MARION COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2020

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November 5, 2020

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 11, 57 through 60, and 63 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, the other supplemental financial statements, 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2020, on our consideration of Marion County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marion County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marion County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

MARION COUNTY PUBLIC SCHOOL DISTRICT – LEBANON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2020

Management's discussion and analysis of the Marion County School District (District) offers readers of the District's financial statements a narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2020. We encourage readers to review the information presented here in conjunction with additional information found within the body of these financial statements.

FINANCIAL HIGHLIGHTS

- The General Fund had $30.0 million in revenues, which primarily consisted of funding through the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle, and utilities taxes. This compares to $30.1 million in General Fund revenues for the prior year.

- Total local taxes collected were $10,613,042 including property, vehicles, and utility taxes. Penalties and interest, omitted property taxes, and revenue in lieu of taxes are also included in this amount. $1,495,686 of the total local taxes collected was for the building fund (5 Cent Levy and Recallable Nickel Levy) required for participation in the School Facilities Construction Commission (SFCC). SFCC funds must be used for projects identified in the District's Facility Plan.

- The District levied tax rates of 59.2 cents (real estate), 59.2 cents (tangible property), and 52.6 cents (motor vehicles) per $100 of assessed value, and continued the 3% utility tax.

- General Fund expenditures totaled $30.5 million, compared to $29.8 million in the prior year.

FACILITIES AND CONSTRUCTION HIGHLIGHTS

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $2.7 million as of June 30, 2020.

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

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

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

Statement of Net Position

	Governmental Activities		Business Activities		Total	
	FY19	FY20	FY19	FY20	FY19	FY20
Current Assets	$ 10,538,452	$ 12,524,663	$ 398,033	$ 935,037	$10,936,485	$13,459,700
Non-Current Assets	27,671,485	26,551,924	107,756	90,080	27,779,241	26,642,004
Total Assets	38,209,937	39,076,587	505,789	1,025,117	38,715,726	40,101,704
Deferred Outflows	3,517,134	3,331,010	642,548	620,164	4,159,682	3,951,174
Total Assets and Deferred Outflows	41,727,071	42,407,597	1,148,337	1,645,281	42,875,408	44,052,878
Current Liabilities	2,265,604	2,382,007	7,444	10,889	2,273,048	2,392,896
Non-Current Liabilities	35,033,947	33,477,795	2,308,641	2,277,570	37,342,588	35,755,365
Total Liabilities	37,299,551	35,859,802	2,316,085	2,288,459	39,615,636	38,148,261
Deferred Inflows	1,497,012	2,747,917	269,841	454,341	1,766,853	3,202,258
Total Liabilities and Deferred Inflows	38,796,563	38,607,719	2,585,926	2,742,800	41,382,489	41,350,519
Net Position:						
Invested in capital (net of debt)	10,582,763	9,292,326	107,756	90,080	10,690,519	9,382,406
Restricted	3,408,794	5,980,441	(1,545,345)	(1,187,599)	1,863,449	4,792,842
Unrestricted	(11,061,049)	(11,472,889)	-		(11,061,049)	(11,472,889)
Total Net Position	$ 2,930,508	$ 3,799,878	$(1,437,589)	$(1,097,519)	$ 1,492,919	$ 2,702,359

Statement of Activities

	Governmental Activities		Business Activities		Total	
Revenues	**FY19**	**FY20**	**FY19**	**FY20**	**FY19**	**FY20**
Program Revenues:						
Charges for Services	$ 58,605	$ 1,919	$ 216,700	$ 166,690	$ 275,305	$ 168,609
Operating Grants and Contributions	4,159,935	3,815,071	2,470,567	3,282,616	6,630,502	7,097,687
Capital Grants and Contributions	94,695	58,406	24,396		119,091	58,406
General Revenue:						
Property Taxes	7,668,681	7,975,029			7,668,681	7,975,029
Motor Vehicle Taxes	712,290	693,785			712,290	693,785
Utility Taxes	1,453,509	1,765,919			1,453,509	1,765,919
Other Taxes	130,364	178,309			130,364	178,309
State Aid - Formula Grants	22,201,599	21,705,517			22,201,599	21,705,517
Investment Earnings	203,124	224,117		8,073	203,124	232,190
Miscellaneous Revenues	349,511	506,496	1,534	485	351,045	506,981
Gain (Loss) on Sale of Capital Assets	431	2,171	225	(50)	656	2,121
Total Revenues	37,032,744	36,926,739	2,713,422	3,457,814	39,746,166	40,384,553
Expenses						
Instructional	25,696,289	23,247,423			25,696,289	23,247,423
Student Support Services	1,175,480	1,439,136			1,175,480	1,439,136
Staff Support Services	1,344,061	1,765,281			1,344,061	1,765,281
District Administration	1,135,997	1,341,809			1,135,997	1,341,809
School Administration	1,564,305	1,945,429			1,564,305	1,945,429
Business Support Services	903,383	1,013,540			903,383	1,013,540
Plant Operation & Maintenance	2,173,411	2,340,455			2,173,411	2,340,455
Student Transportation	2,012,271	2,040,404			2,012,271	2,040,404
Food Service	1,265	3,735	2,884,246	3,117,744	2,885,511	3,121,479
Community Service Operations	355,578	311,116			355,578	311,116
Adult Education Operations	34,469	48,405			34,469	48,405
Facilities Acquistion & Construction		36,562				36,562
Interest on Long-Term Debt	539,792	524,074			539,792	524,074
Total Expenses	36,936,301	36,057,369	2,884,246	3,117,744	39,820,547	39,175,113
Change in Net Position	96,443	869,370	(170,824)	340,070	(74,381)	1,209,440
Net Position June 30,	$ 2,930,508	$ 3,799,878	$ (1,437,589)	$ (1,097,519)	$ 1,492,919	$ 2,702,359

On-Behalf Payments

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

On-Behalf Distribution 2019-2020

Health Insurance, Life, Admin,HRA/Dental/Vision	$ 3,478,485
Kentucky Teachers Retirement	$ 5,144,328
Technology	$ 100,742
Debt Service	$ 469,581
Total On-Behalf Payments	$ 9,193,136

General Fund Revenue Table .

State Funding continues to be the major source of General Fund revenue, yet, local funding is a growing share.

Revenue	FY19	%	FY20	%
Property Tax	6,271,311	20.84	6,479,343	21.58
Motor Vehicle	712,290	2.37	693,785	2.31
Utility	1,453,509	4.83	1,765,919	5.88
Other Tax	130,364	0.43	178,309	0.59
Interest Income	201,247	0.67	205,628	0.68
State SEEK	12,369,877	41.10	11,870,637	39.53
State On-Behalf	8,502,893	28.25	8,562,128	28.52
State – Other	20,765	0.07	14,498	0.05
Federal	206,897	0.69	140,829	0.47
Other Revenue	225,376	0.75	116,406	0.39
Totals	30,094,529	100.00	30,027,482	100.00

State sources (State SEEK, On-behalf and Other State revenue) decreased from $20,893,535 or 69.4% for FY2019 to $20,447,263 or 68.1% for FY2020. Local taxes (Property, Motor Vehicle, Utility and Other Local Tax) increased from $8,567,474 or 28.5% to $9,117,356 or 30.4% of total General Fund revenue over the same periods. Total General Fund revenue decreased $67,047 or about 0.22%.

General Fund Expenditure Table.

Again, for FY2020, aapproximately 82% of the general fund expenses were spent for salaries and fringe benefits (74.80% + 7.26% = 82.06%). This calculation is without the state on-behalf expenditure included. A breakdown of all general fund expenditures is found in the chart below.

