	31,369,710			
Total depreciable historical cost, net	47,042,128	6,698,879	8,773	53,732,234			
	, , -	. , -	, -	, ,			
Governmental activities, capital assets,							
net	\$ 56,637,240	\$ 6,734,024	\$ 8,631,898	\$ 54,739,366			

NOTE 3: CAPITAL ASSETS (CONTINUED)

	Capital Cost								
June 30, 2019 Business-Type Activities:		eginning				Retirements/			
		Balance		Additions	Reclassificat	ons		Balance	
Land improvements	\$	9,690	\$	-	\$	-	\$	9,690	
Buildings and improvements		287,750		-		-		287,750	
Technology equipment		21,721		-		-		21,721	
Vehicles		-		17,122		-		17,122	
General		931,090		-		-		931,090	
Total depreciable historical cost		1,250,251		17,122		-		1,267,373	
Less accumulated depreciation for:									
Land improvements		4,604		483		-		5,087	
Buildings and improvements		55,632		5,755		-		61,387	
Technology equipment		21,721		-		-		21,721	
Vehicles		-		1,998		-		1,998	
General		799,671		17,847		-		817,518	
Total accumulated depreciation		881,628		26,083		-		907,711	
Total depreciable historical cost, net		368,623		(8,961)				359,662	
Business-type activities, capital assets, net	\$	368,623	\$	(8,961)	¢		\$	359,662	

Depreciation expense was charged to governmental functions as follows:

Year ended June 30,	2019
la struction	Ć 1.604.450
Instruction	\$ 1,694,450
Support services:	
Student	68,020
Instructional staff	1,250
District administration	57,279
Facilities operations	431,497
Student transportation	104,088
Total depreciation expense	\$ 2,356,584

NOTE 4: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2010	\$ 16,115,000	4.75%
2012	4,970,000	2.000% - 3.000%
2013	9,505,000	2.000% - 4.000%
2014 KISTA	372,914	2.000% - 2.625%
2015	3,820,000	2.000% - 2.250%
2016	8,530,000	2.000% - 3.250%
2016R	810,000	2.050%

The District, through the General Fund, including utility taxes and the SEEK capital outlay fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Allen 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.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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 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:

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

		Allen County			School Facility						
		 School	Dist	rict	(Construction	Cor	nmission	U	S Treasury	Total Debt
	Year	Principal		Interest		Principal		Interest		Interest	Service
	2019-2020	\$ 2,035,203	\$	608,302	\$	328,445	\$	103,805	\$	718,004	\$ 3,793,759
	2020-2021	2,063,347		575,329		335,959		96,291		718,004	3,788,930
	2021-2022	2,100,846		539,762		344,117		88,133		718,004	3,790,862
	2022-2023	2,131,560		503,017		352,483		79,767		718,004	3,784,831
	2023-2024	2,016,460		458,776		318,242		70,995		718,004	3,582,477
	2024-2025	2,012,407		423,883		228,752		64,066		718,004	3,447,112
	2025-2026	1,572,641		395,629		233,518		57,916		718,004	2,977,708
	2026-2027	1,475,726		373,426		230,433		51,609		718,004	2,849,198
	2027-2028	1,528,402		326,100		157,757		45,888		359,002	2,417,149
	2028-2029	1,011,994		273,724		163,006		40,639		-	1,489,363
	2029-2030	1,046,136		239,076		168,864		34,780		-	1,488,856
	2030-2031	1,089,720		201,642		175,280		28,365		-	1,495,007
	2031-2032	1,123,058		162,819		181,942		21,702		-	1,489,521
	2032-2033	1,166,137		122,648		188,863		14,783		-	1,492,431
	2033-2034	1,205,558		81,053		169,442		8,128		-	1,464,181
	2034-2035	611,457		50,378		53,543		4,163		-	719,541
	2035-2036	634,757		30,906		55,243		2,463		-	723,369
	2036-2037	645,783		10,494		49,217		800		-	706,294
_		\$ 25,471,192	\$	5,376,964	\$	3,735,106	\$	814,293	\$	6,103,034	\$ 41,500,589

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

	As Restated				Amounts Due Within
	Balance			Balance	One
June 30, 2019	July 1, 2018	Increases	Decreases	June 30, 2019	Year
Governmental Activities:					
Bonds and notes payable:					
Bonds	\$ 31,534,288	\$ -	\$ (2,327,990)	\$ 29,206,298	\$ 2,363,648
Less discounts	(145,370)	-	7,569	(137,801)	-
Total bonds and notes payable	31,388,918	-	(2,320,421)	29,068,497	2,363,648
Other liabilities:					
Compensated absences	940,055	120,410	(178,052)	882,413	374,809
Total other liabilities	940,055	120,410	(178,052)	882,413	374,809
Total long-term liabilities	\$ 32,328,973	\$ 120,410	\$ (2,498,473)	\$ 29,950,910	\$ 2,738,457

NOTE 5: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, the District had \$413,657 restricted for capital projects in the construction fund and \$190,466 restricted for prior year SFCC offers in the FSPK fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District did not have a committed fund balance in the general fund at June 30, 2019.

NOTE 5: FUND BALANCES (CONTINUED)

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$165,761 assigned in the general fund at June 30, 2019 for site based carryforward funds. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2019 in the governmental funds balance sheet.

NOTE 6: PENSION PLANS

Pensions

Allen County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky. 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 KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and 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.

NOTE 6: PENSION PLANS (CONTINUED)

General Information About the KTRS Pension Plan

Plan Description

The KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit 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.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional employed by a local school district or a regional educational cooperative and occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the plan. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or 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 is less than 10 years. New members hired after July 1, 2002 who retires with 10 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 10 years. In addition, members 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% to be used in their benefit calculation.

NOTE 6: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are 1.5% 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. KTRS members are required to contribute 12.855% of their salaries to the KTRS. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

NOTE 6: PENSION PLANS (CONTINUED)

Contributions (continued)

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

Pension Liabilities and Pension Expense

At June 30, 2019, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) 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 net pension liability State's proportionate share of the net pension liability	\$ -
associated with the District	 50,284,540
Total	\$ 50,284,540

The net pension liability 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 June 30, 2017 rolled forward to June 30, 2018 using standard update procedures.

For the year ended June 30, 2019, the District recognized pension expense of \$(6,075,092) and revenue of \$(6,075,092) for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.50% net of pension plan investment
	expense, including inflation
Projected salary increases	3.50 - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	3.89%
Discount rate	7.50%

NOTE 6: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

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 BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on September 19, 2016.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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 KTRS's investment consultant, are summarized in the following table:

		Long-Term Expected Real
Asset Class	Target Allocation	Rate of Return
U.S. Equity	40.0%	4.20%
International Equity	22.0%	5.20%
Fixed Income	15.0%	1.20%
Additional Categories	8.0%	3.30%
Real Estate	6.0%	3.80%
Alternatives	7.0%	6.30%
Cash	2.0%	0.90%
Total	100.00/	
Total	100.0%	

NOTE 6: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 the Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

General Information About the CERS Pension Plan

Plan Description

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

Tier 1 - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

NOTE 6: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

- Tier 2 Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420 Employees Administrative Duties). These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.
- Tier 3 Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KRS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Contributions

Employers participating in the CERS were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of an annual valuation last preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2019, participating employers contributed 16.22% of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal years ended June 30, 2019 was 16.22%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability of \$9,554,836 for its proportionate share of the net pension liability. The net pension liability 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 June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2018 contributions to the pension plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was .156886%.