Expense	FY19	% without On-behalf	% including On-behalf	FY20	% without On-behalf	% including On-behalf
Salaries	$ 16,129,446	74.66	53.76	$ 16,651,666	74.80	54.20
Benefits	1,565,048	7.24	5.22	1,616,140	7.26	5.26
On-Behalf	8,400,527	--	28.00	8,461,386	--	27.54
All Other	3,908,988	18.10	13.02	3,994,593	17.94	13.00
Totals	$ 30,004,009	100.00	100.00	$ 30,723,785	100.00	100.00

The "All Other" category includes all General Fund non-payroll and non-benefit costs. The On-Behalf category is the cost paid directly by the state, mostly for employee benefits including health insurance and the state teachers' retirement contributions, but the term sometimes includes other state paid costs paid "on-behalf" of the school district such as technology support costs.

The percentages are changed modestly; the total FY2020 costs increased $719,775 or about 2.4% as compared to the previous fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The most significant budgeted fund is the General Fund. The General Fund had budgeted receipts of $21,167,004 with actual results being $30,032,031. Budgeted expenditures were $27,667,004 compared to actual expenditures of $30,723,785. The most significant variance between budget and actual was the District's contingency account of $3,110,673 which is required by law to be budgeted, but no actual expenses were incurred. The District also did not budget for state on-behalf payments, which are stated in the actual expenses. For many years, the District has prepared its budget in a conservative manner. A sizable fund balance at the beginning of the year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. The District's fund balance is used to offset the delay in tax receipts for the year.

FUTURE BUDGETARY IMPLICATIONS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The table below shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2020 and 2019.

	Governmental Activities (Net of Depreciation)		Business – Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	2020	2019	2020	2019	2020	2019
Land	$ 814,396	$ 814,396	$ -	$ -	$ 814,396	$ 814,396
Construction in Progress	436,605	5,936		-	436,605	5,936
Buildings and Improvements	23,391,075	24,827,520		-	23,391,075	24,827,520
Technology	274,358	393,815	293	1,814	274,651	395,629
Vehicles	1,396,697	1,342,574		-	1,396,697	1,342,574
General Equipment	238,793	287,244	89,787	105,942	328,580	393,186
Total	$ 26,551,924	$ 27,671,485	$ 90,080	$ 107,756	$ 26,642,004	$ 27,779,241

The table below shows the changes in capital assets for fiscal years ended June 30, 2020 and 2019.

	Governmental Activities		Business – Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Beginning Balance	$ 27,671,485	$ 29,228,910	$ 107,756	$ 103,634	$ 27,779,241	$ 29,332,544
Additions	813,670	373,272	-	28,518	813,670	401,790
Retirements	(2,379)	(8,107)	(50)	-	(2,429)	(8,107)
Depreciation	(1,930,852)	(1,922,590)	(17,626)	(24,396)	(1,948,478)	(1,946,986)
Ending Balance	$ 26,551,924	$ 27,671,485	$ 90,080	$ 107,756	$ 26,642,004	$ 27,779,241

Long-Term Debt

At year-end the District had $17,230,000 in bonds outstanding, including a new bond issue during FY2020. On January 30, 2020, the District issued $1,555,000 of School Building Revenue Bonds. A total of $1,355,000 of bond principal is due within one year.

Contacting the District's Financial Management

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	11,691,182	878,854	12,570,036
Accounts Receivable:			
Taxes - Current	223,348		223,348
Taxes - Delinquent	25,654		25,654
Accounts	43,044		43,044
Intergovernmental - State	149,896		149,896
Intergovernmental - Federal	391,539		391,539
Inventories for Consumption		56,183	56,183
Total Current Assets	12,524,663	935,037	13,459,700
Noncurrent Assets - Note F			
Land	814,396		814,396
Buildings & Improvements	50,301,570		50,301,570
Furniture & Equipment	8,402,527	822,486	9,225,013
Construction in Progress	436,605		436,605
Less: Accumulated Depreciation	(33,403,174)	(732,406)	(34,135,580)
Total Noncurrent Assets	26,551,924	90,080	26,642,004
TOTAL ASSETS	39,076,587	1,025,117	40,101,704
Deferred Outflows Related to Pensions	1,743,208	423,102	2,166,310
Deferred Outflows Related to Other Post Employment Benefits	1,329,653	197,062	1,526,715
Deferred Outflows from Advanced Bond Refundings	258,149		258,149
TOTAL DEFERRED OUTFLOWS	3,331,010	620,164	3,951,174
TOTAL ASSETS AND DEFERRED OUTFLOWS	42,407,597	1,645,281	44,052,878
LIABILITIES:			
Current Liabilities:			
Accounts Payable	242,907	10,889	253,796
Accrued Sick Leave - Note A	140,666		140,666
Advances from Grantors	468,958		468,958
Bond Obligations - Note E	1,355,000		1,355,000
Capital Lease Obligations	35,493		35,493
KSBIT Assessment - Note R	37,140		37,140
Accrued Interest Payable	101,843		101,843
Total Current Liabilities	2,382,007	10,889	2,392,896
Noncurrent Liabilities:			
Bond Obligations - Note E	15,869,105		15,869,105
Net Pension Liability	7,765,263	1,981,341	9,746,604
Net Other Post Employment Benefits Liability	9,309,069	296,229	9,605,298
Accrued Sick Leave - Note A	534,358		534,358
Total Noncurrent Liabilities	33,477,795	2,277,570	35,755,365
TOTAL LIABILITIES	35,859,802	2,288,459	38,148,261
Deferred Inflows Related to Other Post Employment Benefits	1,922,051	236,626	2,158,677
Deferred Inflows Related to Pensions	825,866	217,715	1,043,581
TOTAL DEFERRED INFLOWS	2,747,917	454,341	3,202,258
TOTAL LIABILITIES AND DEFERRED INFLOWS	38,607,719	2,742,800	41,350,519
NET POSITION:			
Net Investment in Capital Assets	9,292,326	90,080	9,382,406
Restricted for:			
Capital Projects	2,520,738		2,520,738
School Activities	185,836		185,836
SFCC Escrow	3,272,354		3,272,354
Debt Service	1,513		1,513
Food Service		(1,187,599)	(1,187,599)
Unrestricted	(11,472,889)		(11,472,889)
TOTAL NET POSITION	3,799,878	(1,097,519)	2,702,359
TOTAL LIABILITIES AND NET POSITION	42,407,597	1,645,281	44,052,878

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
FUNCTION/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	23,247,423		3,147,518		(20,099,905)		(20,099,905)
Support Services:							
Student Support Services	1,439,136		116,313		(1,322,823)		(1,322,823)
Staff Support Services	1,765,281		191,184		(1,574,097)		(1,574,097)
District Administration	1,341,809				(1,341,809)		(1,341,809)
School Administration	1,945,429				(1,945,429)		(1,945,429)
Business Support Services	1,013,540	1,919			(1,011,621)		(1,011,621)
Plant Operation & Maintenance	2,340,455				(2,340,455)		(2,340,455)
Student Transportation	2,040,404				(2,040,404)		(2,040,404)
Food Service Operation	3,735		3,927		192		192
Community Service Operations	311,116		305,242		(5,874)		(5,874)
Adult Education Operations	48,405		50,887		2,482		2,482
Facilities Acquisition and Construction	36,562				(36,562)		(36,562)
Interest on Long-Term Debt	524,074			58,406	(465,668)		(465,668)
TOTAL GOVERNMENTAL ACTIVITIES	36,057,369	1,919	3,815,071	58,406	(32,181,973)		(32,181,973)
BUSINESS-TYPE ACTIVITIES:							
Food Service	3,117,744	166,690	3,282,616			331,562	331,562
TOTAL BUSINESS-TYPE ACTIVITIES	3,117,744	166,690	3,282,616	0	0	331,562	331,562
TOTAL SCHOOL DISTRICT	39,175,113	168,609	7,097,687	58,406	(32,181,973)	331,562	(31,850,411)
GENERAL REVENUES:							
Taxes:							
Property					7,975,029		7,975,029
Motor Vehicle					693,785		693,785
Utility					1,765,919		1,765,919
Other					178,309		178,309
State Aid - Formula Grants					21,705,517		21,705,517
Investment Earnings					224,117	8,073	232,190
Miscellaneous					506,496	485	506,981
Gain(Loss) Sale of Assets					2,171	(50)	2,121
TOTAL GENERAL REVENUES					33,051,343	8,508	33,059,851
CHANGE IN NET POSITION					869,370	340,070	1,209,440
NET POSITION					2,930,508	(1,437,589)	1,492,919
NET POSITION - ENDING					3,799,878	(1,097,519)	2,702,359