For the year ended June 30, 2019, the District recognized pension expense of \$1,481,704. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	0	Deferred Outflows of Resources		red Inflows Resources
Difference between expected and actual experience	\$			139,863
Net difference between projected and actual investment earnings on pension plan investments		444,307		558,875
Change of assumptions		933,785		-
Changes in proportion and differences between employer contributions and proportionate share of contribution		22,251		80,498
District contributions subsequent to the measurement date		646,457		
Total	\$	2,358,452	\$	779,236

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$646,457 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 of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2019	\$ 726,216
2020	364,929
2021	(107,103)
2022	(51,283)
Thereafter	_

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation	2.30%
Salary Increases	3.05%, average
Investment Rate of Return	6.25%

However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

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.

Long-Term Expected Rate of Return

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below.

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
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	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the KRS plan's CAFR.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

		% Decrease (5.25%)	Discount Rate (6.25%)		1% Increase (7.25%)	
District's proportionate share of						
the net pension liability	\$	12,028,548	\$	9,554,836	\$	7,482,297

Pension Plan Fiduciary Net Position

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

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

General Information about the KTRS OPEB Plan

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 on the TRS website.

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 (KEHP) 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, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from state appropriation and 3% 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.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$6,860,000 for its proportionate share of 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 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 0.197714%.

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	\$ 6,860,000
State's proportionate share of the net OPEB liability	
associated with the District	5,912,000
Total	\$ 12,772,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$731,000 and revenue of \$413,000 for support provided by the state. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Differences between expected and actual experience	\$	-	\$	351,000	
Changes of assumptions		94,000		-	
Net diference between projected and actual earnings on OPEB plan investments		-		28,000	
Changes in proportion and differences between District contributions and proportionate share of contributions		-		204,000	
District contributions subsequent to measurement date		343,873			
Total	\$	437,873	\$	583,000	

Of the total amount reported as deferred outflows of resources related of OPEB, \$343,873 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,	
2020	\$ (94,000)
2021	(94,000)
2022	(94,000)
2023	(82,000)
2024	(84,000)
Thereafter	(41,000)

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (continued)

Inflation3.00%Real Wage Growth0.50%Wage Inflation3.50%

Projected Salary Increases 3.50% - 7.20%, including inflation Investment Rate of Return 8.00%, net of OPEB plan investment

expense, including inflation

Municipal Bond Index Rate 3.89%

Single Equivalent Interest Rate 8.00%, net of OPEB plan investment

expense, including inflation

Discount Rate 8.00%

Healthcare Cost Trends:

Under Age 65 7.75% for FYE 2018 decreasing to an

ultimate rate of 5.00% by FYE 2024

Age 65 and Older 5.75% for FYE 2018 decreasing to an

ultimate rate of 5.00% by FYE 2021

Medicare Part B Premiums 0.00% for FYE 2018 with an ultimate

rate of 5.00% by 2030

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 demographic actuarial assumptions for retirement disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2017 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The health care cost trend rate assumption was updated for the June 30, 2017 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward.

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.

Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

		30-Year Expected Geometric
Asset Class	Target Allocation	Real Rate of Return
Global Equity	58.00%	4.60%
Fixed Income	9.00%	1.20%
Real Estate	5.50%	3.80%
Private Equity	6.50%	6.30%
Additional Categories	20.00%	3.30%
Cash	1.00%	0.90%
Total	100.00%	

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.

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

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 a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current discount rate:

		Current					
		1% Decrease (7.00%)		Discount Rate (8.00%)		1% Increase (9.00%)	
District's proportionate share of the							
collective net OPEB liability	\$	8,044,000	\$	6,860,000	\$	5,874,000	

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends 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:

	Current Trend						
	19	% Decrease	Rate		1% Increase		
District's proportionate share of the							
collective net OPEB liability	\$	5,688,000	\$	6,860,000	\$	8,306,000	

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

TRS administers the Life Insurance Plan as provided by KRS 161.655 to provide life insurance benefits to retired and active 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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 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 (0.3%) of the gross annual payroll of members is contributed by the state.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the 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 net OPEB liability, the related Commonwealth of Kentucky (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
State's proportionate share of the net OPEB liability
associated with the District
Total

\$ 101,000

For the year ended June 30, 2019, the District recognized OPEB expense of \$17,000 and revenue of \$17,000 for support provided by the State in the government wide financial statements.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3.50% Real Wage Growth 0.50% Wage Inflation 4.00% Projected Salary Increases 4.00% - 8.10%, including inflation 7.50%, net of OPEB plan investment Investment Rate of Return expense, including inflation Municipal Bond Index Rate 3.89% 7.50%, net of OPEB plan investment Single Equivalent Interest Rate expense, including inflation

Discount Rate 7.50%

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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2017 valuation were based on the results for the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

Actuarial Assumptions (continued)

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 are summarized in the following table:

Asset Class	Target Allocation	30-Year Expected Geometric Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	23.00%	5.20%
Fixed Income	18.00%	1.20%
Real Estate	6.00%	3.80%
Private Equity	5.00%	6.30%
Additional Categories	6.00%	3.30%
Cash	2.00%	0.90%
Total	100.00%	

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.

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

The District's employees are provided OPEB under the provisions of Kentucky Revised Statues, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

The CERS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2019, the required contribution was 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2019, were \$209,778. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District reported a liability of \$2,785,373 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB liability was based on the District's share of 2018 contributions to the OPEB plan relative to the 2018 contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was 0.156880%.

For the year ended June 30, 2019 the District recognized OPEB expense of approximately \$353,430.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources		
Difference between expected and actual experience	\$	-	\$	324,598	
Net difference between projected and actual investment earnings on OPEB plan investments		-		191,858	
Change of assumptions		556,280		6,435	
Changes in proportion and differences between employer contriutions and proportionate share of contribution		-		8,764	
District contributions subsequent to the measurement date		209,778			
Total	\$	766,058	\$	531,655	

For the year ended June 30, 2019, \$209,778 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	\$ 7,995
2020	7,995
2021	7,995
2022	45,257
2023	(26,117)
Thereafter	(18,497)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions. There have been no changes in actuarial assumptions since June 30, 2017. The actuarial assumptions are:

Inflation2.30%Payroll Growth Rate2.00%Salary Increase3.05%, averageInvestment Rate of Return6.25%

Healthcare Trend Rates (Pre-65) Initial trend starting at 7.00% at January 1, 2020, and

gradually decreasing to an ultimate trend rate of $4.05\%\,$

over a period of 12 years.