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

MARION COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	5,538,434		3,717,396	1,318,561	1,116,791	11,691,182
Accounts Receivable:						
Taxes - Current	223,348					223,348
Taxes - Delinquent	25,654					25,654
Accounts	43,044					43,044
Interfund Receivable	42,238					42,238
Intergovernmental - State		149,896				149,896
Intergovernmental - Federal		391,539				391,539
TOTAL ASSETS	5,872,718	541,435	3,717,396	1,318,561	1,116,791	12,566,901
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	40,361	30,239		171,973	334	242,907
Interfund Payable		42,238				42,238
Advances from Grantors		468,958				468,958
Total Liabilities	40,361	541,435	0	171,973	334	754,103
Fund Balance:						
Restricted for:						
Capital Projects			1,087,354	1,146,588	286,796	2,520,738
Debt Service					1,513	1,513
School Activities					185,836	185,836
SFCC Escrow			2,630,042		642,312	3,272,354
Committed for:						
Sick Leave	140,666					140,666
Unassigned Fund Balance	5,691,691					5,691,691
Total Fund Balance	5,832,357	0	3,717,396	1,146,588	1,116,457	11,812,798
TOTAL LIABILITIES AND FUND BALANCES	5,872,718	541,435	3,717,396	1,318,561	1,116,791	12,566,901

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

MARION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

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

TOTAL GOVERNMENTAL FUND BALANCE		11,812,798
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	59,955,098	
Accumulated Depreciation	(33,403,174)	
		26,551,924
Deferred Outflows on Bond Refundings are not a current asset and therefore are not reported as assets in governmental funds.		258,149
Deferred Outflows Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		1,743,208
Deferred Outflows Related to Other Post Employment Benefits are not a current and therefore are not reported as assets in governmental funds.		1,329,653
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
KSBIT Assessment	(37,140)	
Bonds Payable	(17,230,000)	
Unamortized Bond Premiums	(8,528)	
Unamortized Bond Discounts	14,423	
Capital Lease Obligation	(35,493)	
Net Pension Liability	(7,765,263)	
Net Other Post Empoyment Benefits Liability	(9,309,069)	
Accrued Interest on Bonds	(101,843)	
Accrued Sick Leave	(675,024)	
		(35,147,937)
Deferred Inflows Related to Other Post Employment Benefits are not a current lialities and therefore are not reported as liabilities in governmental funds.		(1,922,051)
Deferred Inflows Related to Pensions are not a current liabilities and therefore are not reported as liabilities in governmental funds.		(825,866)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		3,799,878

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	GENERAL	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	6,479,343		1,495,686			7,975,029
Motor Vehicle	693,785					693,785
Utility	1,765,919					1,765,919
Other	178,309					178,309
Earnings on Investments	205,628	1,216		17,273		224,117
Intergovernmental - State	20,447,263	1,346,464	560,119		756,541	23,110,387
Intergovernmental - Federal	140,829	2,327,778				2,468,607
Other Sources	116,406	93,908			298,101	508,415
TOTAL REVENUES	30,027,482	3,769,366	2,055,805	17,273	1,054,642	36,924,568
EXPENDITURES:						
Instructional	19,161,087	2,993,830			195,003	22,349,920
Support Services:						
Student Support Services	1,294,742	110,639			863	1,406,244
Staff Support Services	1,565,480	181,857				1,747,337
District Administration	1,217,969					1,217,969
School Administration	1,893,485					1,893,485
Business Support Services	950,538					950,538
Plant Operation & Maintenance	2,316,097				1,625	2,317,722
Student Transportation	2,062,708					2,062,708
Food Service Operation		3,735				3,735
Community Service Operations	20,655	290,351				311,006
Adult Educaiton Operations		48,405				48,405
Facilities Acquisiton & Construction				467,231		467,231
Debt Service:						
Principal	33,229				1,345,000	1,378,229
Interest	3,548				440,127	443,675
TOTAL EXPENDITURES	30,519,538	3,628,817	0	467,231	1,982,618	36,598,204
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(492,056)	140,549	2,055,805	(449,958)	(927,976)	326,364
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds				1,555,000		1,555,000
Premium on Issuance of Bonds				8,710		8,710
Discount on Issuance of Bonds				(14,730)		(14,730)
Proceeds from Sale of Assets	4,550					4,550
Operating Transfers In - Note N		60,228			1,313,247	1,373,475
Operating Transfers Out - Note N	(204,247)	(200,777)	(968,451)			(1,373,475)
TOTAL OTHER FINANCING SOURCES	(199,697)	(140,549)	(968,451)	1,548,980	1,313,247	1,553,530
NET CHANGE IN FUND BALANCE	(691,753)	0	1,087,354	1,099,022	385,271	1,879,894
FUND BALANCES - BEGINNING	6,524,110	0	2,630,042	47,566	731,186	9,932,904
FUND BALANCES - ENDING	5,832,357	0	3,717,396	1,146,588	1,116,457	11,812,798

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

MARION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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

NET CHANGES - GOVERNMENTAL FUNDS		1,879,894
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(1,930,852)	
Capital Outlays	813,670	
		(1,117,182)
Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond Principal Paid	1,345,000	
Capital Lease Principal Paid	33,229	
Bond Proceeds - Net	(1,548,980)	
		(170,751)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Deferred Outflows on Advanced Bond Refundings	(69,970)	
Amortization-Bond Premiums	181	
Amortization-Bond Discounts	(307)	
District Pension Contributions	543,231	
Cost of Benefits Earned Net of Employee Contributions - Pension	(1,200,919)	
District Other Post Employment Benefits Contributions	650,974	
Cost of Benefits Earned Net of Employee Contributions - OPEB	126,455	
Accrued Interest Payable	(10,303)	
KISBIT Assessment	37,143	
Accrued Sick Leave	203,303	
		279,788
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Loss- Sale of Assets		(2,379)
CHANGES - NET POSITION GOVERNMENTAL FUNDS		869,370

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	ENTERPRISE FUND
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	878,854
Inventories for Consumption	56,183
Total Current Assets	935,037
Noncurrent Assets:	
Furniture & Equipment	822,486
Less: Accumulated Depreciation	(732,406)
Total Noncurrent Assets	90,080
TOTAL ASSETS	1,025,117
Deferred Outflows Related to Other Post Employment Benefits	197,062
Deferred Outflows Related to Pensions	423,102
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,645,281
LIABILITIES:	
Current Liabilities:	
Account Payable	10,889
Total Current Liabilities	10,889
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	296,229
Net Pension Liability	1,981,341
Total Noncurrent Liabilities	2,277,570
TOTAL LIABILITIES	2,288,459
Deferred Inflows Related to Other Post Employment Benefits	236,626
Deferred Inflows Related to Pensions	217,715
TOTAL LIABILITIES AND DEFERRED INFLOWS	2,742,800
Net Position:	
Net Investment in Capital Assets	90,080
Restricted	(1,187,599)
Total Net Position	(1,097,519)
TOTAL LIABILITIES AND NET POSITION	1,645,281

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	ENTERPRISE FUND
	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	166,690
Other Operating Revenues	485
TOTAL OPERATING REVENUES	167,175
OPERATING EXPENSES:	
Salaries & Benefits	1,375,555
Contract Services	75,050
Materials & Supplies	1,640,279
Depreciation - Note F	17,626
Other Operating Expenses	9,234
TOTAL OPERATING EXPENSES	3,117,744
OPERATING INCOME(LOSS)	(2,950,569)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	2,949,933
State Grants	185,286
Donated Commodities	147,397
Loss on Sale of Assets	(50)
Interest Income	8,073
TOTAL NONOPERATING REVENUE	3,290,639
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	340,070
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	340,070
TOTAL NET POSITION - BEGINNING	(1,437,589)
TOTAL NET POSITION - ENDING	(1,097,519)

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	166,690
Other Activities	485
Cash Paid to/for:	
Employees	(1,038,315)
Supplies	(1,491,457)
Other Activities	(84,284)
Net Cash Used by Operating Activities	(2,446,881)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Federal Grants	2,975,730
State Grants	23,859
Net Cash Provided by Non-Capital and Related Financing Activities	2,999,589
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Capital Assets	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest Income	8,073
Net Increase in Cash and Cash Equivalents	560,781
Balances, Beginning of Year	318,073
Balances, End of Year	878,854
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating Loss	(2,950,569)
Adjustments to Reconcile Operating Loss to Net Cash (Used) by Operating Activities	
Depreciation	17,626
Gain on Sale of Assets	
State On-Behalf Payments	161,427
Donated Commodities	147,397
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Inventory	(2,020)
Deferred Outflows	22,384
Deferred Inflows	184,500
Net Pension Liability	60,214
Net Other Post Employment Benefits	(91,285)
Accounts Payable	3,445
Net Cash Used by Operating Activities	(2,446,881)
Schedule of Non-Cash Transactions:	
Donated Commodities	147,397
State On-Behalf Payments	161,427

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	PRIVATE PURPOSE TRUST FUNDS	AGENCY FUND
ASSETS:		
Cash and Cash Equivalents		
Investments - Note D	145,699	189,928
TOTAL ASSETS	145,699	189,928
LIABILITIES:		
Accounts Payable	6,000	-
Due to Student Groups	-	189,928
TOTAL LIABILITIES	6,000	189,928
NET POSITION HELD IN TRUST	139,699	0
TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	145,699	189,928

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	PRIVATE PURPOSE TRUST FUNDS
ADDITIONS:	
Net Interest and Investment Gains(Losses)	3,512
DEDUCTIONS:	
Broker Fees	2,034
Benefits Paid	6,000
Changes in Net Position	(4,522)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	144,221
NET POSITION HELD IN TRUST - END OF YEAR	139,699

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

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

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

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

The District has the following funds:

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

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

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

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

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

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

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

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

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

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

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

Basis of Accounting

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

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

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

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2020, to finance the General Fund operations were $0.592 per $100 valuation for real property, $0.592 per $100 valuation for business personal property, and $0.526 per $100 valuation for motor vehicles.

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

Capital Assets

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

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

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

Budgetary Process

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

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

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

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

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Investments

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

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

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

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

Fund Balance Type	**Amount**	**Action**
General Fund	140,666	Long-Term Sick Leave Commitment

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

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Interfund Activity

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

Pensions

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

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

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

Postemployment Benefits Other Than Pensions

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

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

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

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

At year-end, the carrying amount of the District's total cash and cash equivalents was $12,759,964. Of the total cash balance, $320,252 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2020, consisted of the following:

	Bank Balance	**Book Balance**
U.S. Bank	10,455	9,870
Citizens National Bank	15,141,509	12,687,661
Farmers National Bank	59,798	59,558
Total	15,211,762	12,757,089

Breakdown per financial statements:	
Governmental Funds	11,691,182
Proprietary Funds	878,854
Cash per Statement of Net Position	12,570,036
Agency Funds	189,928
Total Cash	12,759,964

NOTE D – INVESTMENTS

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

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

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

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

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

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

The initial cost of the investments was $108,650. Investments at June 30, 2020, consist of the following:

	Fair Value
Money Market Funds	$ 6,255
Mutual Funds	139,444
Total	145,699

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

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

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Marion County School District Finance Corporation in the original amount aggregating $20,529,000.

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

2012 Refunding	3,210,000	1.25% - 2.125%
2012 Series B	1,030,000	1.70% - 3.25%
2012 Refunding, Series C	4,750,000	1.00% - 2.375%
2014 Refunding	5,645,000	1.00% - 3.50%
2015	3,524,000	1.00% - 3.75%
2015 Series A	815,000	1.30% - 3.50%
2020	1,555,000	2.00%-3.00%

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

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

On January 30, 2020, the District issued $1,555,000 in School Building Revenue Bonds at interest rates ranging from 2.00% to 3.00%. The net proceeds of $1,521,507 (after $27,473 in cost of issuance, $14,730 in bond discount, and $8,710 in bond premium) were deposited in the construction fund. The final principal payment matures February 1, 2040.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2020, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2020-21	1,355,000	461,485	379,005	1,437,480
2021-22	1,390,000	433,565	378,153	1,445,412
2022-23	1,420,000	404,150	377,303	1,446,847
2023-24	1,415,000	363,239	321,847	1,456,392
2024-25	1,460,000	329,576	325,347	1,464,229
2025-26	1,475,000	294,402	298,904	1,470,498
2026-27	1,365,000	256,278	220,862	1,400,416
2027-28	1,410,000	214,219	219,212	1,405,007
2028-29	1,470,000	169,874	222,424	1,417,450
2029-30	1,490,000	121,740	188,051	1,423,689
2030-31	455,000	90,788	103,147	442,641
2031-32	480,000	76,300	101,034	455,266
2032-33	435,000	61,019	33,921	462,098
2033-34	460,000	47,175	33,922	473,253
2034-35	480,000	32,488	33,922	478,566
2035-36	130,000	16,925	33,921	113,004
2036-37	130,000	13,675	33,922	109,753
2037-38	135,000	10,425	33,921	111,504
2038-39	135,000	7,050	33,922	108,128
2039-40	140,000	3,675	33,922	109,753
	17,230,000	3,408,048	3,406,662	17,231,386

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	17,020,000	1,555,000	(1,345,000)	17,230,000	1,355,000
Add: Bond Premium	0	8,710	(181)	8,529	0
Less: Bond Discount	0	(14,730)	306	(14,424)	0
Net Revenue Bond Payable	17,020,000	1,548,980	(1,344,875)	17,224,105	1,355,000
KSBIT Assessment	74,283	0	(37,143)	37,140	37,140
Capital Leases	68,722	0	(33,229)	35,493	35,493
Net Pension Liability	7,542,780	222,483	0	7,765,263	0
Net OPEB Liability	11,018,351	0	(1,709,282)	9,309,069	0
Accrued Sick Leave	878,327	0	(203,303)	675,024	140,666
Total Governmental Activities:	36,602,463	1,771,463	(3,327,832)	35,046,094	1,568,299
Proprietary Activities:					
Net OPEB Liability	387,514	0	(91,285)	296,229	0
Net Pension Liability	1,921,127	60,214	0	1,981,341	0
Total Long-Term Liabilities:	38,911,104	1,831,677	(3,419,117)	37,323,664	1,568,299