Healthcare Trend Rates (Post-65) Initial trend starting at 5.00% at January 1, 2020, and

gradually decreasing to an ultimate trend rate of $4.05\%\,$

over a period of 10 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 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.

Long-Term Expected Rate of Return

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (continued)

		Long-Term Expected
Asset Class	Target Allocation	Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
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	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for CERS non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the OPEB Plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return of each major asset class are summarized in the KRS plan's CAFR.

NOTE 7: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2019, calculated using the discount rate of 5.85%, as well as what the District's proportionate share of the 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:

			Current			
		1% Decrease (4.85%)		scount Rate (5.85%)	1% Increase (6.85%)	
District's proportionate share of the						
collective net OPEB liability	\$	3,617,753	\$	2,785,373	\$	2,076,338

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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

			F	Current lealthcare		
	19	% Decrease		Rate	1	% Increase
District's proportionate share of the						
collective net OPEB liability	\$	2,073,738	\$	2,785,373	\$	3,624,186

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 8: 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 the grantor's review indicates that the funds have not 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.

Allen County School District Notes to the Financial Statements

NOTE 9: RISK MANAGEMENT

The District is exposed to various risk of loss of assets associated with the risks related to torts; theft of, damage to destruction of assets; fire, personal liability, vehicular accidents; errors and omissions, injuries to employees; fiduciary responsibility; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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 10: LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

NOTE 11: EXCESS EXPENDITURES OVER APPROPRIATIONS

The following funds had excess current year expenditures over current year appropriated revenues:

Year ended June 30, 2019							
Fund		Amount					
FSPK	\$	40,991					
Construction		175,907					
Food Service		34,779					

NOTE 12: FUND TRANSFERS

Fund transfers for the year ended June 30, 2019 consist of the following:

Туре	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	Matching	\$ 56,877
Operating	FSPK	Debt Service	Debt Service	2,599,645
Operating	FSPK	General	Expenditures	606,885
Operating	SEEK	General	Expenditures	270,838
Operating	Food Service	General	Indirect Costs	106,500
Operating	Construction	General	Expenditures	158,185

NOTE 13: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2019, was \$8,366,855. These payments were recorded as follows:

Year Ended June 30, 2019

Fund	Amount			
General Fund	\$	7,089,433		
Food Service Fund		128,698		
Debt Service Fund - SFCC		432,251		
Debt Service Fund - U.S. Treasury		716,473		
Total	\$	8,366,855		

Year Ended June 30, 2019

	Amount
Technology	\$ 88,714
Health Insurance less Federal reimbursements	2,981,536
Life Insurance	5,015
Administrative Fees	41,388
HRA/Dental/Vision Insurance	150,942
SFCC Debt Service	432,251
U.S. Treasury Debt Service	716,473
KTRS	3,950,536
Total	\$ 8,366,855

Allen County School District Notes to the Financial Statements

NOTE 14: PRIOR PERIOD ADJUSTMENTS

The District has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the government-wide financial statements, the beginning balance of net position has been restated to reflect prior year adjustments for construction in progress, OPEB-related deferred outflows of resources, deferred loss on debt refunding, compensated absences, long term debt, accrued interest on long term debt and deferred gain on debt defeasance. The following adjustments were made to beginning net position:

Net position - beginning of year, as previously reported	Ş	16,835,839
Effects of prior period adjustments:		
Correcting construction in progress balance		(8,222,693)
Unrecorded OPEB-related deferred outflow of resources		331,855
Correcting deferred loss on debt refunding balance		51,803
Correcting compensated absences balance		(596,479)
Correcting long term debt balance		11,715
Correcting accrued interest on long term debt balance		1,060,305
Unrecorded deferred gain on debt defeasance		575,986
Net position - beginning of year, as restated	\$	10,048,331

Debt Service Fund: In the fund financial statements, the beginning fund balance of the debt service fund has been restated to reflect prior year adjustments for restricted cash balances. The following adjustment was made to beginning fund balance:

Fund balances - beginning of year, as previously reported	\$ 5,188,113
Effects of prior period adjustments:	
Correcting restricted cash balance	(5,188,113)
Fund balances - beginning of year, as restated	\$ <u>-</u>

Allen County School District Budgetary Comparison Schedule for the General Fund

		Budgeted	l An	nounts			Variances	
Year Ended June 30, 2019		Original		Final	•	Actual	Fin	al to Actual
Revenues								
Local and intermediate sources	\$	4,104,604	\$	4,172,209	\$	4,267,450	\$	95,241
State programs		17,805,897		20,628,674		20,583,342		(45,332)
Federal programs		134,340		240,000		173,693		(66,307)
Total revenues		22,044,841		25,040,883		25,024,485		(16,398)
Expenditures								
Current:								
Instruction		13,976,992		16,008,237		15,640,762		367,475
Support services:								
Student		1,166,931		1,347,806		1,230,539		117,267
Instructional staff		873,823		968,912		988,827		(19,915)
District administration		955,303		1,027,402		844,346		183,056
School administration		1,540,582		1,639,185		1,630,717		8,468
Business		645,110		658,004		672,023		(14,019)
Plant operations and maintenance		2,365,956		2,693,685		2,580,097		113,588
Student transportation		1,890,896		2,381,868		1,881,147		500,721
Other		6,366		6,555		27,323		(20,768)
Debt service		47,640		47,640		41,656		5,984
Total expenditures		23,469,599		26,779,294		25,537,437		1,241,857
Excess (deficiency) of revenues over expenditures		(1,424,758)		(1,738,411)		(512,952)		1,225,459

Allen County School District Budgetary Comparison Schedule for the General Fund

	Budgeted .	Amounts		Variances
Year Ended June 30, 2019	Original	Final	Actual	Final to Actual
Other Financing Sources (Uses)				
Contingency	(899,022)	(1,937,627)	-	1,937,627
Operating transfers - net	323,780	1,081,850	1,085,531	3,681
Total other financing sources (uses)	(575,242)	(855,777)	1,085,531	1,941,308
Net change in fund balance	(2,000,000)	(2,594,188)	572,579	3,166,767
Fund balance - beginning of year	2,000,000	2,575,899	2,575,899	
Fund balance - end of year	\$ -	\$ (18,289)	3,148,478	\$ 3,166,767

Allen County School District Budgetary Comparison Schedule for the Special Revenue Fund