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	814,396			814,396
Construction	5,936	430,669		436,605
Depreciable Assets:				
Buildings & Building Improvements	50,301,570			50,301,570
Technology Equipment	3,386,867	64,846	146,933	3,304,780
Vehicles	3,814,595	318,155		4,132,750
General Equipment	974,992		9,995	964,997
TOTAL AT HISTORICAL COST	59,298,356	813,670	156,928	59,955,098
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	25,474,050	1,436,445		26,910,495
Technology Equipment	2,993,052	181,924	144,554	3,030,422
Vehicles	2,472,021	264,032		2,736,053
General Equipment	687,748	48,451	9,995	726,204
TOTAL ACCUMULATED DEPRECIATION	31,626,871	1,930,852	154,549	33,403,174
GOVERNMENTAL ACTIVITIES CAPITAL NET	27,671,485	(1,117,182)	(2,379)	26,551,924
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	18,563		3,560	15,003
General Equipment	807,483			807,483
TOTALS AT HISTORICAL COST	826,046	-	3,560	822,486
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	16,749	1,471	3,510	14,710
General Equipment	701,541	16,155		717,696
TOTAL ACCUMULATED DEPRECIATION	718,290	17,626	3,510	732,406
PROPRIETARY ACTIVITIES CAPITAL NET	107,756	(17,626)	50	90,080

DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:

Instructional	1,442,596
Student Support Services	3,443
Staff Support Services	14,549
District Administration	118,844
School Administration	10,270
Business Support Services	80,024
Student Transportation	261,016
Community Service Operations	110
TOTAL	1,930,852

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree

requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Medical Insurance Plan

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

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	$ 9,746,604
Commonwealth's proportional share of the TRS net pension liability associated with the District	63,636,486
	$ 73,383,090

The net pension liability for each plan was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.138583% percent.

For the year ended June 30, 2020, the District recognized pension expense of $1,525,946 related to CERS and $4,789,000 related to TRS. The District also recognized revenue of $4,789,000 for TRS support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 248,860	$ 41,182
Changes of assumptions	986,467	-
Net difference between projected and actual earnings on pension plan investments	187,097	344,216
Changes in proportion and differences between District contributions and proportionate share of contributions	53,630	658,183
District contributions subsequent to the measurement date	690,256	-
Total	$ 2,166,310	$ 1,043,581

$690,256 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	454,415
2022	(26,374)
2023	(6,716)
2024	11,148
2025	-

Actuarial assumptions—The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	25.4 years
Asset Valuation Method	5-year smoothed market
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Projected salary increases	3.5-7.3%, includes inflation
Cost of living adjustments	1.50% annually
Inflation rate	3.0-3.5%

County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, closed
Remaining Amortization Period	26 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets if recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%, net of pension plan investment expenses, including inflation
Projected salary increases	3.3 to 11.5% average, includes inflation
Inflation rate	2.30%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.00%	4.20%
International Equity	22.00%	5.20%
Fixed Income	15.00%	1.20%
Additional Categories	7.00%	3.20%
Real Estate	7.00%	3.80%
Private Equity	7.00%	6.3%
Cash	2.0%	.9%
Total	100.0%	

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.0%	4.10%
Total	100.0%	

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	12,190,237	9,746,604	7,709,860
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	0	0	0

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

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

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

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

Medical Insurance Plan

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

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

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

At June 30, 2020, the Marion County District reported a liability of $7,275,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .2857 percent, compared to .2492 percent at June 30, 2019.

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	$ 7,275,000
State's proportionate share of the net OPEB liability associated with the District	5,875,000
Total	$13,150,000

For the year ended June 30, 2020, the District recognized OPEB expense of $63,509 and revenue of $355,238 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 974,185
Changes of assumptions	17,149	-
Net difference between projected and actual earnings on pension plan investments	106,768	73,576
Changes in proportion and differences between District contributions and proportionate share of contributions	-	
District contributions subsequent to the measurement date	477,618	-
Total	601,535	1,047,761

Of the total amount reported as deferred outflows of resources related to OPEB, $477,618 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:		
2021	$	(173,152)
2022		(173,152)
2023		(164,854)
2024		(166,513)
2025		(148,258)
Thereafter		(97,915)

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Additional Categories	17.0%	3.2%
Cash	1.0%	0.9%
Total	100.0%	

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

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

	1% Decrease	Current Discount Rate	1% Increase
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	9,905,522	7,275,000	7,068,761

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	6,807,948	7,275,000	10,273,823

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

Life Insurance Plan

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

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

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

At June 30, 2020, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB liability associated with the District	136,000
Total	$ 136,000

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.5-7.45%, including inflation
Inflation rate	3.5%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation.

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

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estaet	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories	6.0%	3.2%
Cash	2.0%	0.9%
Total	100.0%	

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

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

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

<u>County Employees' Retirement System of Kentucky</u>

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

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

Medical Insurance Plan

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

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

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

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

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy-six one hundreds percent (4.76%) of the gross annual payroll of members is contributed for the year ended June 30, 2020 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2020, the Marion County District reported a liability of $2,330,298 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .138547 percent, compared to .155387 percent at June 30, 2018.

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

District's proportionate share of the net OPEB liability	$ 2,330,298
State's proportionate share of the net OPEB liability associated with the District	-0-
Total	$ 2,330,298

For the year ended June 30, 2020, the District recognized OPEB expense of $159,969. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 703,105
Changes of assumptions	689,557	4,611
Net difference between projected and actual earnings on pension plan investments	15,349	118,851
Changes in proportion and differences between District contributions and proportionate share of contrbutions	-	284,349
District contributions subsequent to the measurement date	220,274	-
Total	925,180	1,110,916

Of the total amount reported as deferred outflows of resources related to OPEB, $220,274 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:	
2021	$ (72,822)
2022	(72,822)
2023	(39,914)
2024	(102,828)
2025	(96,408)
Thereafter	(21,216)

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008-June 30 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% to 11.55%, varies by service
Inflation rate	2.30%
Payroll Growth Rate	2.00%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	**62.50%**	
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity	**14.50%**	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	**23.00%**	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.0%	4.10%
Total	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 5.68%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.68%	5.68%	6.68%
District's proportionate share of net OPEB liability	3,121,641	2,330,298	1,678,284

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

	1% Decrease	Current Trend Rate	1% Increase
Systems' net pension liability	1,733,055	2,330,298	3,054,527

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

NOTE I – CONTINGENCIES

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

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

NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of $1,097,519 at June 30, 2020. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Construction Fund	449,958
Debt Service Fund	1,315,547
General Fund	492,056

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	60,228
Operating	General	Debt Service	Debt Service	144,019
Operating	Building	Debt Service	Debt Service	968,451
Operating	Special Revenue	Debt Service	Debt Service	200,777
			Total Transferred Funds	1,373,475

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Receivable Fund	Payable Fund	Amount
General	Special Revenue	$42,238

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 5, 2020, the date the financials were available for release. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2020, $9,193,136 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	$4,789,000
Teachers Retirement System (GASB 75)	355,328
Health Insurance	3,374,700
Life Insurance	5,602
Administrative Fee	46,190
HRA/Dental/Vision	234,767
Federal Reimbursement	(182,774)
Technology	100,742
SFCC Debt Service Payments	469,581
Total	$9,193,136

NOTE R – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between $50 million and $60 million. As of June 30, 2020, Marion County School District's remaining assessment is valued at $37,140. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment according to the following schedule:

Year Ending June 30,	KSBIT Assessment Payable
2021	37,140

NOTE S – COMMITMENTS

Marion County School District is currently renovating Marion County Middle School. Improvements for this project is ongoing as of the audit date. It is anticipated that the completion of this project will cost an additional $1,143,395.

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	8,725,000	8,725,000	9,117,356	392,356
Other Local Sources	33,500	33,500	120,956	87,456
State Sources	12,085,504	12,085,504	20,447,263	8,361,759
Federal Sources	120,000	120,000	140,829	20,829
Other Sources	203,000	203,000	205,628	2,628
TOTAL REVENUES	21,167,004	21,167,004	30,032,032	8,865,028
EXPENDITURES:				
Instructional	14,263,981	14,263,981	19,161,087	(4,897,106)
Student Support Services	922,600	922,600	1,294,742	(372,142)
Staff Support Services	1,108,846	1,108,846	1,565,480	(456,634)
District Administration	1,142,281	1,142,281	1,217,969	(75,688)
School Administration	1,264,738	1,264,738	1,893,485	(628,747)
Business Support Services	784,377	784,377	950,538	(166,161)
Plant Operation & Maintenance	2,528,278	2,528,278	2,316,097	212,181
Student Transportation	2,206,528	2,206,528	2,062,708	143,820
Community Service Operations	65,683	65,683	20,655	45,028
Debt Service	0	0	36,777	(36,777)
Other	3,379,692	3,379,692	204,247	3,175,445
TOTAL EXPENDITURES	27,667,004	27,667,004	30,723,785	(3,056,781)
NET CHANGE IN FUND BALANCE	(6,500,000)	(6,500,000)	(691,753)	5,808,247
FUND BALANCES - BEGINNING	6,500,000	6,500,000	6,524,110	24,110
FUND BALANCES - ENDING	0	0	5,832,357	5,832,357

On-behalf payments totaling $8,562,127 are not budgeted by Marion County School District.

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

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	102,738	102,738	93,908	(8,830)
State Sources	1,176,495	1,176,495	1,346,464	169,969
Federal Sources	2,288,548	2,288,548	2,327,778	39,230
Other Sources	115,000	115,000	61,444	(53,556)
TOTAL REVENUES	3,682,781	3,682,781	3,829,594	146,813
EXPENDITURES:				
Instructional	2,975,011	2,975,011	2,993,830	(18,819)
Student Support Services	132,311	132,311	110,639	21,672
Staff Support Services	131,480	131,480	181,857	(50,377)
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Support Services	0	0	0	0
Plant Operation & Maintenance	0	0	0	0
Student Transportation	0	0	0	0
Food Service Operations	0	0	3,735	(3,735)
Community Service Operations	300,840	300,840	290,351	10,489
Adult Education	48,031	48,031	48,405	(374)
Facility Acquisition & Construction	0	0	0	0
Other	95,108	95,108	200,777	(105,669)
TOTAL EXPENDITURES	3,682,781	3,682,781	3,829,594	(146,813)
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

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

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

	2015	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	$ -	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	96,394,423	106,254,758	135,901,392	129,140,223	63,065,214	63,636,486
TOTAL	$ 96,394,423	$ 106,254,758	$ 135,901,392	$ 129,140,223	$ 63,065,214	$ 63,636,486
District's covered-employee payroll	$ 14,732,249	14,399,066	15,081,686	15,772,834	15,598,190	15,920,586
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%

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

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

	2015	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.149159%	0.144760%	0.147930%	0.156684%	0.155393%	0.138583%
District's proportionate share of the net pension liability	$ 4,839,279	6,353,138	7,283,415	9,171,196	9,463,907	9,746,604
State of Kentucky's share of the net pension liability associated with the district	$ -	-	-	-	-	-
TOTAL	4,839,279	6,353,138	7,283,415	9,171,196	9,463,907	9,746,604
District's covered-employee payroll	$ 3,469,620	3,544,319	3,828,762	3,932,344	3,551,136	3,576,455
District's proportionate share of the net pension liability as a percentage of its covered-payroll	157.02%	139.48%	190.23%	233.22%	266.50%	272.52%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%	50.45%

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

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

	2015	2016	2017	2018	2019	2020
Contractually required contributions (actuarially determined)	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 14,732,249	$ 14,399,066	$ 15,081,686	$ 15,772,834	$ 15,598,190	$ 15,920,586
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	2015	2016	2017	2018	2019	2020
Contractually required contributions (actuarially determined)	$ 442,377	$ 440,446	$ 542,219	$ 569,403	$ 575,994	$ 690,256
Contributions in relation to the actuarially determined contributions	442,377	440,446	542,219	569,403	575,994	690,256
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 3,469,620	$ 3,544,319	$ 3,828,762	$ 3,932,344	$ 3,551,136	$ 3,576,455
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%

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

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

	2018	2019	2020
District's proportion of net OPEB liability	0.156684%	0.155387%	0.138547%
District's proportionate share of the net OPEB liability	3,149,884	2,758,865	2,330,298
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-
TOTAL	3,149,884	2,758,865	2,330,298
District's covered-employee payroll	3,932,344	3,551,136	3,576,455
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	80.10%	77.69%	65.16%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%

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

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

	2018	2019	2020
District's proportion of net OPEB liability	0.2537%	0.2492%	0.2857%
District's proportionate share of the net OPEB liability	9,048,000	8,647,000	7,275,000
State of Kentucky's share of the net OPEB liability associated with the district	7,391,000	7,452,000	5,875,000
TOTAL	16,439,000	16,099,000	13,150,000
District's covered-employee payroll	$ 15,772,834	$ 15,598,190	$ 15,920,586
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.36%	55.44%	45.70%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%

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

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

	2018	2019	2020
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	99,000	128,000	136,000
TOTAL	99,000	128,000	136,000
District's covered-employee payroll	$ 15,772,834	$ 15,598,190	$ 15,920,586
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%

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

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

	2018	2019	2020
Contractually required contributions (actuarially determined)	$ 184,820	$ 186,790	$ 170,239
Contributions in relation to the actuarially determined contributions	184,820	186,790	170,239
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 3,932,344	$ 3,551,136	$ 3,576,455
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%

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

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

	2018	2019	2020
Contractually required contributions (actuarially determined)	$ 444,141	$ 467,946	$ 477,618
Contributions in relation to the actuarially determined contributions	444,141	467,946	477,618
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 14,804,699	$ 15,598,190	$ 15,920,586
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%

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

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

	2018	2019	2020
Contractually required contributions (actuarially determined)	$ -	$ -	$ -
Contributions in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 15,772,834	$ 15,598,190	$ 15,920,586
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%

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

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

In the 2019 valuation the salary increase was reduced to 3.5-7.3% from 4.0-8.2%

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

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

Actuarial Cost Method	Entry age
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	25.4 years
Asset valuation method	5-year smoothed market
Inflation	3.0-3.5 percent
Salary Increase	3.5 to 7.3 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

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

Payroll growth assumption was reduced from 4.5% to 4%

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

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

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

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

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

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

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

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

2018
There were no changes in assumptions.

2019
The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%

The inflation rate was changed to 2.3% from 3.25%

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

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

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary Increase	3.3-11.5 percent average, includes inflation
Investment Rate of Return	6.25 percent, net of pension plan investment expense, including inflation

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

MARION COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABLITY
FOR THE YEAR ENDED JUNE 30, 2020

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017
There were no changes in assumptions.

2018
There were no changes in assumptions.

2019
There were no changes in assumptions.

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

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	23 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.5% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

NOTE C – CHANGES OF BENEFITS

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

MARION COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABLITY
FOR THE YEAR ENDED JUNE 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

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

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

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

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

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%

The projected salary increases changed to 3.05-11.55% from 4.0%

The inflation rate changed to 2.3% from 3.25%

The payroll growth rate changed to 2.0% from 4.0%

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2019:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3 percent
Salary Increase	2.0 percent, average
Investment Rate of Return	6.25 %
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY INFORMATION

MARION COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	929,108	1,513	186,170	1,116,791
TOTAL ASSETS	929,108	1,513	186,170	1,116,791
LIABILITIES AND FUND BALANCES:				
Accounts Payable			334	334
Total Liabilities	0	0	334	334
Fund Balance:				
Restricted for:				
SFCC Escrow	642,312			642,312
Capital Projects	286,796			286,796
Debt Service		1,513		1,513
School Activities			185,836	185,836
Total Fund Balance	929,108	1,513	185,836	1,116,457
TOTAL LIABILITIES AND FUND BALANCES	929,108	1,513	186,170	1,116,791