	Budgeted A	Amoı		V	ariances	
Year Ended June 30, 2019	Original		Final	Actual	Fina	l to Actual
Revenues						
Local and intermediate sources	\$ 97,644	\$	141,942	\$ 336,193	\$	194,251
State programs	1,302,285		1,259,891	1,342,495		82,604
Federal programs	2,041,620		2,164,604	2,045,722		(118,882)
Total revenues	3,441,549		3,566,437	3,724,410		157,973
Expenditures						
Current:						
Instruction	2,985,442		3,023,830	3,225,741		(201,911)
Support services:						
Student	13,832		54,069	50,898		3,171
Instructional staff	40,024		14,390	18,214		(3,824)
District administration	18,206		18,206	12,168		6,038
School administration	29,950		29,950	30,390		(440)
Business	38,846		50,715	50,620		95
Plant operations and maintenance	101,262		149,171	131,706		17,465
Student transportation	31,091		200	-		200
Other	239,016		282,026	260,906		21,120
Food service operation	1,000		1,000	644		356
Total expenditures	3,498,669		3,623,557	3,781,287		(157,730)
Deficiency of revenues over expenditures	(57,120)		(57,120)	(56,877)		243

Allen County School District Budgetary Comparison Schedule for the Special Revenue Fund

		Budgeted A		Variances	
Year Ended June 30, 2019	Or	iginal	Final	Actual	Final to Actual
Other Financing Sources (Uses)					
Operating transfers- net		57,120	57,120	56,877	(243)
Total other financing sources (uses)		57,120	57,120	56,877	(243)
Net change in fund balance		-	-	-	-
Fund balance - beginning of year		-	-	-	-
Fund balance - end of year	\$	- \$	_	-	\$ -

Contributions as a percentage of covered payroll

Allen County School District Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System

Schedule of the District's Pro	oroti		f th		Liak	•				
As of June 30,		2019		2018		2017		2016		2015
District's proportion of the net pension liability		0.0%		0.0%		0.0%		0.0%	0.0%	
District's proportionate share of the net pension liability State's proportionate share of the net pension liability associated	\$	-	\$	-	\$	-	\$	- 5	\$	-
with the District	\$	50,284,540	\$	104,612,639	\$	113,044,119	\$	87,202,663	\$	77,424,969
District's covered payroll	\$	12,700,989	\$	12,701,338	\$	12,397,559	\$	11,813,726	\$	11,807,847
District's proportionate share of the net pension liability as a percentage of its covered payroll		0.0%		0.0%		0.0%		0.0%		0.0%
Plan fiduciary net position as a percentage of the total pension liability		59.30%		39.83%		35.22%		42.49%		45.59%
Schedule o	f Dis	trict's Contrik	outi	ons-KTRS						
For the Year Ended June 30,		2019		2018		2017		2016		2015
Contractually required contribution Contributions in relation to the contractually required contribution	\$	-	\$	-	\$	-	\$	- Ş -	\$	-
Contribution deficiency (excess)	\$	-	\$	-	\$	-	\$	- 5	\$	-
District's covered payroll	\$	12,890,640	\$	12,700,989	\$	12,701,338	\$	12,397,559	\$	11,813,726

0.00%

0.00%

0.00%

0.00%

0.00%

Allen County School District

Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System

Changes of Benefit Terms

None noted.

Changes of Assumptions

The discount rate used to measure the total pension liability as of the measurement date, June 30, 2018 was 7.50% where the discount rate for the measurement date June 30, 2017 was 4.49%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase 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 year for males and on year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale 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 smoothly methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

Allen County School District Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – County Employees Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS

As of June 30,	2019			2018 2017		2017	2016	2015	
District's proportion of the net pension liability		0.156886%		0.156321%		0.161044%	0.161040%	0.160642%	
District's proportionate share of the net pension liability	\$	9,554,836	\$	9,149,949	\$	7,929,204	\$ 6,906,862 \$	5,251,000	
District's covered payroll	\$	3,666,740	\$	3,403,168	\$	3,861,699	\$ 4,179,875 \$	4,761,999	
District's proportionate share of the net pension liability as a percentage of its covered payroll		260.58%		268.87%		205.33%	165.24%	110.27%	
Plan fiduciary net position as a percentage of the total pension liability		53.54%		53.30%		55.50%	59.97%	66.80%	
Sch	redul	e of District's	Con	tributions-CE	ERS				
For the Year Ended June 30,		2019		2018		2017	2016	2015	
Contractually required contribution Contributions in relation to the contractually	\$	646,457	\$	530,944	\$	474,742	\$ 479,623 \$	532,934	
required contribution		646,457		530,944		474,742	479,623	532,934	
Contribution deficiency (excess)	\$		\$	-	\$	-	\$ - \$	<u>-</u>	
District's covered payroll	\$	3,985,557	\$	3,666,740	\$	3,403,168	\$ 3,861,699 \$	4,179,875	
Contributions as a percentage of covered payroll		16.22%		14.48%		13.95%	12.42%	12.75%	

Allen County School District

Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District's Contributions – County Employees Retirement System

Changes of Benefit Terms

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

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

Changes of Assumptions

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

2019: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: No changes in assumptions.

Allen County School District Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System – Medical Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

As of June 30,		2019	2018		
District's proportion of the collective net OPEB liability		0.197714%	0.204407%		
District's proportionate share of the collective net OPEB liability	\$	6,860,000	\$ 7,289,000		
District's covered - employee payroll	\$	12,700,989	\$ 12,701,338		
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll		54.01%	57.39%		
Plan fiduciary net position as a percentage of the total OEPB liability		21.18%			
Schedule of the District's Contribut	ions - K	TRS			
As of June 30,		2019	2018		
Contractually required contribution	\$	343,873	\$ 350,207		
Contributions in relation to the contractually required contribution		343,873	350,207		
Contribution deficiency (excess)	\$	-	\$ -		
District's covered - employee payroll	\$	12,890,640	\$ 12,700,989		

Changes of Benefit Terms

Contributions as percentage of covered payroll

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.

2.67%

2.76%

Changes of Assumptions

No changes of assumptions.

Allen County School District Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions – Kentucky Teachers' Retirement System – Life Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

As of June 30,		2019	_	2018
District's proportion of the collective net OPEB liability		0.000000%		0.000000%
District's proportionate share of the collective net OPEB liability	\$	-	\$	-
District's covered - employee payroll	\$	12,700,989	\$	12,701,338
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll		0.0%		0.0%
Plan fiduciary net position as a percentage of the total OEPB liability		75.00%		79.99%
Schedule of the District's Contribu	tions - K	TRS		
As of June 30,		2019		2018
Contractually required contribution	\$	-	\$	-
Contributions in relation to the contractually required contribution		-		-
Contribution deficiency (excess)	\$	-	\$	-
District's covered - employee payroll	\$	12,890,640	\$	12,700,989
Contributions as percentage of covered payroll		0.00%		0.00%

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

No changes of assumptions.

Allen County School District Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

As of June 30,		2019	2018							
District's proportion of the net OPEB liability		0.156880%	0.156321%							
District's proportionate share of the net OPEB liability	\$	2,785,373 \$	2,110,227							
District's covered - employee payroll	\$	3,666,740 \$	3,403,168							
District's proportionate share of the net OPEB liability as a										
percentage of its covered-employee payroll		75.96%	62.01%							
Plan fiduciary net position as a percentage of the total OPEB liability		57.62%	52.40%							
Schedule of District Contributions - CERS										
For the years ended June 30,		2019	2018							
For the years ended June 30, Contractually required contribution	\$	2019 209,778 \$	2018 172,500							
•	\$									
Contractually required contribution	\$	209,778 \$	172,500							
Contractually required contribution Contributions in relation to the contractually required contribution Contribution deficiency (excess)	\$	209,778 \$ 209,778 - \$	172,500 172,500 -							
Contractually required contribution Contributions in relation to the contractually required contribution	-	209,778 \$ 209,778	172,500							

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

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2019: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

Allen County School District Schedule of the District's Proportionate Share of the Collective Net OPEB Liability and Schedule of District's Contributions County Employees Retirement System

2018: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Allen County School District Combining Balance Sheet Nonmajor Governmental Funds

June 30, 2019	SEEK F	- und	FSPK Fund	Construction Fund	Total Other Governmental Funds	
Assets						
Cash	\$	- \$	172,609 \$	413,657	\$ 586,266	
Accounts receivable:						
Taxes		-	17,857	<u>-</u>	17,857	
Total assets	\$	- \$	190,466 \$	413,657	\$ 604,123	
Fund Balances						
Restricted						
Capital projects	\$	- \$	- \$	413,657	\$ 413,657	
Prior year SFCC offer		-	190,466	-	190,466	
Total fund balances	\$	- \$	190,466 \$	413,657	\$ 604,123	

Allen County School District Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

				Construction	Total Other Governmental	
Year Ended June 30, 2019	SE	EK Fund	FSPK Fund	Fund	Funds	
Revenues						
From local sources:						
Taxes:						
Property	\$	-	\$ 1,714,195	\$ -	\$ 1,714,195	
Motor vehicle		-	223,706	-	223,706	
Unmined minerals		-	1,034	-	1,034	
Earnings on investments		-	-	17,423	17,423	
Intergovernmental - state		270,838	1,226,604	-	1,497,442	
Total revenues		270,838	3,165,539	17,423	3,453,800	
Expenditures						
Building acquisition and construction		-	-	31,507	31,507	
Architectural & engineering services		-	-	3,638	3,638	
Total expenditures		-	-	35,145	35,145	
Excess (deficiency) of revenues over expenditures		270,838	3,165,539	(17,722)	3,418,655	
Other Financing Sources (Uses)						
Operating transfers-out		(270,838)	(3,206,530)	(158,185)	(3,635,553)	
Total other financing sources (uses)		(270,838)	(3,206,530)	(158,185)	(3,635,553)	
Net change in fund balances		-	(40,991)	(175,907)	(216,898)	
Fund Balances - beginning of year		-	231,457	589,564	821,021	
Fund Balances - end of year	\$	-	\$ 190,466	\$ 413,657	\$ 604,123	

Allen County School District Combining Statement of Fiduciary Net Position School Activity Funds Agency Funds

Year Ended June 30, 2019	Ju	Cash ly 1, 2018	ı	Receipts	Dis	bursements	J	Cash une 30, 2019	e to Student Groups ne 30, 2019
Allen County Primary Center	\$	66,550	\$	48,231	\$	45,044	\$	69,737	\$ 69,737
James E. Bazzell Middle School		114,052		118,437		112,701		119,788	119,788
Allen County Career & Technical Center		31,279		81,121		74,572		37,828	37,828
Allen County-Scottsville High School		208,738		299,504		287,414		220,828	220,828
Allen County Intermediate Center		48,802		73,531		73,741		48,592	48,592
Allen County Family Resource Center		7,500		78,256		69,404		16,352	16,352
Total	\$	476,921	\$	699,080	\$	662,876	\$	513,125	\$ 513,125

Allen County School District Statement of Fiduciary Net Position School Activity Funds Allen County-Scottsville High School

Year Ended June 30, 2019	Jul	Cash y 1, 2018	Receipts	Disbursements	Cash June 30, 2019	Due to Student Groups June 30, 2019
		27.627	40.405	4.505	ć 26.527	
General Fund	\$	27,627	\$ 10,495	\$ 1,585		•
Boys Basketball		607	18,677	12,218	7,066	7,066
Girls Basketball		2,429	13,513	13,796	2,146	2,146
Football		10,333	25,818	30,616	5,535	5,535
Baseball		1	6,006	4,684	1,323	1,323
Annual		25,106	33,401	34,570	23,937	23,937
Academic Team		31	454	307	178	178
Beta		4,491	5,044	3,438	6,097	6,097
Black Heritage		595	156	252	499	499
Cheerleaders		156	204	-	360	360
Chorus		1,560	1,707	2,122	1,145	1,145
Co Ed-Y		213	3,410	3,064	559	559
English		1,150	156	346	960	960
Faculty Concession		2,025	2,946	4,457	514	514
FFA		13,656	26,954	26,862	13,748	13,748
FCCLA		4,076	21,822	20,482	5,416	5,416
Family & Consumer Science		1,874	4,360	4,818	1,416	1,416
Library		1,260	370	28	1,602	1,602
Math		22	12	34	-	-
Pep Club		1,731	2,273	2,513	1,491	1,491
Prom		16,799	7,755	5,306	19,248	19,248
Retailing		15	-	15	· -	-
Science		290	3,985	3,088	1,187	1,187
Seniors		-	2,813	2,813	-	-

Allen County School District Statement of Fiduciary Net Position School Activity Funds Allen County-Scottsville High School

	Cash			Cash	Due to Student Groups
Year Ended June 30, 2019	July 1, 2018	Receipts	Disbursements	June 30, 2019	June 30, 2019
Social Studies	113	_	113	-	_
Spanish Club	1,922	3,782	3,952	1,752	1,752
Spanish	146	· -	57	89	89
Student Council	744	160	219	685	685
Special Education	88	-	59	29	29
Track	530	1,247	976	801	801
Drivers Education	195	-	19	176	176
Cross Country	676	228	308	596	596
FCA	1,624	3,617	2,776	2,465	2,465
Youth Service	343	-	196	147	147
Softball	742	5,025	3,326	2,441	2,441
Golf	3,910	820	2,614	2,116	2,116
Tennis	2,080	1,973	2,043	2,010	2,010
Literary Club	2,242	185	304	2,123	2,123
Health/PE	26	-	23	3	3
Regional Tournament	-	14,627	14,627	-	-
Student Concessions	13,377	4,327	5,896	11,808	11,808
District Tournament	-	5,040	5,040	-	-
Art Club	251	120	207	164	164
Patriot Pride	6,424	-	1,676	4,748	4,748

Allen County School District Statement of Fiduciary Net Position School Activity Funds Allen County-Scottsville High School

Year Ended June 30, 2019	Ca July 1	sh , 2018	Receipts	Disbursements	Cash June 30, 2019	Due to Student Groups June 30, 2019
			400	400		
Athletic Hold Money		-	400	400	-	-
Volleyball		102	2,884	2,977	9	9
Athletic Director		2,875	-	16	2,859	2,859
Guidance		1,565	10,874	10,916	1,523	1,523
History Club		125	874	795	204	204
Associate Athletics		16,470	6,869	17,287	6,052	6,052
Drama		5,242	892	-	6,134	6,134
Science Olympiad		250	90	189	151	151
Faculty Flower Fund		160	157	100	217	217
Swim		424	-	395	29	29
ROTC		2,980	14,886	12,527	5,339	5,339
Fishing Team		826	390	261	955	955
Greenhouse/Floral		11,838	9,927	6,975	14,790	14,790
Ag. Shop		5,001	3,002	2,958	5,045	5,045
Fashion Press		556	210	346	420	420
Musical/Performing Arts		8,704	3,220	1,213	10,711	10,711
Fishing Club		140	200	340	, -	-
Culinary Café'		-	8,616	6,317	2,299	2,299
Soccer		-	2,381	1,468	913	913
Art Department		-	150	89	61	61
Total	\$	208,738	299,504	\$ 287,414	\$ 220,828	\$ 220,828

Allen County School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

		Pass-				
		Through				
Federal Grantor/	Federal	Entity	Passed			
Pass-Through Grantor/	CFDA	Identifying	Through to	Total		
Program or Cluster Title	Number	Number	Subrecipients	Federal Ex	penditures	
U.S. Department of Agriculture						
Farm to School Grant Program	10.575	-	\$ -		\$ 91	
Child Nutrition Cluster						
Direct Program:						
Food Distribution Program - non-cash	10.555	-	-	\$ 95,884		
Passed-Through State Department of Education:						
School Breakfast Program	10.553	7760005 19	-	642,063		
Summer Food Service Program for Children	10.559	7740023 18	-	28,645		
National School Lunch Program	10.555	7750002 19	-	1,266,292		
Subtotal					2,032,884	
Child and Adult Care Food Program	10.558	7790021 19	_		2,265	
Total U.S. Department of Agriculture					2,035,240	
U.S. Department of Education						
Passed-Through State Department of Education:						
Title I, Part A						
Title I Grants to Local Educational Agencies - 2018	84.010	3100002 17	-	203,113		
Title I Grants to Local Educational Agencies - 2019	84.010	3100002 18	-	864,253		
Subtotal					1,067,366	
Supporting Effective Instruction State Grant - 2018	84.367	3230002 17	-	12,020	_,,,,,,,,,	
Supporting Effective Instruction State Grant - 2019	84.367	3230002 18	-	156,747		
Subtotal					168,767	
Special Education Cluster						
Special Education Grant to States - 2018	84.027	3810002 17	_	275,223		
Special Education Grant to States - 2019	84.027	3810002 18	_	271,447		
Special Education Preschool Grant - 2019	84.173	3800002 18	-	23,961		
Subtotal					570,631	
Rural Education - 2018	84.358	3140002 17	-	50,437	2.2,302	
Rural Education - 2019	84.358	3140002 18	-	982		
Subtotal					51,419	
200000					5-,5	

Allen County School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients		otal xpenditures
Program of Cluster Title	Number	Number	Subrecipients	Teuciai L	xperialitares
Career and Technical Education - Basic Grants to					
States - 2018	84.048	3710002 17	-	1,813	
Career and Technical Education - Basic Grants to					
States - 2019	84.048	3710002 18	-	48,618	
Subtotal			_		50,431
Adult Education - Basic Grants to States	84.002	373E	-	26,335	
Adult Education - Basic Grants to States	84.002	365E	-	22,269	
Adult Education - Basic Grants to States	84.002	464E	-	4,986	
Subtotal			_		53,590
Student Support and Academic Enrichment Program -					
2018	84.424	3420002 17	-	25,394	
Student Support and Academic Enrichment Program -					
2019	84.424	3420002 18	-	58,033	
Subtotal					83,427
Total U.S. Department of Education					2,045,631
Total Expenditures of Federal Awards			\$ -		\$ 4,080,871

Allen County School District Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Allen County School District (the "District") under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 presented where available.

Nonmonetary assistance is reported in the schedule at fair value of the goods received.

NOTE 3: INDIRECT COST RATE

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

Child Nutrition Cluster

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 5: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

Allen County School District Summary Schedule of Prior Audit Findings

None reported.



Independent Auditors' 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*

Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District Scottsville, Kentucky Carr, Riggs & Ingram, LLC

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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 the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Allen County School District (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Allen County School District's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 12, 2019.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Carr, Riggs & Ingram, LLC

Can Rigge & Ingram, L.L.C.

Bowling Green, Kentucky

November 12, 2019

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District Scottsville, Kentucky

Carr, Riggs & Ingram, LLC

922 State Street Bowling Green, Kentucky 42101 PO Box 104 Bowling Green, Kentucky 42102-0104 (270) 782-0700 (270) 782-0932 (fax)

167 South Main Street Russellville, Kentucky 42276 (270) 726-7151 (270) 726-3155 (fax)

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Report on Compliance for Each Major Federal Program

We have audited Allen County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; and 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). 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 the 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 the 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 the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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.

Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District

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.

Can, Rigge & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC Bowling Green, Kentucky November 12, 2019

Allen County School District Schedule of Findings and Questioned Costs

${\bf Section} \ {\bf I} - {\bf Summary} \ {\bf of} \ {\bf Auditors'} \ {\bf Results}$

Financial Statements

Type of report the auditor issued on whe the financial statements audited were pro in accordance with GAAP: unmodified				
Internal control over financial reporting:				
Material weakness(es) identified?	\checkmark	Yes		No
Significant deficiency(ies) identified?		☐ Yes		None reported
Noncompliance material to financial statements noted?		□ Yes		No
Federal Awards				
Internal control over major Federal progr	ams:			
Material weakness(es) identified?		Yes		No
Significant deficiency(ies) identified?		Yes	☑ N	lone reported
Type of auditors' report issued on compliance for major Federal programs:	unmodified			
Any audit findings disclosed that are requ to be reported in accordance with Unifor Guidance (2 CFR 200.516(a))?		Yes	☑ N	None reported

Allen County School District Schedule of Findings and Questioned Costs

Identification of major Federal programs:

Auditee qualified as low-risk auditee?

Yes

	Name of Federal Program
CFDA Numbers	or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027; 84.173	Special Education Cluster
Dollar threshold used to distingu between type A and type B progr	

Section II — Financial Statement Findings

Financial Reporting Oversight 2019-001

Criteria and Condition: During our audit procedures, we noted the District did not have a system in place to monitor and provide oversight over the creation of the government wide financial statements from the fund statements reported on the modified accrual basis of accounting to the full accrual basis of accounting presentation. Material adjustments were made impacting the areas of construction in progress, OPEB-related deferred outflows of resources, deferred loss on debt refunding, compensated absences, long term debt, accrued interest on long term debt and deferred gain on debt defeasance. This also caused an undetected material error in the prior year debt service fund statements.

☑ No

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements.

Effect: The District's beginning net position/fund balance has been restated to reflect adjusted amounts.

Recommendation: We recommend the District implement system of monitoring and oversight over the conversion of the fund financial statements to the government wide full accrual basis of accounting presentation.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures have been implemented.

Section III — Federal Award Findings and Questioned Costs

None reported.

Allen County School District Corrective Action Plan

RICK FISHER

ASST. SUPERINTENDENT OF INSTRUCTION

CHAD COOPER

INSTRUCTIONAL COORDINATOR

SHANE DAVIS

DIRECTOR OF PUPIL PERSONNEL

ROBIN HERRINGTON

DIRECTOR OF SCHOOL FOOD SERVICE

KIM HAWKINS

DIRECTOR OF SPECIAL EDUCATION AND PRESCHOOL SERVICES **ALLEN COUNTY BOARD OF EDUCATION**

570 OLIVER STREET SCOTTSVILLE, KENTUCKY 42164 (270) 618-3181 FAX (270) 618-3185

TRAVIS HAMBY

SUPERINTENDENT

BRIAN CARTER

ASST. SUPERINTENDENT OF OPERATIONS

ANGIE ANDERSON

TREASURER /FINANCE OFFICER

ROGER WEAVER

KELLY GRIZZLE DIRECTOR OF MAINTENANCE

JASON BEAN

DIRECTOR OF TECHNOLOGY

CORRECTIVE ACTION PLAN

November 12, 2019

Kentucky Department of Education

The Allen County School District respectfully submits the following corrective action plan for the year ended June 30, 2019.

Carr, Riggs & Ingram LLC PO Box 104 Bowling Green, KY 42102

Findings - Financial Statement Audit

Material Weakness

2019-001 Financial Reporting Oversight

Criteria and Condition: During our audit procedures, we noted the District did not have a system in place to monitor and provide oversight over the creation of the government wide financial statements from the fund statements reported on the modified accrual basis of accounting to the full accrual basis of accounting presentation. Material adjustments were made impacting the areas of construction in progress, OPEB-related deferred outflows of resources, deferred loss on debt refunding, compensated absences, long term debt, accrued interest on long term debt and deferred gain on debt defeasance. This also caused an undetected material error in the prior year debt service fund statements.

Cause: Certain internal controls were not in place to prevent or detect and correct misstatements.

Effect: The District's beginning net position/fund balance has been restated to reflect adjusted amounts.

Recommendation: We recommend the District implement system of monitoring and oversight over the conversion of the fund financial statements to the government wide full accrual basis of accounting presentation.

Better Schools Build Better Communities
Equal Education and Employment Opportunities

Allen County School District Corrective Action Plan

Action Taken: In regards to 2019-001 Financial Reporting Oversight, the District concurs with the recommendation and will work closely with Carr, Riggs & Ingram LLC to understand the internal controls required for review of the government – wide financial statements. As the Finance Officer, I will continue to gain further understanding and knowledge of the government wide financial statements in that I may review future financial reports of the Allen County Board of Education. Additional general ledger coding has been implemented to the financial statements for improved future adherence and monitoring of the financial statements.

If the Kentucky Department of Education has questions regarding this plan, please call Angie Anderson at 270-618-3181.

Angie Anderson Finance Officer

Allen County School District



Kentucky State Committee for School District Audits Members of the Board of Education Allen County School District Scottsville, Kentucky Carr, Riggs & Ingram, LLC

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In planning and performing our audit of the financial statements of Allen County School District (the "District") for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 12, 2019 contains our report on the District's internal control. This letter does not affect our report dated November 12, 2019 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

Caux Rigge & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC Bowling Green, KY November 12, 2019

Allen County School District Comments and Recommendations

Current Year Comments

Central Office

- During our sampling procedures over 25 general journal entries, we noted there
 was no documentation of the review of general journal entries. We recommend all
 general journal entries have reviewer initials and approval documented with the
 entry.
- During our procedures over the food service fund, we noted dual initials were not consistently documented on the daily sales reports. We recommend all daily sales reports contain dual initials documenting the dual control over the daily sales and cash deposit for the day.
- During our procedures over the payroll process, we noted there was no formal documentation of review of the payroll batch register. We recommend the payroll register have reviewer initials and approval documented with the register.
- During our audit procedures over liabilities, we noted the District did not have the detail accounts recorded in Fund 9 for deferred outflows of resources, deferred inflows of resources, pension and OPEB liabilities, accrued interest, long term and current portions of debt and accrued sick leave and deferred gains on debt defeasance and construction in progress for Fund 80. We recommend the District record account activity in Fund 9 and Fund 80.

Allen County-Scottsville High School

- In our sampling procedures over eight receipts, we noted one receipt in which the deposit slip did not have dual initials. We recommend deposit slips have dual initials on all deposit slips in accordance with Redbook.
- In our review of the bank reconciliation, we noted one check that was outstanding for a period greater than 12 months. We recommend checks over 12 months outstanding should be researched and resolved.

• James E. Bazzell Middle School

• In our sampling procedures over five receipts, we noted one receipt in which the receipt numbers were not listed on the deposit slip. We recommend the receipt numbers be listed on all deposit slips.

• Allen County Primary Center

In our sampling procedures over one receipt, we noted one receipt in which the deposit slip did not have dual initials. We recommend deposit slips have dual initials on all deposit slips.

Allen County School District Comments and Recommendations

• Allen County Career & Technical Center

• In our sampling procedures over five receipts, we noted one receipt in which the deposit slip did not have dual initials. We recommend deposit slips have dual initials on all deposit slips.

• Allen County Intermediate Center

In our sampling procedures over two disbursements, we noted one disbursement that was not stamped or cancelled as paid. We recommend all invoices be stamped or cancelled as paid.

Prior Year

All prior year findings were corrected.

RICK FISHER

ASST. SUPERINTENDENT OF INSTRUCTION

CHAD COOPER

INSTRUCTIONAL COORDINATOR

SHANE DAVIS

DIRECTOR OF PUPIL PERSONNEL

ROBIN HERRINGTON

DIRECTOR OF SCHOOL FOOD SERVICE

KIM HAWKINS

DIRECTOR OF SPECIAL EDUCATION AND PRESCHOOL SERVICES

November 12, 2019

ALLEN COUNTY BOARD OF EDUCATION

570 OLIVER STREET SCOTTSVILLE, KENTUCKY 42164 (270) 618-3181 FAX (270) 618-3185

TRAVIS HAMBY

SUPERINTENDENT

BRIAN CARTER

ASST. SUPERINTENDENT OF OPERATIONS

ANGIE ANDERSON

TREASURER /FINANCE OFFICER

ROGER WEAVER

DIRECTOR OF TRANSPORTATION

KELLY GRIZZLE

DIRECTOR OF MAINTENANCE

JASON BEAN

DIRECTOR OF TECHNOLOGY

Carr, Riggs & Ingram PO Box 104 Bowling Green, KY 42102

Re: District Responses to Central Office Violations

 Violation found in sampling 25 general journal entries, it was noted there was no documentation of the review of general journal entries.

<u>Recommendation</u> was made by Carr, Riggs & Ingram that all general journal entries have reviewer initials and approval documented with the entry.

Action Taken by Angie Anderson, Finance Officer – A general journal binder has been created with all general journal entries within. Mr. Hamby, Superintendent will be informed in regard to all general journal entries and he will sign off as the reviewer and Angie Anderson, Finance Officer will sign off as Final approval.

 Violation found in school food service fund, it was noted that dual initials were not consistently documented on the daily sales reports.

<u>Recommendation</u> was made by Carr, Riggs & Ingram that all daily sales reports contain dual initials documenting the dual control over the daily sales and cash deposit for the day.

<u>Action Taken</u> by Robin Herrington, School Food Service Director – In the future, dual initials will be documented on all daily sales reports. The dual initials on all daily sales reports will serve to document the dual control over sales and cash deposits on a daily basis.

Better Schools Build Better Communities
Equal Education and Employment Opportunities

3) <u>Violation</u> found in payroll process, it was noted that no formal documentation of review of the payroll batch register.

<u>Recommendation</u> was made by Carr, Riggs & Ingram that the payroll register have reviewer initials and approval documented with the register.

<u>Action Taken</u> by Angie Anderson, Finance Officer – Effective immediately, all payroll registers are reviewed and initialed by Finance Officer.

4) Violation found in reviewing liabilities, it was noted that the District did not have the detail accounts recorded in Fund 9 for deferred outflows of resources, deferred inflows of resources, pension and OPEB liabilities, accrued interest, long term & current portions of debt, accrued sick leave, deferred gains on debt defeasance and construction in progress for Fund 80.

 $\underline{\text{Recommendation}} \text{ was made by Carr, Riggs \& Ingram to record account activity in Fund 9 and Fund 80}.$

Action Taken — Angie Anderson, Finance Officer will ensure that detail liability accounts in fund 9 for deferred outflows of resources, deferred inflows of resources, pension and OPEB liabilities, accrued interest, long term & current portions of debt, accrued sick leave, deferred gains on debt defeasance and construction in progress for fund 80 account activities are recorded accurately in fund 9 and fund 80.

If the Kentucky Department of Education has questions regarding this plan, please call Angie Anderson at 270-618-3181.

Angie Anderson, Finance Officer Allen County School District

RICK FISHER

ASST. SUPERINTENDENT OF INSTRUCTION

CHAD COOPER

INSTRUCTIONAL COORDINATOR

SHANE DAVIS

DIRECTOR OF PUPIL PERSONNEL

ROBIN HERRINGTON

DIRECTOR OF SCHOOL FOOD SERVICE

KIM HAWKINS

DIRECTOR OF SPECIAL EDUCATION AND PRESCHOOL SERVICES **ALLEN COUNTY BOARD OF EDUCATION**

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TRAVIS HAMBY

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ROGER WEAVER
DIRECTOR OF TRANSPORTATION

KELLY GRIZZLE

DIRECTOR OF MAINTENANCE

THECTUR OF MAINTENANCE

JASON BEAN DIRECTOR OF TECHNOLOGY

November 12, 2019

Carr, Riggs & Ingram PO Box 104 Bowling Green, KY 42102

Re: District Responses to Redbook Violations

Allen Co.-Scottsville High

<u>Violation</u> found in sampling of procedures over eight receipts, it was noted that one deposit receipt did not have dual initials

Recommendation was made by Carr, Riggs & Ingram to have dual initials on all deposit slips in accordance with Redbook.

<u>Action Taken</u> by Michelle Sullivan, Bookkeeper - verify and double check all deposit slips to insure that two sets of initials and dates are listed on all deposit slips prior to taking the deposit book & monies to the bank.

<u>Violation</u> found in the review of the bank reconciliation it was noted that one check was outstanding for a period greater than 12 months.

Recommendation made by Carr, Riggs & Ingram to research and resolve all outstanding checks greater than 12 months.

<u>Action</u> Taken by Michelle Sullivan, Bookkeeper will research and resolve all outstanding checks monthly to insure that no checks greater than 12 months are still outstanding.

Better Schools Build Better Communities Equal Education and Employment Opportunities

James E. Bazzell Middle School

<u>Violation</u> found in sampling procedures over five receipts, it was noted that one deposit slip did not have any receipt numbers listed.

Recommendation made by Carr, Riggs & Ingram to make sure that deposit slips have the receipt numbers listed.

<u>Action Taken</u> by Angie Marsh, Bookkeeper will complete deposit slips with currency, coin and list all checks individually and then all items will be totaled. Receipt numbers and dates will be listed, verified and initialed dually on all deposit slips.

Allen County Primary Center

<u>Violation</u> found in sampling receipt procedures, it was noted that on receipt did not have dual initials on the deposit slip.

Recommendation made by Carr, Riggs & Ingram to make sure that all deposit slips have dual initials on them.

Action Taken by Kim Huntsman, Bookkeeper will verify that all deposit slips have initialed receipts. The school bookkeeper and school principal or assistant principal will initial all deposit receipt slips in the future.

Allen County Career & Technical Center

<u>Violation</u> found in sampling receipt procedures, it was noted that one receipt in which the deposit slip did not have dual initials.

<u>Recommendation</u> made by Carr, Riggs & Ingram that all deposit slips have dual initials on all deposit slips.

<u>Action Taken</u> by Elena Dunn, Bookkeeper to double check all deposit tickets and insure that another person verifies, initials and dates prior to the deposit being taken to the bank.

Allen County Intermediate Center

<u>Violation</u> found in sampling procedures over two disbursements, it was noted that one disbursement was not stamped or cancelled as paid.

<u>Recommendation</u> made by Carr, Riggs & Ingram to verify that all invoices are stamped or cancelled as paid.

Action Taken by Keena Woods, Bookkeeper to double check that all invoices are marked PAID as soon as they are paid by Bookkeeper.

If the Kentucky Department of Education has questions regarding this plan, please call Angie Anderson at 270-618-3181.

Angie Anderson, Finance Officer & Treasurer

angu anderson

Allen County Board of Education



Join Our Conversation



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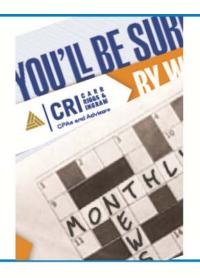
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