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

MARION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Intergovernmental - State	286,796	469,580	165	756,541
Other Sources			298,101	298,101
TOTAL REVENUES	286,796	469,580	298,266	1,054,642
EXPENDITURES:				
Instructional			195,003	195,003
Support Services:				
Staff Support Services			863	863
Plant Operations & Maintenance			1,625	1,625
Debt Service:				
Principal		1,345,000		1,345,000
Interest		440,127		440,127
TOTAL EXPENDITURES	0	1,785,127	197,491	1,982,618
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	286,796	(1,315,547)	100,775	(927,976)
OTHER FINANCING SOURCES(USES):				
Operating Transfers In - Note N		1,313,247		1,313,247
TOTAL OTHER FINANCING SOURCES(USES)	0	1,313,247	0	1,313,247
NET CHANGE IN FUND BALANCES	286,796	(2,300)	100,775	385,271
FUND BALANCES - BEGINNING	642,312	3,813	85,061	731,186
FUND BALANCES - ENDING	929,108	1,513	185,836	1,116,457

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

MARION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	FUND BALANCE JULY 1, 2019	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2020
Marion County High School	80,820	345,634	341,757	84,697
Charitable Gaming	501	835	835	501
Marion County Middle School	28,638	71,638	68,941	31,335
Marion County Knight Academy	20,528	71,087	72,264	19,351
Lebanon Elementary School	8,523	33,716	28,796	13,443
Calvary Elementary School	6,997	20,862	18,987	8,872
Charitable Gaming	500		500	0
Glasscock Elementary School	18,633	55,674	52,447	21,860
West Marion Elementary School	9,753	30,856	30,740	9,869
Total Activity Funds (Due to Student Groups)	174,893	630,302	615,267	189,928

MARION COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	CASH BALANCE JULY 1, 2019	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2020	ACCOUNTS RECEIVABLE JUNE 30, 2020	ACCOUNTS PAYABLE JUNE 30, 2020	FUND BALANCE JUNE 30, 2020
Academic Team	264	0	264	0	0	0	0
AP Account	0	8,804	8,804	0	0	0	0
AP Govt	17	0	0	17	0	0	17
AP Social Studies	93	0	0	93	0	0	93
Art Department	167	1,654	1,669	152	0	0	152
Band	165	895	581	479	0	0	479
Chorus	1,061	330	434	957	0	0	957
Beta Club	656	41,857	37,595	4,918	0	0	4,918
Beta - NHS Charitable	381	960	961	380	0	0	380
Central KY Beta Inv	67	1,984	1,954	97	0	0	97
Business Ed Department	1,965	12,554	10,522	3,997	0	0	3,997
WHAS Crusade for Children	0	123	123	0	0	0	0
Class of 2019	3,545	70	3,615	0	0	0	0
Class of 2020	2,505	6,334	4,933	3,906	0	0	3,906
Class of 2021	510	585	72	1,023	0	0	1,023
Class of 2022	0	655	72	583	0	0	583
FCCLA	431	7,634	6,387	1,678	0	0	1,678
FFA	4,306	24,963	24,433	4,836	0	0	4,836
FCA	38	484	470	52	0	0	52
Journalism	0	68	0	68	0	0	68
FMD	13	0	13	0	0	0	0
General	8,187	22,469	28,977	1,679	0	0	1,679
Graphic Designs	1,978	2,029	925	3,082	0	0	3,082
Library	0	25	25	0	0	0	0
National Honor Society	134	2,306	1,773	667	0	0	667
Pep Club	5	125	0	130	0	0	130
Project Lead the Way	0	1,486	1,486	0	0	0	0
PLTW Alumni Acct	350	0	86	264	0	0	264
ROTC	6,317	18,151	17,165	7,303	0	0	7,303
SMILE Club	0	264	99	165	0	0	165
Student Ambassador	430	1,902	783	1,549	0	0	1,549
Student Council	34	1,650	1,306	378	0	0	378
Student of the Week	231			231	0	0	231
Teachers' Activity	214	2,576	2,141	649	0	0	649
TSA	324	701	446	579	0	0	579
Yearbook Journalism	8,352	3,150	7,351	4,151	0	0	4,151
Peers Over Pressure	1,501	1,077	1,402	1,176	0	0	1,176
FEA	21	0	21	0	0	0	0
Athletic Department	4,571	68,834	67,335	6,070	0	0	6,070
Baseball	1,192	2,390	3,218	364	0	0	364
Bass Fishing Team	526	2,764	1,612	1,678	0	0	1,678

Boys' Basketball	862	7,087	7,765	184	0	0	184
Boys' Soccer	2,224	2,719	3,301	1,642	0	0	1,642
Tennis	998	0	200	798	0	0	798
Cheerleaders	0	7,574	7,237	337	0	0	337
Cross Country	436	697	155	978	0	0	978
Football	0	6,101	5,537	564	0	0	564
Girls' Basketball	0	9,741	9,741	0	0	0	0
Girls' Soccer	474	9,256	9,701	29	0	0	29
Track	1,092	1,674	1,020	1,746	0	0	1,746
Golf	626	3,090	3,089	627	0	0	627
Softball	1,759	1,080	2,492	347	0	0	347
Swim Team	538	5,654	3,067	3,125	0	0	3,125
Volleyball	3,433	26,581	26,351	3,663	0	0	3,663
Concessions	1,002	39,263	36,006	4,259	0	0	4,259
Uniform Rotation Ac	15,077	9,355	13,923	10,509	0	0	10,509
Start Up Change	0	6,600	6,600	0	0	0	0
Heather Garrett Sch	1,135	0	0	1,135	0	0	1,135
Nancy Colvin Sch	359	0	0	359	0	0	359
Coach Rob Scholarship	254	790	0	1,044	0	0	1,044
DAF Instruction	0	15,419	15,419	0	0	0	0
DAF Athletics	0	12,750	12,750	0	0	0	0
DAF Library	0	25	25	0	0	0	0
DAF Building/Grounds M&R	0	2,230	2,230	0	0	0	0
Total All Funds	80,820	409,539	405,662	84,697	0	0	84,697
Interfund Transfers	0	(63,905)	(63,905)	0	0	0	0
Total	80,820	345,634	341,757	84,697	0	0	84,697

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	CFDA NUMBER	PASS THROUGH NUMBER (if applicable)	MUNIS PROJECT NUMBER	EXPENDITURES	
U.S. Department of Education					
Passed-Through Kentucky Department of Education					
Title I - Grants to Local Educational Agencies	84.010	3100002	310D	3,197	
Title I - Grants to Local Educational Agencies	84.010	3100002	310DM	115	
Title I - Parent Involvement	84.010	3100002	310E	329,487	
Title I - Grants to Local Educational Agencies	84.010	3100002	310EM	7,710	
Title I - Parent Involvement	84.010	3100002	310F	536,232	
Title I - Grants to Local Educational Agencies	84.010	3100002	310FM	2,746	
Title I - Educational Recovery Special (MOA)	84.010	3100002	320EE	4,133	
Title I Total				883,620	*
Migrant Education - State Grant Program	84.011	3110002	311E	20,871	
Migrant Education - State Grant Program	84.011	3110002	311F	82,302	
Migrant Education Total				103,173	
IDEA - Special Education - Grants to State	84.027	3810002	337D	5,263	
IDEA - Special Education - Grants to State	84.027	3810002	337DP	9,169	
IDEA - Special Education - Grants to State	84.027	3810002	337E	486,317	
IDEA - Special Education - Grants to State	84.027	3810002	337EP	17,547	
IDEA - Special Education - Grants to State	84.027	3810002	337F	303,973	
IDEA - Special Education - Grants to State	84.027	3810002	337FP	3,941	
IDEA - Special Education - Preschool Grants	84.173	3800002	343E	16	
IDEA - Special Education - Preschool Grants	84.173	3800002	343F	52,192	
IDEA - Special Education - Preschool Grants	84.173	3800002	343FP	92	
Special Education Cluster Total				878,510	*
Perkins Vocational Education	84.048	3710002	348EA	507	
Perkins Vocational Education	84.048	3710002	348F	12,805	
Perkins Vocational Education Total				13,312	
Community Based Work Transition	84.341	371C	371C	3,623	
Community Based Work Transition	84.341	371D	371D	27,393	
Community Based Work Transition	84.341	371E	371E	93,865	
Community Based Work Transition Total				124,881	
Adult Education	84.002	1700001246	373F	50,518	
Adult Edudcation Career Services	84.002	464F	464F	1,735	
Adult Education Total				52,253	
Title II - Part A - Teacher Quality Enhancement Grants	84.367	3230002	401E	58,154	
Title II - Part A - Teacher Quality Enhancement Grants	84.367	3230002	401F	89	
Teacher Quality Enhancement Grants Total				58,243	
Title III - Limited English Proficiency, Immigrant	84.365	3300002	345EI	5,775	
Title III - Limited English Proficiency Part A	84.365	3300002	345F	5,435	
Title III Total				11,210	

Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002	552E	43,999
Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002	552FP	2,043
Title IV, Student Support and Academic Enrichment	84.424	3420002	552FS	9,179
Title IV, Student Support and Academic Enrichment	84.424	3420002	552FW	9,800
Title IV Total				65,021
Rural and Low Income Schools	84.358	3140002	350D	9,528
Rural and Low Income Schools	84.358	3140002	350E	30,428
Rural and Low Income Schools Total				39,956
Education and Innovation Research (EIR): Early Phase Grants	84.411C	449F	449F	7,918
Gaining Early Awareness and Readiness for Undergraduate Programs	342002	614E	614E	2,923
Gaining Early Awareness and Readiness for Undergraduate Programs	342002	614F	614F	4,542
Gaining Early Awareness and Readiness for Undergratuate Programs Total				7,465
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	CARE-20	633F	49,200
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	613F	18,015
COVID-19 Education Stabilization Fund Total				67,215
Total U.S. Department of Education				2,312,777
U.S. Department of Health and Human Services				
Preschool Development Grant Birth through Five	93.434	644F	644F	15,000
U.S. Department of Agriculture				
Passed-Through State Department of Education				
Summer Meal Program	10.559	7690024-19	7690024-19	4,226
Summer Meal Program	10.559	7690024-20	7690024-20	110,693
Summer Meal Program	10.559	7740023-19	7740023-19	40,049
Summer Meal Program	10.559	7740023-20	7740023-20	1,078,508
National School Lunchroom	10.555	7750002-19	7750002-19	306,149
National School Lunchroom	10.555	7750002-20	7750002-20	765,798
School Breakfast Program	10.553	7760005-19	7760005-19	136,763
School Breakfast Program	10.553	7760005-20	7760005-20	354,809
Child Nutrition Cluster				2,796,995
Child & Adult Care Food Program	10.558	7790021-19	7790021-19	17,551
Child & Adult Care Food Program	10.558	7790021-20	7790021-20	154,613
Child & Adult Care Food Program	10.558	7800016-19	7800016-19	1,222
Child & Adult Care Food Program	10.558	7800016-20	7800016-20	5,347
Child & Adult Care Food Program Total				178,733
State Amdinistration for Child Expenses	10.560	7700001-19	7700001-19	3,068
Passed Through State Department of Agrciculture				
Food Distribution	10.565	057502-10	05702-10	147,397
Total U.S. Department of Agriculture				3,126,193
Total Federal Financial Assistance				5,453,970

* Tested as major program

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?	_______ Yes	__X__ No

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster
84.010	Title I

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__ Yes	____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2020-01: Finding

U.S. Department of Education
84.027/84.173 Special Education Cluster
Kentucky Department of Education

Criteria:
Except as provided in 34 CFR sections 300.204 and 300.205, funds provided to an LEA under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

Condition:
The District did not maintain its expenditure levels from FY 2018 to FY 2019 to ensure it maintained fiscal effort.

Cause:
The District did not maintain its expenditure level from FY 2018 to FY 2019. The District utilized a larger portion of Special Education Cluster funding and less state and local funding. The District failed to review its expected Maintenance of Effort calculations internally prior to the end of FY 2019 to ensure Maintenance of Effort would be met in at least one of the four methods allowed.

Context:
The IDEA Special Education Cluster was selected as a major program for compliance testing for the FY 2020 financial audit. As a part of that testing, the most recent Maintenance of Effort report was obtained. The report is generated for each school district annually by the Kentucky Department of Education after the completion of the prior fiscal year. The District is allowed to review the report and offer exceptions in accordance with *34 CFR sections 300.204 and 300.205*. The District did find exceptions to the original Maintenance of Effort received. However, the District was unable to produce enough exceptions to meet its Maintenance of Effort in any of the four methods allowed.

Effect:
The District will be required to repay the Kentucky Department of Education (KDE) $78,308 according to a payment plan that will be agreed upon by KDE and the District.

Questioned Costs: $0

Recommendation:
The Finance Officer and Special Education Coordinator should review special education general fund and federal budgets and expenditures periodically during the fiscal year to ensure maintenance of effort will be met. If it will not, the District should adjust its spending plan accordingly.

Management Response:
The Finance Officer and Special Education Coordinator will review the special education general fund and federal budgets and expenditures periodically during the fiscal year to ensure maintenance of effort will be met so that the District is able to avoid paying back federal monies received.

MARION COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2020

There were no prior year audit findings.

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November 5, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Marion County School District's basic financial statements, and have issued our report thereon dated November 5, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-01. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements.*

We noted certain matters that we reported to management of Marion County School District in a separate letter dated November 5, 2020.

Purpose of this Report

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 5, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited Marion County School District's compliance with the types of compliance requirements described in the *OMB Compliance_Supplement* that could have a direct and material effect on each of Marion County School District's major federal programs for the year ended June 30, 2020. Marion County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Marion County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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, as discussed below, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-01 to be a significant deficiency.

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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 5, 2020

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Marion County School District for the year ended June 30, 2020, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendations – School Activity Funds:

2018-1 Prior Year Recommendation

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

In 2019, two instances were noted at Glasscock Elementary School of a charge occurring prior to the issuance of a purchase order.

Current Year Status and Recommendation:

During current year testing, two instances were noted at Glasscock Elementary School of a charge occurring prior to the issuance of a purchase order. Again, we recommend that a purchase order be issued prior to a charge occurring. If the exact cost of the items being purchased is not known at the time of request, the requestor should estimate the costs so that the disbursement can be approved prior to the items being ordered.

2019-2 – Prior Year Recommendation

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

Current Year Status and Recommendation:

During current year testing, one instance was noted at Marion County High School of charges occurring prior to the issuance of a purchase order. If the exact cost of the items is not known at the time of request, the requestor should estimate the costs so that the disbursement can be approved prior to the items being ordered.

Management Response

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

Prior Year District Recommendations:

2017-4 Prior Year Recommendation:

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

Current Year Status and Recommendation:

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

Management Response:

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

2019-1 Prior Year Recommendation:

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

Current Year Status:

No such instances were found during current year testing.

Current Year Recommendations – School Activity Funds:

2020-01 Current Year Recommendation:

During current year testing, one instance at Marion County Knight Academy and four instances at Marion County High School were noted of multiple receipt forms not being properly completed in accordance with Redbook guidelines. Students should be signing the multiple receipt forms. Further, sponsors and the bookkeeper should ensure the form is properly complete with all required signatures and monies collected properly reconciled to the form.

Management Response

We will take measures to ensure that multiple receipt forms are properly completed, signed, and reconciled to the monies received.

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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November 5, 2020

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County School District for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters:</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Marion County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by Marion County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were not engaged to report on the budgetary comparison information on pages 57 and 58, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 59-60 and 63-65, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 61-62 and 66-67, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants