

**LARUE COUNTY SCHOOL DISTRICT**  
**BASIC FINANCIAL STATEMENTS,**  
**SUPPLEMENTARY INFORMATION,**  
**AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2020

LARUE COUNTY SCHOOL DISTRICT

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Heartland CPAs and Advisors PLLC

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## **INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
LaRue County School District  
Hodgenville, 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 the LaRue County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, the District adopted Governmental Accounting Standards Board Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9, budgetary comparison information on pages 59 to 60, schedule of proportionate share of the net pension and OPEB liabilities on pages 61 to 65 and schedule of contributions on pages 66 to 70 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 LaRue County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, school schedules 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 accounting standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, school schedules 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 January 26, 2021, on our consideration of LaRue 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 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 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 LaRue County School District's internal control over financial reporting and compliance.

*Heartland CPAs and Advisors PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
January 26, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**LARUE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of the LaRue County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented within the MD&A in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

**FINANCIAL HIGHLIGHTS**

- The ending cash and cash equivalents balance for the District for the year ended June 30, 2020 (FY20) was \$7.97 million, including a construction fund cash balance of \$1.5 million and a debt service fund cash balance of \$142 thousand.
- The District's property tax base is derived from residential growth and assessments. The District levied FY20 property tax rates of 50.9 cents per \$100 for real estate and tangible property. This rate reflects an increase of 0.6 cents above the FY19 rate of 50.3 cents. The motor vehicle rate of 55.20 cents per \$100 of assessed value and the 3% utility tax rate remained unchanged from FY19.
- The District ended FY20 with an unassigned fund balance in the general fund of approximately \$3.5 million, reflecting a 14.6% decrease from the previous year. The unassigned fund balance approximates a 76% contingency.
- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facility plan that is established with community input and in keeping with the Kentucky Department of Education's stringent compliance regulations. The District's bond debt increased by \$2.5 million in FY20. The District sold bonds for the LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation.
- The District's major construction projects for FY20 included: LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation, costing \$5.7 million accumulated through June 30, 2020, included in construction in process. And the Preschool on College project, accumulating \$59 thousand through June 30, 2020, is included in construction in process.
- At the end of FY20, the District reported a net pension liability of \$8.13 million related to the County Employees Retirement System.
- At the end of FY20, the District reported a net post-employment benefit obligation (OPEB) of \$5.08 million related to the Teacher's Retirement System - Medical Insurance Fund and \$1.94 million related to the County Employees Retirement System.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, like a private-sector business. The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.



**LARUE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The government-wide financial statements can be found on pages 10 through 11 of this report.

**Fund financial statements.** A fund is a grouping of related accounts 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 District funds can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary funds are food service and child care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. For the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$1.4 million as of June 30, 2020.

Typically, 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, note 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.

**LARUE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**Net Position**

The 2020 Government-wide net position compared to 2019 is as follows:

**Net Position**  
**(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 7,590,828	\$ 7,172,282	\$ 1,164,989	\$ 1,125,246	\$ 8,755,817	\$ 8,297,528
Capital assets	29,030,306	24,797,565	1,096,283	1,208,890	30,126,589	26,006,455
Total assets	36,621,134	31,969,847	2,261,272	2,334,136	38,882,406	34,303,983
Deferred outflows of resources	2,980,121	2,848,438	356,857	325,578	3,336,978	3,174,016
Long-term debt	32,871,285	30,506,628	1,420,277	1,271,660	34,291,562	31,778,288
Other liabilities	3,837,007	2,250,123	3,405	2,425	3,840,412	2,252,548
Total liabilities	36,708,292	32,756,751	1,423,682	1,274,085	38,131,974	34,030,836
Deferred inflows of resources	2,506,412	1,100,482	173,720	25,972	2,680,132	1,126,454
Net position:						
Net investment in capital assets	7,946,908	7,904,506	1,096,283	1,208,890	9,043,191	9,113,396
Restricted	1,351,706	864,121	-	-	1,351,706	864,121
Unrestricted	(8,912,063)	(7,807,575)	(75,556)	44,891	(8,987,619)	(7,762,684)
Total net position	\$ 386,551	\$ 961,052	\$ 1,020,727	\$ 1,253,781	\$ 1,407,278	\$ 2,214,833

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets increased approximately \$4 million due to current year depreciation of \$1.09 million offset by FY2020 additions of approximately \$5.2 million for construction in process primarily related to the LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation.
- Total long-term obligations for bonds increased by approximately \$2.51 million. The increase is due to the sale of new bonds for the LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation Project, offset by regularly scheduled principal payments. As of June 30, 2020, the District's proportionate share of the CERS net pension liability was \$8.13 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability decreased by \$174 thousand from fiscal year 2019; creating a balance of \$1.95 million in FY2020 (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability decreased approximately \$1 million during fiscal year 2020. As of June 30, 2020, the District's proportionate share of the TRS net OPEB liability was \$5.08 million (as actuarially determined by TRS).

**LARUE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Change in Net Position**

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2020 and 2019.

**Changes in Net Position  
(Table 2)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
<b>Program Revenues</b>						
Charges for services	\$ 13,719	\$ 17,749	\$ 107,614	\$ 135,093	\$ 121,333	\$ 152,842
Operating grants and contributions	10,036,776	11,947,796	1,642,054	1,557,779	11,678,830	13,505,575
Capital grants and contributions	995,520	982,181	-	-	995,520	982,181
<b>General Revenues</b>						
Property taxes	3,641,372	3,475,642	-	-	3,641,372	3,475,642
Motor vehicle taxes	569,159	563,271	-	-	569,159	563,271
Utility taxes	789,064	757,610	-	-	789,064	757,610
Investment earnings	195,470	236,393	15,825	23,506	211,295	259,899
State aid formula grants	10,439,818	10,680,905	-	-	10,439,818	10,680,905
Gain (loss) on sale of equipment	39,666	-	-	-	39,666	-
Miscellaneous	112,096	99,310	-	-	112,096	99,310
<b>Total revenues</b>	<b>26,832,660</b>	<b>28,760,857</b>	<b>1,765,493</b>	<b>1,716,378</b>	<b>28,598,153</b>	<b>30,477,235</b>
<b>EXPENSES</b>						
<b>Program Activities</b>						
Instruction	16,690,316	18,017,198	-	-	16,690,316	18,017,198
Student support	1,251,311	1,318,573	-	-	1,251,311	1,318,573
Instruction staff support	2,183,977	2,026,383	-	-	2,183,977	2,026,383
District administration support	452,916	553,162	-	-	452,916	553,162
School administrative support	1,318,294	1,226,628	-	-	1,318,294	1,226,628
Business support	757,833	542,734	-	-	757,833	542,734
Plant operation and maintenance	2,164,897	2,109,742	-	-	2,164,897	2,109,742
Student transportation	1,637,346	1,383,785	-	-	1,637,346	1,383,785
Community service activities	227,641	224,530	-	-	227,641	224,530
Adult education and other	18,754	50,285	-	-	18,754	50,285
Interest on long-term debt	749,765	511,067	-	-	749,765	511,067
Food service	-	-	1,832,538	2,212,150	1,832,538	2,212,150
Child care	14,768	-	104,913	291,227	119,681	291,227
Total expenses	27,467,818	27,964,087	1,937,451	2,503,377	29,405,269	30,467,464
<b>Transfers</b>	60,656	52,203	(60,656)	(52,203)	-	-
<b>CHANGE IN NET POSITION</b>	<b>\$ (574,502)</b>	<b>\$ 848,973</b>	<b>\$ (232,614)</b>	<b>\$ (839,202)</b>	<b>\$ (807,116)</b>	<b>\$ 9,771</b>

The following are significant current year transactions impacting the Changes in Net Position:

- Total revenues decreased approximately \$2.0 million primarily due to a decrease in various state and federal grants, including a decrease in state SEEK funding of \$241 thousand. Increases included property tax revenues, motor vehicle tax revenues, and utility tax revenues of approximately \$203 thousand. These were offset by decreases in state aid grants of \$241 thousand and earnings on deposits of approximately \$48 thousand.
- Total expenses decreased by approximately \$1.22 million; this is in direct correlation to the decrease in revenues. Decreases in expenses were primarily in the following activities: Instruction by \$1.33 million and Food Service by \$380 thousand.

**LARUE COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
FOR THE YEAR ENDED JUNE 30, 2020**

**Capital Assets**

At the end of the fiscal year 2020, the School District had approximately \$30 million invested in land, building and improvements, vehicles, equipment, and construction in process, which included \$29 million in governmental activities. Table 3 shows the fiscal year 2020 and 2019 balances.

**Capital Assets, Net of Depreciation  
(Table 3)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 600,933	\$ 600,933	\$ -	\$ -	\$ 600,933	\$ 600,933
Land improvements	298,269	350,413	-	-	298,269	350,413
Buildings and improvements	21,451,057	22,218,127	691,242	716,356	22,142,299	22,934,483
Technology Equipment	11,810	29,021	-	-	11,810	29,021
Vehicles	795,709	970,529	-	-	795,709	970,529
General equipment	90,143	105,112	405,041	492,534	495,184	597,646
<b>Total</b>	<b>23,247,921</b>	<b>24,274,135</b>	<b>1,096,283</b>	<b>1,208,890</b>	<b>24,344,204</b>	<b>25,483,025</b>
Construction in process	5,782,383	523,428	-	-	5,782,383	523,428
<b>Total</b>	<b>\$ 29,030,304</b>	<b>\$ 24,797,563</b>	<b>\$ 1,096,283</b>	<b>\$ 1,208,890</b>	<b>\$ 30,126,587</b>	<b>\$ 26,006,453</b>

**Debt**

On June 30, 2020, the School District had \$21,050,000 in bonds outstanding. Of this amount, \$10,744,443 is to be paid by the Kentucky School Facility Construction Commission. A total of \$2,645,000 is due within one year.

**General Fund – Budget Highlights**

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

Budgeted expenditures of approximately \$24.8 million compared with actual expenditures of approximately \$22.2 million. The most significant fluctuation is in the other category for contingency, a \$1.41 million budget not utilized during the fiscal year. Additional significant variances from budgeted amounts include: (1) instructional expenses were under budget by \$73 thousand; (2) instruction staff was under budget by \$290 thousand; (3) District administrative was under budget \$428 thousand; (4) plant operation and maintenance expenditures were under by \$507 thousand; (5) Student transportation was under budget by \$248 thousand.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 – 58 of this report.

**LARUE COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public-school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2019-2020 with a contingency of 4.95%. The District has adopted a budget for 2020-2021 with a contingency of 8.71%.

**ADDITIONAL CONTACT INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Jessica Castenir, Finance Officer, 208 College St., Hodgenville, Kentucky 42748, or call at 270-358-4111.

## **BASIC FINANCIAL STATEMENTS**

**LARUE COUNTY SCHOOL DISTRICT**

STATEMENT OF NET POSITION

June 30, 2020

<b>Assets</b>	Governmental Activities	Business- Type Activities	Total
<b><u>Current Assets</u></b>			
Cash and cash equivalents	\$ 5,832,636	\$ 1,170,299	\$ 7,002,935
Certificates of deposit	976,584	-	976,584
Prepaid expenses	2,676	32,590	35,266
Inventory	-	22,448	22,448
Internal balances	154,526	(154,526)	-
Receivables:			
Taxes-current	74,182	-	74,182
Taxes-delinquent	16,168	-	16,168
Other receivables	38,627	-	38,627
Intergovernmental-Indirect Federal	470,793	94,178	564,971
Intergovernmental-direct Federal	24,636	-	24,636
<b>Total Current Assets</b>	<b>7,590,828</b>	<b>1,164,989</b>	<b>8,755,817</b>
<b><u>Noncurrent Assets</u></b>			
Non-depreciable capital assets	6,383,316	-	6,383,316
Depreciable capital assets, net of accumulated depreciation	22,646,990	1,096,283	23,743,273
<b>Total Noncurrent Assets</b>	<b>29,030,306</b>	<b>1,096,283</b>	<b>30,126,589</b>
<b>Total Assets</b>	<b>\$ 36,621,134</b>	<b>\$ 2,261,272</b>	<b>\$ 38,882,406</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred amount on debt refundings	\$ 319,869	\$ -	\$ 319,869
CERS - Pension	1,545,746	253,468	1,799,214
CERS - OPEB	630,506	103,389	733,895
TRS - OPEB	484,000	-	484,000
<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,980,121</b>	<b>\$ 356,857</b>	<b>\$ 3,336,978</b>
<b><u>Liabilities</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts payable	\$ 712,096	\$ 49	\$ 712,145
Accrued liabilities	11,717	-	11,717
Unearned revenues	-	3,356	3,356
Advances from grantors	134,963	-	134,963
Capital lease payable - KISTA	21,101	-	21,101
Bond obligations	2,645,000	-	2,645,000
Compensated absences	105,123	-	105,123
Interest payable	207,008	-	207,008
<b>Total Current Liabilities</b>	<b>3,837,008</b>	<b>3,405</b>	<b>3,840,413</b>
<b><u>Noncurrent Liabilities</u></b>			
Capital lease payable - KISTA	157,303	-	157,303
Bond obligations	18,372,855	-	18,372,855
Compensated absences	595,699	-	595,699
Net pension liability - CERS	6,990,161	1,146,228	8,136,389
Net OPEB liability - CERS	1,671,266	274,049	1,945,315
Net OPEB liability - TRS	5,084,000	-	5,084,000
<b>Total Noncurrent Liabilities</b>	<b>32,871,284</b>	<b>1,420,277</b>	<b>34,291,561</b>
<b>Total Liabilities</b>	<b>\$ 36,708,292</b>	<b>\$ 1,423,682</b>	<b>\$ 38,131,974</b>
<b><u>Deferred Inflows of Resources</u></b>			
CERS - Pension	\$ 398,611	\$ 65,363	\$ 463,974
CERS - OPEB	660,801	108,357	769,158
TRS - OPEB	1,447,000	-	1,447,000
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,506,412</b>	<b>\$ 173,720</b>	<b>\$ 2,680,132</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 7,946,908	\$ 1,096,283	\$ 9,043,191
Restricted	1,351,706	-	1,351,706
Unrestricted	(8,912,063)	(75,556)	(8,987,619)
<b>Total Net Position</b>	<b>\$ 386,550</b>	<b>\$ 1,020,727</b>	<b>\$ 1,407,277</b>

The notes are an integral part of this financial statement.

**LARUE COUNTY SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 16,690,316	\$ 13,719	\$ 7,144,504	\$ -	\$ (9,532,093)	\$ -	\$ (9,532,093)
Support services:							
Student	1,251,311	-	512,121	-	(739,190)	-	(739,190)
Instruction staff	2,183,977	-	1,334,359	-	(849,618)	-	(849,618)
District administrative	452,916	-	68,030	-	(384,886)	-	(384,886)
School administrative	1,318,294	-	335,280	-	(983,014)	-	(983,014)
Business	757,833	-	117,937	-	(639,896)	-	(639,896)
Plant operation and maintenance	2,164,897	-	150,472	-	(2,014,425)	-	(2,014,425)
Student transportation	1,637,346	-	184,442	-	(1,452,904)	-	(1,452,904)
Daycare operations	14,768	-	-	-	(14,768)	-	(14,768)
Community service activities	227,641	-	189,634	-	(38,007)	-	(38,007)
Adult education	-	-	(3)	-	(3)	-	(3)
Other	18,754	-	-	-	(18,754)	-	(18,754)
Interest on long-term debt	749,765	-	-	995,520	245,755	-	245,755
<b>Total Governmental Activities</b>	<u>27,467,818</u>	<u>13,719</u>	<u>10,036,776</u>	<u>995,520</u>	<u>(16,421,803)</u>	<u>-</u>	<u>(16,421,803)</u>
<b>Business-Type Activities:</b>							
Food service	1,832,538	36,671	1,598,163	-	-	(197,704)	(197,704)
Childcare	104,913	70,943	43,891	-	-	9,921	9,921
<b>Total Business-Type Activities</b>	<u>1,937,451</u>	<u>107,614</u>	<u>1,642,054</u>	<u>-</u>	<u>-</u>	<u>(187,783)</u>	<u>(187,783)</u>
<b>Total Primary Government</b>	<u>\$ 29,405,269</u>	<u>\$ 121,333</u>	<u>\$ 11,678,830</u>	<u>\$ 995,520</u>	<u>(16,421,803)</u>	<u>(187,783)</u>	<u>(16,609,586)</u>
<b>General Revenues:</b>							
Taxes:							
Property taxes				3,641,372	-	-	3,641,372
Motor vehicle taxes				569,159	-	-	569,159
Utility taxes				789,064	-	-	789,064
Investment earnings				195,470	15,825	-	211,295
Gain on disposal of capital assets				39,666	-	-	39,666
State and formula grants				10,439,818	-	-	10,439,818
Miscellaneous				112,096	-	-	112,096
Total general revenues				<u>15,786,645</u>	<u>15,825</u>	<u>-</u>	<u>15,802,470</u>
Transfers				<u>60,656</u>	<u>(60,656)</u>	<u>-</u>	<u>-</u>
Change in net position				<u>(574,502)</u>	<u>(232,614)</u>	<u>(807,116)</u>	<u>(807,116)</u>
Net position - beginning				<u>961,052</u>	<u>1,253,341</u>	<u>2,214,393</u>	<u>2,214,393</u>
Net position - ending				<u>\$ 386,550</u>	<u>\$ 1,020,727</u>	<u>\$ 1,407,277</u>	<u>\$ 1,407,277</u>

The notes are an integral part of this financial statement.



**FUND FINANCIAL STATEMENTS**

**LARUE COUNTY SCHOOL DISTRICT**

**BALANCE SHEET- GOVERNMENTAL FUNDS**

June 30, 2020

	General Fund	Special Revenue	Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 4,104,046	\$ -	\$ 1,506,919	\$ 221,670	\$ 5,832,635
Due from other funds	409,941	-	-	-	409,941
Receivables:					
Taxes - current	74,182	-	-	-	74,182
Taxes - delinquent	16,168	-	-	-	16,168
Other receivables	38,458	-	169	-	38,627
Intergovernmental - Indirect Federal	-	470,793	-	-	470,793
Intergovernmental - State	-	24,636	-	-	24,636
Investments	976,584	-	-	-	976,584
Prepays	2,676	-	-	-	2,676
<b>Total Assets</b>	<b><u>\$ 5,622,055</u></b>	<b><u>\$ 495,429</u></b>	<b><u>\$ 1,507,088</u></b>	<b><u>\$ 221,670</u></b>	<b><u>\$ 7,846,242</u></b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 255,414	\$ -	\$ -	255,414
Accounts payable	229,996	44,473	436,631	1,000	712,100
Accrued liabilities	11,717	-	-	-	11,717
Advances from grantors	-	134,963	-	-	134,963
<b>Total Liabilities</b>	<b><u>241,713</u></b>	<b><u>434,850</u></b>	<b><u>436,631</u></b>	<b><u>1,000</u></b>	<b><u>1,114,194</u></b>
<b>Fund Balances</b>					
Nonspendable	2,676	-	-	-	2,676
Restricted	-	60,579	1,070,457	220,670	1,351,706
Committed	1,846,226	-	-	-	1,846,226
Unassigned	3,531,440	-	-	-	3,531,440
<b>Total Fund Balances</b>	<b><u>5,380,342</u></b>	<b><u>60,579</u></b>	<b><u>1,070,457</u></b>	<b><u>220,670</u></b>	<b><u>6,732,048</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 5,622,055</u></b>	<b><u>\$ 495,429</u></b>	<b><u>\$ 1,507,088</u></b>	<b><u>\$ 221,670</u></b>	<b><u>\$ 7,846,242</u></b>

The notes to the financial statements are an integral part of this statement.

**LARUE COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

June 30, 2020

Total fund balance per fund financial statements	\$ 6,732,048
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	29,030,306
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	319,869
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	2,645,275
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(2,506,412)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(21,002,875)
Capital lease payable	(178,404)
Interest payable	(207,008)
Compensated absences	(700,822)
Net pension liability - CERS	(6,990,161)
Net OPEB liability - CERS	(1,671,266)
Net OPEB liability - TRS	<u>(5,084,000)</u>
Net position for governmental activities	<u>\$ 386,550</u>

The notes to the financial statements are an integral part of this statement.

**LARUE COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	General Fund	Special Revenue	Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
From local sources:					
Taxes:					
Property	\$ 3,228,166	\$ -	\$ -	\$ 413,206	\$ 3,641,372
Motor vehicle	569,159	-	-	-	569,159
Utilities	789,064	-	-	-	789,064
Earnings on investments	146,921	1,161	40,069	7,316	195,467
Other local revenues	97,039	31,564	-	33,283	161,886
Intergovernmental - State	16,646,982	989,354	42,500	1,695,051	19,373,887
Intergovernmental - Indirect Federal	-	2,012,698	-	-	2,012,698
Intergovernmental - Direct Federal	49,460	-	-	-	49,460
<b>Total Revenues</b>	<u>21,526,791</u>	<u>3,034,777</u>	<u>82,569</u>	<u>2,148,856</u>	<u>26,792,993</u>
<b>Expenditures:</b>					
Instruction	14,183,556	1,737,745	-	6,371	15,927,672
Support services:					
Student	1,100,832	143,207	-	-	1,244,039
Instruction staff	1,073,867	1,050,511	-	-	2,124,378
District administrative	564,054	-	-	-	564,054
School administrative	1,257,642	27	-	-	1,257,669
Business	674,445	32,697	-	-	707,142
Plant operation and maintenance	1,767,073	44,404	-	-	1,811,477
Student transportation	1,209,047	62,189	-	-	1,271,236
Facilities acquisition and construction	-	-	5,258,956	-	5,258,956
Daycare	-	14,768	-	-	14,768
Community service activities	5,590	189,634	-	-	195,224
Adult education activities	-	-	-	-	-
Food service activities	18,754	-	-	-	18,754
Bond issue costs	-	-	148,000	-	148,000
Debt service:					
Principal	21,222	-	-	1,559,982	1,581,204
Interest	5,905	-	-	464,298	470,203
<b>Total Expenditures</b>	<u>21,881,987</u>	<u>3,275,182</u>	<u>5,406,956</u>	<u>2,030,651</u>	<u>32,594,776</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>(355,196)</u>	<u>(240,405)</u>	<u>(5,324,387)</u>	<u>118,205</u>	<u>(5,801,783)</u>
<b>Other Financing Sources (Uses):</b>					
Bond proceeds from revenue bonds	-	-	5,625,000	-	5,625,000
Bond premium	-	-	14,980	-	14,980
Proceeds from disposal of capital assets	29,013	-	-	-	29,013
Transfers in	130,156	223,393	179,500	969,324	1,502,373
Transfers out	(346,326)	(10,000)	-	(1,085,391)	(1,441,717)
<b>Total Other Financing Sources (Uses)</b>	<u>(187,157)</u>	<u>213,393</u>	<u>5,819,480</u>	<u>(116,067)</u>	<u>5,729,649</u>
<b>Net Change in Fund Balances</b>	<u>(542,353)</u>	<u>(27,012)</u>	<u>495,093</u>	<u>2,138</u>	<u>(72,134)</u>
<b>Fund Balance, July 1, 2019</b>	<u>5,922,695</u>	<u>87,591</u>	<u>575,364</u>	<u>218,532</u>	<u>6,804,182</u>
<b>Fund Balance, June 30, 2020</b>	<u>\$ 5,380,342</u>	<u>\$ 60,579</u>	<u>\$ 1,070,457</u>	<u>\$ 220,670</u>	<u>\$ 6,732,048</u>

The notes are an integral part of this financial statement.

**LARUE COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2020

Net change in total fund balances per fund financial statements		\$ (72,134)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.		
Capital expenditures	\$ 5,411,431	
Depreciation	<u>(1,053,352)</u>	4,358,079
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.		
		(5,625,000)
Debt service payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. The difference is the amount of principal payment during the year for:		
Principal payments on bonds		1,560,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.		
		39,666
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.		
Compensated absences - long-term	125,392	
Changes in interest payable, discounts, and deferred amounts on refunding	(65,976)	
Pension and OPEB expenses related to changes in the net pension liability, the net OPEB liability, and net changes in deferred outflows and inflows for CERS and TRS pensions and OPEB	<u>(894,529)</u>	<u>(835,113)</u>
Change in net position of governmental activities		<u>\$ (574,502)</u>

**LARUE COUNTY SCHOOL DISTRICT**

**STATEMENT OF NET POSITION- PROPRIETARY FUNDS**

June 30, 2020

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,082,043	\$ 88,256	\$ 1,170,299
Prepaid expenses	32,590.00	-	32,590.00
Intergovernmental - Indirect Federal	94,178.00	-	94,178.00
Inventory	22,448.00	-	22,448.00
<b>Total Current Assets</b>	<u>1,231,259.00</u>	<u>88,256.00</u>	<u>1,319,515.00</u>
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	<u>1,096,283.00</u>	-	<u>1,096,283.00</u>
<b>Total Noncurrent Assets</b>	<u>1,096,283.00</u>	-	<u>1,096,283.00</u>
<b>Total Assets</b>	<u>2,327,542.00</u>	<u>88,256.00</u>	<u>2,415,798.00</u>
<b>Deferred Outflows of Resources</b>			
CERS - Pension	216,291.00	37,177.00	253,468.00
CERS - OPEB	88,225.00	15,164.00	103,389.00
<b>Total Deferred Outflows of Resources</b>	<u>304,516.00</u>	<u>52,341.00</u>	<u>356,857.00</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	-	49.00	49.00
Due to other funds	154,526.00	-	154,526.00
Unearned revenues	3,356.00	-	3,356.00
<b>Total Current Liabilities</b>	<u>157,882.00</u>	<u>49.00</u>	<u>157,931.00</u>
<b>Noncurrent Liabilities</b>			
Net pension liability - CERS	978,109.00	168,119.00	1,146,228.00
Net OPEB liability - CERS	233,854.00	40,195.00	274,049.00
<b>Total Noncurrent Liabilities</b>	<u>1,211,963.00</u>	<u>208,314.00</u>	<u>1,420,277.00</u>
<b>Total Liabilities</b>	<u>1,369,845.00</u>	<u>208,363.00</u>	<u>1,578,208.00</u>
<b>Deferred Inflows of Resources</b>			
CERS - Pension	55,776.00	9,587.00	65,363.00
CERS - OPEB	92,464.00	15,893.00	108,357.00
<b>Total Deferred Inflows of Resources</b>	<u>148,240.00</u>	<u>25,480.00</u>	<u>173,720.00</u>
<b>Net Position</b>			
Net investment in capital assets	1,096,283.00	-	1,096,283.00
Unrestricted	17,690.00	(93,246.00)	(75,556.00)
<b>Total Net Position</b>	<u>\$ 1,113,973</u>	<u>\$ (93,246)</u>	<u>\$ 1,020,727</u>

The notes are an integral part of this financial statement.

**LARUE COUNTY SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION- PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Operating Revenues</b>			
Lunchroom sales	\$ 18,754	\$ -	\$ 18,754
Other revenue	17,917	-	17,917
Tuition and fees	-	70,943	70,943
<b>Total Operating Revenues</b>	<u>36,671</u>	<u>70,943</u>	<u>107,614</u>
<b>Operating Expenses</b>			
Salaries, wages and benefits	797,901	87,495	885,396
Materials and supplies	914,572	16,623	931,195
Depreciation	112,608	-	112,608
Other operating expenses	7,457	795	8,252
<b>Total Operating Expenses</b>	<u>1,832,538</u>	<u>104,913</u>	<u>1,937,451</u>
Operating loss	<u>(1,795,867)</u>	<u>(33,970)</u>	<u>(1,829,837)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Federal grants	1,401,028	8,150	1,409,178
Donated commodities	102,528	-	102,528
Interest income	15,825	-	15,825
State grants	13,256	20,214	33,470
State on-behalf payments	80,845	15,527	96,372
Loss on sale of equipment	506	-	506
<b>Total Non-Operating Revenues (Expenses)</b>	<u>1,613,988</u>	<u>43,891</u>	<u>1,657,879</u>
Transfers out	<u>(60,656)</u>	<u>-</u>	<u>(60,656)</u>
Changes in net position	(242,535)	9,921	(232,614)
<b>Net Position, July 1, 2019</b>	<u>1,356,508</u>	<u>(103,167)</u>	<u>1,253,341</u>
<b>Net Position, June 30, 2020</b>	<u>\$ 1,113,973</u>	<u>\$ (93,246)</u>	<u>\$ 1,020,727</u>

The notes are an integral part of this financial statement.

**LARUE COUNTY SCHOOL DISTRICT**

STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund	Childcare Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ 18,754	\$ -	\$ 18,754
Other revenue	17,917	-	17,917
Tuition and fees	-	70,943	70,943
Cash paid to/for:			
Employees	(538,785)	(91,029)	(629,814)
Supplies	(819,534)	(17,014)	(836,548)
Other activities	(7,457)	(795)	(8,252)
<b>Net Cash Used by Operating Activities</b>	<u>(1,329,105)</u>	<u>(37,895)</u>	<u>(1,367,000)</u>
<b>Cash flows from Non-Capital Financing Activities</b>			
Federal grants	1,328,271	8,150	1,336,421
State grants	13,256	20,214	33,470
Transfers to other funds	(22,072)	-	(22,072)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<u>1,319,455</u>	<u>28,364</u>	<u>1,347,819</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchases of capital assets	(31,154)		(31,154)
Proceeds from sale of capital assets	-	-	-
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(31,154)</u>	<u>-</u>	<u>(31,154)</u>
<b>Cash Flows from Investing Activities</b>			
Receipt of interest income	15,825	-	15,825
<b>Net Cash Provided by Investing Activities</b>	<u>15,825</u>	<u>-</u>	<u>15,825</u>
Net change in cash and cash equivalents	(24,979)	(9,531)	(34,510)
<b>Balances, beginning of year</b>	<u>1,107,022</u>	<u>97,787</u>	<u>1,204,809</u>
<b>Balances, end of year</b>	<u>\$ 1,082,043</u>	<u>\$ 88,256</u>	<u>\$ 1,170,299</u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	\$ (1,795,867)	\$ (33,970)	\$ (1,829,837)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	112,608	-	112,608
Donated commodities	102,528	-	102,528
State on-behalf payments	80,845	15,527	96,372
CERS pension and OPEB expense	178,271	(19,061)	159,210
Change in assets and liabilities:			
Inventory	(7,490)	-	(7,490)
Accounts payable	-	(391)	(391)
<b>Net Cash Used by Operating Activities</b>	<u>\$ (1,329,105)</u>	<u>\$ (37,895)</u>	<u>\$ (1,367,000)</u>
<b>Schedule of Non-cash Transactions</b>			
Donated commodities received from federal government	\$ 102,528	\$ -	\$ 102,528
State on-behalf payments	\$ 80,845	\$ (15,527)	\$ 65,318
CERS Pensions and OPEB	\$ 178,271	\$ (19,061)	\$ 159,210

The notes are an integral part of this financial statement.



**LARUE COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION- FIDUCIARY FUNDS

June 30, 2020

	Agency Fund	Private Purpose Trust Fund
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 161,016	918
Certificate of deposit	-	20,151
Receivables	<u>8</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 161,024</u>	<u>\$ 21,069</u>
<b>Liabilities</b>		
Accounts payable	\$ -	\$ -
Due to student groups	<u>161,024</u>	<u>-</u>
<b>Total Liabilities</b>	<u>\$ 161,024</u>	<u>-</u>
<b>Net Position Held in Trust</b>		<u>\$ 21,069</u>

The notes to the financial statements are an integral part of this statement.

**LARUE COUNTY SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION- FIDUCIARY FUNDS**

Year Ended June 30, 2020

	<u>Private Purpose Trust Funds</u>
<b>Additions</b>	
Net interest and investment gains	\$ 420
Total additions	<u>420</u>
<b>Deductions</b>	
Expenses paid	<u>(1,500)</u>
Change in net position	(1,080)
<b>Net Position, beginning of year</b>	<u>22,149</u>
<b>Net Position, end of year</b>	<u><u>\$ 21,069</u></u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LaRue County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### A. REPORTING ENTITY

The LaRue 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 LaRue County School District. 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.

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

Blended Component Unit - LaRue County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the LaRue 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. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

##### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT 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.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The government-wide statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. 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 Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

#### Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income:

- (A) The General Fund is the main operating fund of the District. 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.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts 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 included in this report. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) 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 Funds).
  - 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.
  - 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.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (E) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

#### Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Daycare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

#### Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

- A. The Agency Fund – School Activity accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments for which the District acts as an agent.

#### 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 use the accrual basis of accounting.

#### Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

##### Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

##### Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### C. BUDGETARY POLICIES

##### 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).



## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. All budget appropriations lapse at year-end.

#### D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

#### E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

#### F. INVENTORIES

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

#### G. PREPAID ITEMS

Payments made that will benefit periods beyond the fiscal year-end, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# LARUE COUNTY SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets, except for technology items greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. 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:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	5-15 years
Food service equipment	5-12 years

#### I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds and shown as an offset of bonds payable while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method and shown as deferred outflows of resources.

#### J. COMPENSATED ABSENCES

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

##### K. ACCOUNTING 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 financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

##### L. PENSION AND OPEB PLANS

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

##### M. NET POSITION

Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

##### N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

###### Recently Issued And Adopted Accounting Principles

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions below.

###### Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### Recently Issued Accounting Pronouncements

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

## **LARUE COUNTY SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2020

#### **NOTE 2 – PROPERTY TAXES**

Property Tax Revenues – Property taxes are normally 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 usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

#### Property Taxes

The property tax rates assessed for the year ended June 30, 2020, to finance operations were \$.51 per \$100 valuation for real property, \$.51 per \$100 valuation for business personal property and \$.51 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 District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

#### **NOTE 3 – DEPOSITS**

#### Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2020, \$7,546,998 of the District's bank balance of \$7,796,998 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 4 – INTERFUND ACTIVITIES**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Nonmajor Governmental	Debt Service	\$ 122,933
General	Special Revenue	Technology	223,393
Nonmajor Governmental	Construction	Construction	132,500
Special Revenue	Nonmajor Governmental	Construction	10,000
Nonmajor Governmental	General	COFT	55,384
Nonmajor Governmental	Nonmajor Governmental	Debt Service	846,391
Nonmajor Governmental	General	Construction	37,000
Food Service	General	Indirect Costs	60,656
Nonmajor Governmental	General	Internal	14,116
			\$ 1,502,373

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 5 - CAPITAL ASSETS**

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

Governmental Activities	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 600,933	\$ -	\$ -	\$ 600,933
Construction in progress	523,428	5,258,955	-	5,782,383
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,124,361</b>	<b>5,258,955</b>	<b>-</b>	<b>6,383,316</b>
<b>Capital Assets Being Depreciated:</b>				
Land improvements	1,759,626	-	-	1,759,626
Buildings and improvements	34,133,440	-	-	34,133,440
Technology equipment	1,082,376	-	(27,189)	1,055,187
Vehicles	3,420,729	-	(30,990)	3,389,739
General equipment	1,016,285	4,476	(4,332)	1,016,429
<b>Total Capital Assets Being Depreciated at Historical Cost</b>	<b>41,412,456</b>	<b>4,476</b>	<b>(62,511)</b>	<b>41,354,421</b>
<b>Accumulated depreciation:</b>				
Land improvements	1,409,213	52,144	-	1,461,357
Buildings and improvements	11,915,313	767,070	-	12,682,383
Technology equipment	1,053,355	17,211	(27,189)	1,043,377
Vehicles	2,450,200	197,480	(53,650)	2,594,030
General equipment	911,169	19,447	(4,332)	926,284
<b>Total accumulated depreciation</b>	<b>17,739,250</b>	<b>1,053,352</b>	<b>(85,171)</b>	<b>18,707,431</b>
<b>Total Other Capital Assets, net</b>	<b>23,673,206</b>	<b>(1,048,876)</b>	<b>22,660</b>	<b>22,646,990</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 24,797,567</b>	<b>\$ 4,210,079</b>	<b>\$ 22,660</b>	<b>\$ 29,030,306</b>

Depreciation was charged to governmental functions as follows:

<b>Depreciation was charged to governmental functions as follows:</b>	
Instruction	\$ 618,067
Student support	8
Instructional staff support	111
District administration	9,176
School administration	1,923
Business support	1,963
Plant	232,043
Transportation	190,061
	<b>\$ 1,053,352</b>

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 5 - CAPITAL ASSETS – CONTINUED**

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

Business-Type Activities	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 1,353,144	\$ -	\$ -	\$ 1,353,144
Technology equipment	9,720	-	-	9,720
General equipment	1,277,513	-	-	1,277,513
Totals at historical cost	<u>2,640,377</u>	<u>-</u>	<u>-</u>	<u>2,640,377</u>
Accumulated depreciation:				
Buildings and improvements	636,788	25,114	-	661,902
Technology equipment	9,720	-	-	9,720
General equipment	784,978	87,494	-	872,472
Total accumulated depreciation	<u>1,431,486</u>	<u>112,608</u>	<u>-</u>	<u>1,544,094</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 1,208,891</u>	<u>\$ (112,608)</u>	<u>\$ -</u>	<u>\$ 1,096,283</u>

**NOTE 6 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions and general liability coverage, the District purchases insurance with a commercial insurance company. District purchases insurance through Church Mutual Insurance for workers compensation.

The District purchases unemployment insurance through the Kentucky School Board's 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.



**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

	Balance <u>July 1, 2019</u>	Additions	Reductions	Balance <u>June 30, 2020</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 16,985,000	\$ 5,625,000	\$ 1,560,000	\$ 21,050,000	\$ 2,645,000
Less Premium (Discount)	<u>(44,857)</u>	<u>14,869</u>	<u>(2,157)</u>	<u>(32,145)</u>	<u>-</u>
Total Bonds Payable	<u>16,940,143</u>	<u>5,639,869</u>	<u>1,557,843</u>	<u>21,017,855</u>	<u>2,645,000</u>
Other Liabilities:					
Capital lease payable - KISTA	199,625	-	21,221	178,404	21,101
Compensated absences	<u>826,214</u>	<u>6,006</u>	<u>131,398</u>	<u>700,822</u>	<u>105,123</u>
Total Other Liabilities	<u>1,025,839</u>	<u>6,006</u>	<u>152,619</u>	<u>879,226</u>	<u>126,224</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 17,965,982</u>	<u>\$ 5,645,875</u>	<u>\$ 1,710,462</u>	<u>\$ 21,897,081</u>	<u>\$ 2,771,224</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the General, Capital Outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

Bond Liabilities

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rate</u>
2007 Urgent	500,000	4.00%
2008	1,280,000	3.00% - 4.92%
2008 QZAB	1,000,000	0.00%
2010 Ref	7,395,000	1.00% - 3.625%
2013 Ref	5,930,000	2.00% - 2.50%
2016 Ref	1,590,000	1.25%
2016 Ref2	1,115,000	1.00% - 2.625%
2016 C En	3,805,000	1.00% - 2.625%
2020	5,625,000	2.25% - 3.00%

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES – CONTINUED**

In October 219, the District issued \$5,625,000 in School Building Revenue Bonds at an interest rate of 2.25 percent. The associated issuance costs were \$148,000.

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

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

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

Year Ending June 30	LaRue County School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1,783,530	245,372	861,470	253,655	\$ 2,645,000	\$ 499,027
2022	809,230	223,423	840,770	234,747	1,650,000	458,170
2023	835,897	200,571	709,103	217,742	1,545,000	418,313
2024	870,985	176,778	724,015	201,814	1,595,000	378,592
2025	906,241	151,473	738,759	184,759	1,645,000	336,232
2026- 2030	3,197,590	405,377	2,432,410	702,704	5,630,000	1,108,081
2031 - 2035	1,166,254	181,189	2,753,746	422,481	3,920,000	603,670
2036 - 2040	735,830	32,045	1,684,170	107,192	2,420,000	139,237
	<u>\$ 10,305,557</u>	<u>\$ 1,616,228</u>	<u>\$ 10,744,443</u>	<u>\$ 2,325,094</u>	<u>\$ 21,050,000</u>	<u>\$ 3,941,322</u>

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES – CONTINUED**

Capital Lease Liabilities

The following is an analysis of the leased property under capital lease by class. These assets are included in capital assets and are depreciated:

Classes of Property

Buses	
Gross amount of assets	\$ 199,625

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2020:

<u>Description</u>	<u>Year Ending June 30</u>	<u>Amount</u>
	2021	27,053
	2022	23,824
	2023	23,790
	2024	23,740
	2025	23,733
		<u>82,398</u>
Total minimum lease payments		204,538
Less: Amount representing interest		<u>(26,134)</u>
Present value of minimum lease payments		<u>\$ 178,404</u>
Current maturities		21,101
Non-current maturities		<u>157,303</u>
		<u>\$ 178,404</u>

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS

##### Plan Descriptions

The LaRue County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### TRS

##### ***Retirement Plan***

##### Benefits Provided

*For Members Before July 1, 2008:*

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 members 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, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

*For Members On or After July 1, 2008:*

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

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

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

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

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

#### Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2020. 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.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2020, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$44,245,754.

The net pension liability 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the District's proportion was .3243 percent.

For the year ended June 30, 2020, the District recognized pension expense of negative \$4,625,575 and revenue of negative \$4,625,575 (\$3,329,734 in the governmental funds and negative \$7,955,309 in government-wide activities) for support provided by the State. At June 30, 2020, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

##### 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:

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on September 19, 2016.

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.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Other	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System’s net pension liability calculated using the discount rate of 7.50 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

<u>Description</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
System's net pension liability (in thousands)	\$ 17,269,491	\$ 14,294,885	\$ 10,373,915

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### **NOTE 8 – PENSION PLANS – CONTINUED**

##### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

##### **CERS**

##### Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

##### Contributions

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$589,719.



**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

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

At June 30, 2020, the District reported a liability of \$8,136,389 for its proportionate share of the net pension liability. The net pension liability 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 was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.115688 percent, which was an increase of .0003686 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,402,122. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 207,746	\$ 34,378
Changes in actuarial assumptions	823,495	
Difference between projected and actual investment earnings	156,187	287,349
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,067	142,247
Contributions paid to CERS subsequent to the measurement date	589,719	
	\$ 1,799,214	\$ 463,974

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$589,719 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Yeare Ending June 30	Pension Expense Amount
2021	\$ 528,590
2022	146,784
2023	60,840
2024	9,307
	\$ 745,521

**LARUE COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

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:

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

**NOTE 8 – PENSION PLANS – CONTINUED**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yi	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

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

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 10,176,314	\$ 8,136,389	\$ 6,436,130

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

#### **NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS**

##### Plan Descriptions

The LaRue County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at [www.trs.ky.gov](http://www.trs.ky.gov). CERS' report may be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

##### **TRS**

##### General Information about the OPEB Plan

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

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 Fund**

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.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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.

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

At June 30, 2020, the District reported a liability of \$5,084,000 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, 2019, the District's proportion was .173709 percent, which was a decrease of .003187 percent from its proportion measured as of 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	\$ 5,084,000
State proportionate share of the net OPEB liability associated with the District	<u>4,106,000</u>
Total	<u>\$ 9,190,000</u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$140,000 and revenue of \$244,269 for support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,231,000
Changes in actuarial assumptions	135,000	
Difference between projected and actual investment earnings	22,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions		216,000
Contributions paid to TRS subsequent to the measurement date	327,000	
	\$ 484,000	\$ 1,447,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$327,000 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, 2021. 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 Ending June 30	OPEB Expense Amount
2021	\$ (242,000)
2022	(242,000)
2023	(231,000)
2024	(233,000)
2025	(206,000)
Thereafter	(136,000)
	\$ (1,290,000)

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	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	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% 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

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
	<u>100.0%</u>	

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

#### Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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:

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 6,023,000	\$ 5,084,000	\$ 4,298,000

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,186,000	\$ 5,084,000	\$ 7,828,000

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

**Life Insurance Fund**

Plan description – Life Insurance Fund – TRS administers the life insurance fund 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 Commonwealth.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$95,000.



**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

For the year ended June 30, 2020, the District recognized OPEB expense of \$4,033 and revenue of \$4,033 for support provided by the Commonwealth. At June 30, 2020, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

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	3.50 – 7.20%, including inflation
Inflation rate	3.00%
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, 2015 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%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other	6.0%	3.2%
Cash (LIBOR)	2.0%	0.9%
	<u>100%</u>	

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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.

Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net OPEB liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
System's net OPEB liability (in thousands)	\$ 45,921	\$ 31,072	\$ 18,868

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

**CERS**

Plan description – The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. 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.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Contributions – For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of annual creditable compensation. Contributions to the pension plan from the District were \$145,444.

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

At June 30, 2020, the District reported a liability of \$1,945,315 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the 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 school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.115658 percent, which was a decrease of .003711 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$197,333. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 586,947
Changes in actuarial assumptions	575,637	3,849
Difference between projected and actual investment earnings	12,814	99,216
Changes in proportion and differences between employer contributions and proportionate share of contributions		79,146
Contributions paid to CERS subsequent to the measurement date	145,444	
	<u>\$ 733,895</u>	<u>\$ 769,158</u>

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, \$145,444 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, 2021. 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:

<u>Year Ending June 30 OPEB Expense Amount</u>		
2021	\$	(30,502)
2022		(30,502)
2023		(3,031)
2024		(55,619)
2025		(51,159)
Thereafter		<u>(9,894)</u>
	\$	<u>(180,707)</u>

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	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.68%

The mortality table used for active members is a Pub-2010 General Mortality Table projected with the ultimate rates from, the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yi	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.0%</u>	

The projection of cash flows used to determine the discount rate of 5.68% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED**

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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:

Description	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
District's proportionate share of the net OPEB liability	\$ 2,605,922	\$ 1,945,315	\$ 1,401,019

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.

Description	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
District's proportionate share of the net OPEB liability	\$ 2,549,896	\$ 1,945,315	\$ 1,446,741

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

**DEFERRED COMPENSATION**

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

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

#### NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2020, there were \$2,676 of nonspendable fund balances related to prepaid items.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District had \$60,579 restricted for grant programs in the special revenue fund, \$44,276 restricted for future school activities in the District Activity Fund, \$31,170 restricted for capital projects in the SEEK Capital Outlay Fund, \$2,624 restricted for capital projects in the FSPK Fund, \$1,070,457 restricted for capital projects in the Construction Fund and \$142,600 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following General Fund commitments at June 30, 2020: \$100,000 for sick leave payable, \$400,000 for future construction, \$976,584 for debt payments and \$369,642 for technology purchases.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**LARUE COUNTY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

June 30, 2020

**NOTE 11 – COMMITMENTS AND 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.

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

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.

The District also has construction commitments for on-going projects at June 30, 2020.

**NOTE 12 – DEFICIT FUND BALANCE/NET POSITION**

The Daycare Fund had a deficit net position at June 30, 2020 in the amounts of \$93,246. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68 and the net OPEB liability for CERS as part of GASB Statement 75.

The following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

<u>Fund</u>	<u>Amount</u>
General	542,353
Special Revenue	27,012
Food Service	242,535



**LARUE COUNTY SCHOOL DISTRICT**

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2020

**NOTE 13 – ON-BEHALF PAYMENTS**

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2020 were as follows:

<u>Description</u>	<u>Amount</u>
Health	\$ 2,569,951
Life	3,870
Admin	31,952
HRA	106,842
TRS - Pension	3,329,734
TRS - OPEB	248,302
Technology	85,268
Debt Service	995,520
Less: Federal Reimbursement	<u>(129,988)</u>
 Total on-behalf	 <u><u>\$ 7,241,451</u></u>

Recorded as follows:

General Fund	\$ 6,149,559
Food Service Fund	80,845
Daycare Fund	15,527
Community Education Fund	-
Debt Service Fund	<u>995,520</u>
	 <u><u>\$ 7,241,451</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**LARUE COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- GENERAL FUND**

Year June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues</b>			
From local sources:			
Taxes:			
Property	\$ 2,988,900	\$ 3,149,800	\$ 3,228,166
Motor vehicle	530,000	530,000	569,159
Utilities	750,000	750,000	789,064
Earnings on investments	110,000	110,000	146,921
Other local revenues	49,100	51,800	97,039
Intergovernmental - State	15,945,187	16,110,441	16,646,982
Intergovernmental - Direct Federal	33,000	33,000	49,460
<b>Total Revenues</b>	<u>20,406,187</u>	<u>20,735,041</u>	<u>21,526,791</u>
<b>Expenditures</b>			
Instruction	14,124,578	14,256,045	14,183,556
Support services:			
Student	1,103,895	1,101,896	1,100,832
Instruction staff	1,347,529	1,363,076	1,073,867
District administrative	981,796	992,873	564,054
School administrative	1,194,268	1,199,910	1,257,642
Business	597,505	622,697	674,445
Plant operation and maintenance	2,248,421	2,274,148	1,767,073
Student transportation	1,411,799	1,457,126	1,209,047
Community services	-	-	5,590
Food service activities	-	-	18,754
Debt Service			
Principal	21,222	21,222	21,222
Interest	5,905	5,905	5,905
Other	817,566	1,411,101	-
<b>Total Expenditures</b>	<u>23,854,484</u>	<u>24,705,999</u>	<u>21,881,987</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>(3,448,297)</u>	<u>(3,970,958)</u>	<u>(355,196)</u>
<b>Other Financing Sources (Uses)</b>			
Capital lease proceeds	-	-	-
Proceeds from disposal of capital assets	-	-	29,013
Transfers in	53,912	53,855	130,156
Transfers out	(177,932)	(177,932)	(346,326)
<b>Total Other Financing Sources (Uses)</b>	<u>(124,020)</u>	<u>(124,077)</u>	<u>(187,157)</u>
<b>Net Change in Fund Balance</b>	(3,572,317)	(4,095,035)	(542,353)
<b>Fund Balance, July 1, 2019</b>	3,572,317	4,095,035	5,922,695
<b>Fund Balance, June 30, 2020</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,380,342</u>

**LARUE COUNTY SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL- SPECIAL REVENUE FUND**

Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
<b>Revenues</b>			
Earnings on investments	-	1,161	\$ 1,161
Other local revenues	9,000	9,000	31,564
Intergovernmental - State	1,026,428	1,029,542	989,354
Intergovernmental - Indirect Federal	1,767,996	2,580,573	2,012,698
<b>Total Revenues</b>	<u>2,803,424</u>	<u>3,620,276</u>	<u>3,034,777</u>
<b>Expenditures</b>			
Instruction	1,624,494	2,045,763	1,737,745
Support services:			
Student	147,023	147,124	143,207
Instruction staff	759,082	1,134,221	1,050,511
School admin	-	-	27
Business	-	-	32,697
Plant operation and maintenance	45,086	45,087	44,404
Student transportation	78,540	74,650	62,189
Daycare	-	15,975	14,768
Community service activities	204,199	204,199	189,634
<b>Total Expenditures</b>	<u>2,858,424</u>	<u>3,667,019</u>	<u>3,275,182</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	<u>(55,000)</u>	<u>(46,743)</u>	<u>(240,405)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	55,000	44,493	223,393
Transfers out	-	-	(10,000)
<b>Total Other Financing Sources (Uses)</b>	<u>55,000</u>	<u>44,493</u>	<u>213,393</u>
<b>Net Change in Fund Balance</b>	-	(2,250)	(27,012)
<b>Fund Balance, July 1, 2019</b>	-	-	87,591
<b>Fund Balance, June 30, 2020</b>	<u>\$ -</u>	<u>\$ (2,250)</u>	<u>\$ 60,579</u>

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net pension liability	0.115688%	0.119374%	0.120030%
Proportionate share of the net pension liability	\$ 8,136,389	\$ 7,270,240	\$ 7,025,901
Covered payroll	\$ 2,881,375	\$ 2,952,811	\$ 2,922,222
Proportionate share of the net pension liability as percentage of covered payroll	282.4%	246.2%	240.4%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%
	2017	2016	2015
Proportion of the net pension liability	0.116510%	0.114346%	0.111953%
Proportionate share of the net pension liability	\$ 5,736,571	\$ 4,916,355	\$ 3,632,000
Covered payroll	\$ 2,800,233	\$ 2,607,655	\$ 2,608,438
Proportionate share of the net pension liability as percentage of covered payroll	204.9%	188.5%	139.2%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET OPEB LIABILITY

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.115658%	0.119374%	0.120030%
Proportionate share of the net OPEB liability	\$ 1,945,315	\$ 2,119,371	\$ 2,413,074
Covered payroll	\$ 2,881,375	\$ 2,952,811	\$ 2,922,222
Proportionate share of the net OPEB liability as percentage of covered payroll	67.51%	71.77%	82.58%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net pension liability	0.324300%	0.341500%	0.343200%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	44,245,754	44,714,289	92,601,000
Total	<u>\$ 44,245,754</u>	<u>\$ 44,714,289</u>	<u>\$ 92,601,000</u>
Covered payroll	\$ 10,547,328	\$ 10,783,010	\$ 1,107,515,504
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%
	2017	2016	2015
Proportion of the net pension liability	0.344800%	0.337500%	0.3320%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	101,729,057	78,537,734	68,229,782
Total	<u>\$ 101,729,057</u>	<u>\$ 78,537,734</u>	<u>\$ 68,229,782</u>
Covered payroll	\$ 10,779,806	\$ 10,370,236	\$ 10,137,834
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- MEDICAL INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.313991%	0.329344%	0.329967%
District's proportionate share of the net OPEB liability	\$ 5,084,000	\$ 6,138,000	\$ 6,476,000
State proportionate share of the net OPEB liability associated with the District	<u>4,106,000</u>	<u>5,290,000</u>	<u>5,290,000</u>
Total	<u>\$ 9,190,000</u>	<u>\$ 11,428,000</u>	<u>\$ 11,766,000</u>
Covered payroll	\$ 10,383,700	\$ 10,503,967	\$ 10,751,504
District's proportionate share of the net OPEB liability as percentage of covered payroll	48.96%	58.44%	60.23%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.



**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY  
- LIFE INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Proportion of the net OPEB liability	0.367100%	0.321830%	0.322515%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	95,000	91,000	71,000
Total	\$ 95,000	\$ 91,000	\$ 71,000
Covered payroll	\$ 10,383,700	\$ 10,503,967	\$ 10,751,504
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 589,719	\$ 467,359	\$ 427,567
Contribution in relation to the actuarially determined contributions	589,719	467,359	427,567
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,055,540	\$ 2,881,375	\$ 2,952,811
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 407,650	\$ 347,789	\$ 332,476
Contribution in relation to the actuarially determined contributions	407,650	347,789	332,476
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 2,922,222	\$ 2,800,233	\$ 2,607,655
Contributions as a percentage of covered payroll	13.95%	12.42%	12.75%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,903,678	\$ 10,547,328	\$ 10,783,010
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,751,504	\$ 10,779,806	\$ 10,370,236
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\* Fiscal year 2015 was the first year of implementation, therefore, only six years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 145,444	\$ 151,560	\$ 139,057
Contribution in relation to the actuarially determined contributions	145,444	151,560	139,057
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 3,055,540	\$ 2,881,375	\$ 2,952,811
Contributions as a percentage of covered payroll	4.76%	5.26%	4.71%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 327,000	\$ 311,511	\$ 315,119
Contribution in relation to the actuarially determined contributions	327,000	311,511	315,119
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 10,903,678	\$ 10,383,700	\$ 10,503,967
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2020

Last 10 Years \*

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 10,903,678	\$ 10,383,700	\$ 10,503,967
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

\* Fiscal year 2018 was the first year of implementation, therefore, only three years are shown.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

#### CERS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

#### CERS OPEB

*Changes of benefit terms.* There were no changes in benefit terms for 2018 to 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% 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 4.00% to 2.00%. 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 – No changes

2019 – The discount rate was changed from 5.85% to 5.68% . Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

## LARUE COUNTY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

#### TRS PENSION

*Changes of benefit terms.* There were no changes in benefit terms for 2015 through 2020.

*Changes of assumptions (as of June 30 of the year measurement date):*

2014 – In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – The Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2017 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2018 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2019 – No changes

#### TRS OPEB

*Changes of benefit terms.*

2018 – MIF – 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.

LIF – No changes

2019 and 2020 – No changes for MIF or LIF

*Changes of assumptions (as of June 30 of the year measurement date):*

2017 – No changes for MIF or LIF

2018 – MIF updated the health care trend rates. No changes for the LIF

2019 – No changes for MIF or LIF



**SUPPLEMENTARY INFORMATION**

**LARUE COUNTY SCHOOL DISTRICT**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2020

	Capital Outlay Fund	Debt Service Fund	District Activity Fund	Building Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 31,170	\$ 142,600	\$ 45,276	\$ 2,624	\$ 221,670
Receivables	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 31,170</u>	<u>\$ 142,600</u>	<u>\$ 45,276</u>	<u>\$ 2,624</u>	<u>\$ 221,670</u>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<b>Fund Balances</b>					
Committed	-	-		-	-
Restricted	31,170	142,600	44,276	2,624	220,670
<b>Total Fund Balances</b>	<u>31,170</u>	<u>142,600</u>	<u>44,276</u>	<u>2,624</u>	<u>220,670</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 31,170</u>	<u>\$ 142,600</u>	<u>\$ 45,276</u>	<u>\$ 2,624</u>	<u>\$ 221,670</u>

**LARUE COUNTY SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2020

	Capital Outlay Fund	Debt Service Fund	District Activity Fund	Building Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 413,206	\$ 413,206
Earnings on investments	74	7,193	-	49	7,316
Other local revenue	-	-	33,283	-	33,283
Intergovernmental - State	215,230	995,520	-	484,301	1,695,051
<b>Total Revenues</b>	<u>215,304</u>	<u>1,002,713</u>	<u>33,283</u>	<u>897,556</u>	<u>2,148,856</u>
<b>Expenditures</b>					
Instruction	-	-	6,371	-	6,371
Support services:					
Student	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Student transportation	-	-	-	-	-
Bond issue costs	-	-	-	-	-
Debt service:					
Principal	-	1,559,982	-	-	1,559,982
Interest	-	464,298	-	-	464,298
<b>Total Expenditures</b>	<u>-</u>	<u>2,024,280</u>	<u>6,371</u>	<u>-</u>	<u>2,030,651</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	215,304	(1,021,567)	26,912	897,556	118,205
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	969,324	-	-	969,324
Transfers out	(187,884)	-	-	(897,507)	(1,085,391)
<b>Total Other Financing Sources (Uses)</b>	<u>(187,884)</u>	<u>969,324</u>	<u>-</u>	<u>(897,507)</u>	<u>(116,067)</u>
<b>Net Change in Fund Balances</b>	27,420	(52,243)	26,912	49	2,138
<b>Fund balance, July 1, 2019</b>	<u>3,750</u>	<u>194,843</u>	<u>17,364</u>	<u>2,575</u>	<u>218,532</u>
<b>Fund balance, June 30, 2020</b>	<u>\$ 31,170</u>	<u>\$ 142,600</u>	<u>\$ 44,276</u>	<u>\$ 2,624</u>	<u>\$ 220,670</u>

**LARUE COUNTY SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	ABRAHAM LINCOLN ELEMENTARY SCHOOL	HODGENVILLE ELEMENTARY SCHOOL	LARUE COUNTY HIGH SCHOOL	LARUE COUNTY MIDDLE SCHOOL	TOTAL AGENCY FUNDS
<b>Assets</b>					
Cash and cash equivalents	\$ 11,183	\$ 25,930	\$ 97,705	\$ 26,198	\$ 161,016
Receivables	8	-	-	-	8
<b>Total Assets</b>	<u>\$ 11,191</u>	<u>\$ 25,930</u>	<u>\$ 97,705</u>	<u>\$ 26,198</u>	<u>\$ 161,024</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	11,191	25,930	97,705	26,198	161,024
<b>Total Liabilities</b>	<u>\$ 11,191</u>	<u>\$ 25,930</u>	<u>\$ 97,705</u>	<u>\$ 26,198</u>	<u>\$ 161,024</u>

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2020

SCHOOL	CASH BALANCE JULY 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCE JUNE 30, 2020	RECEIVABLES JUNE 30, 2020	ACCOUNTS PAYABLE JUNE 30, 2020	DUE TO STUDENT GROUPS JUNE 30, 2020
LARUE CO. HIGH SCHOOL	\$ 122,776	\$ 178,332	\$ 203,403	\$ 97,705	\$ -	\$ -	\$ 97,705
LARUE CO. MIDDLE	30,250	40,696	44,748	26,198	-	-	26,198
ABRAHAM LINCOLN ELEMENTARY	16,011	12,399	17,227	11,183	8	-	11,191
HODGENVILLE ELEMENTARY	26,670	13,595	14,335	25,930	-	-	25,930
	<u>\$ 195,707</u>	<u>\$ 245,022</u>	<u>\$ 279,713</u>	<u>\$ 161,016</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 161,024</u>

**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES  
 LARUE COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCE July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCE June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
GENERAL	\$ 7,172	\$ 4,854	\$ 6,925	\$ 5,101	\$ -	\$ -	\$ 5,101
DONATION/STUDENT AWARD:	-	-	-	-	-	-	-
FACULTY COKE	111	665	316	460	-	-	460
GUIDANCE	2,130	1,225	1,616	1,739	-	-	1,739
STUDENT COKE	350	654	518	486	-	-	486
BETA CLUB	6	4,022	3,655	373	-	-	373
FCA	791	-	-	791	-	-	791
FFA	8,900	35,295	32,940	11,255	-	-	11,255
FBLA	25	75	-	100	-	-	100
SOS CLUB	1,856	1,201	1,282	1,775	-	-	1,775
SPEECH	5,975	10,537	15,934	578	-	-	578
YCLUB	450	17,570	18,020	-	-	-	-
STLP/ROBOTICS	-	-	-	-	-	-	-
YEARBOOK	75	13,681	12,489	1,267	-	-	1,267
LIBRARY CLUB	673	-	673	-	-	-	-
PEP CLUB	500	-	-	500	-	-	500
SPANISH CLUB	80	-	-	80	-	-	80
ACT - FRYSC	272	-	-	272	-	-	272
AGRISCIENCE	1,484	861	1,368	977	-	-	977
FMD ACTIVITY	82	215	237	60	-	-	60
BUSINESS DEPT	7,786	3,623	11,409	-	-	-	-
ATHLETIC ACCOUNT	76,338	70,191	82,308	64,221	-	-	64,221
CHANGE FUND	-	2,800	2,800	-	-	-	-
SENIOR CLASS	901	1,900	396	2,405	-	-	2,405
JUNIOR CLASS	1,634	390	-	2,024	-	-	2,024
LIFE CONNECTION	902	506	-	1,408	-	-	1,408
BAND	4,283	10,244	12,694	1,833	-	-	1,833
BACKGROUND CHECKS DAF	-	190	190	-	-	-	-
YEARBOOK DAF	-	8,661	8,661	-	-	-	-
LIBRARY DAF	-	-	-	-	-	-	-
ATHLETIC DAF	-	7,625	7,625	-	-	-	-
GENERAL DAF	-	274	274	-	-	-	-
<b>TOTALS</b>	<b>122,776</b>	<b>197,259</b>	<b>222,330</b>	<b>97,705</b>	<b>-</b>	<b>-</b>	<b>97,705</b>
TRANSFERS	-	18,927	18,927	-	-	-	-
<b>TOTALS</b>	<b>\$ 122,776</b>	<b>\$ 178,332</b>	<b>\$ 203,403</b>	<b>\$ 97,705</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,705</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**LARUE COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
National School Lunch Program	10.555	7750002-19		\$ 186,930
		7750002-20		462,160
School Breakfast Program	10.553	7760005-19		94,618
		7760005-20		231,221
Summer Food Service Program for Children	10.559	7690024-19		20,035
		7690024-20		404,649
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		102,582
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<b>1,502,195</b>
Passed Through State Department of Education				
State Administrative Expenses for Child Nutrition	10.560	7700001-19		3,235
Child and Adult Care Food Program	10.558	7790021-20		8,150
<b>TOTAL U.S. DEPT. OF AGRICULTURE</b>				<b>1,513,580</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-17		5,657
		3810002-18		166,424
		3810002-19		314,921
				<b>487,002</b>
Special Education - Preschool Grants	84.173	3800002-18		13,724
		3800002-19		15,653
		3800003-17		442
		3800003-18		488
				<b>30,307</b>
<b>TOTAL SPECIAL EDUCATION CLUSTER</b>				<b>517,309</b>
<b><u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u></b>				
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-17		1,251
		3100002-18		165,843
		3100002-19		490,375
				<b>657,469</b>
Career and Technical Education - Basic Grants to State:	84.048	3710002-18		929
		3710002-19		26,786
				<b>27,715</b>
Special Education - State Personnel Development	84.002	3840001-18		27,966
		3840001-19		16,527
				<b>44,493</b>
Striving Readers Literacy	84.371C	SRL-18		157,017
		SRL-19		69,839
				<b>226,856</b>

The accompanying notes are an integral part of this schedule.



**LARUE COUNTY SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2020

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Rural Education	84.358	3140002-19		<u>38,115</u>
English Language Acquisition State Grants	84.365	3300002-17 3300002-18 3300002-19		<u>3,624</u> <u>3,369</u>
				<u>6,993</u>
Supporting Effective Instruction - State Grants	84.367	3230002-18 3230002-19		<u>31,253</u> <u>69,435</u>
				<u>100,688</u>
School Improvement Grants	84.377	3100302-16		
Student Support and Academic Enrichment Program	84.424	3420002-18 3420002-19		<u>22,893</u> <u>22,812</u>
				<u>45,705</u>
Covid-19 Elementary and Secondary School Relief	84.425D	400002-20		<u>269,916</u>
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>1,935,259</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through State Department of Education				
Every Student Succeeds Act/Preschool Development Grant	93.434	PDG-19		<u>61,280</u>
Passed Through Kentucky Cabinet for Families and Children:				
COVID-19 Child Care Development Block Grant	93.575	KCFC-20		<u>14,767</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>76,047</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 3,524,886</u>

The accompanying notes are an integral part of this schedule.

## **LARUE COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2020

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the LaRue County School District under programs of the federal government for the year ended June 30, 2020. 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 LaRue County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of LaRue 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 presented where available.

#### **NOTE C – FOOD DISTRIBUTION**

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

#### **NOTE D – INDIRECT COST RATE**

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**LARUE 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 auditor’s report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

**Federal Awards:**

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 200.516(a)? yes no

**Section I – Summary of Auditor’s Results - Continued**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	<b>DEPARTMENT OF EDUCATION</b>
10.553/10.555/10.559	Child Nutrition
	<b>DEPARTMENT OF EDUCATION</b>
84.425D	Covid-19 Elementary and Secondary School Relief

Dollar threshold used to distinguish  
Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?       yes   X  no

**Section II – Financial Statement Findings**

**No matters were reported.**

**Section III – Federal Award Findings and Questioned Costs**

**No matters were reported.**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**LARUE COUNTY SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

Year Ended June 30, 2020

There were no prior findings.

**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***





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Heartland CPAs and Advisors PLLC

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**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**

Kentucky State Committee for School District Audits  
Members of the Board of Education  
LaRue County School District  
Hodgenville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of LaRue County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise LaRue County School District's basic financial statements, and have issued our report thereon dated January 26, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered LaRue 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 LaRue County School District's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of LaRue County School District in a separate letter dated January 26, 2021.

## **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 District'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.

*Heartland CPAs and Advisors PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
January 26, 2021

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



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Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
LaRue County School District  
Hodgenville, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited LaRue 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 LaRue County School District's major federal programs for the year ended June 30, 2020. LaRue 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 the 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 LaRue 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 the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. 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 LaRue 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 LaRue County School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, LaRue County School District complied, in all material respects, with the 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 LaRue 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 LaRue 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 in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 LaRue County School District's internal control over compliance.

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

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

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

*Heartland CPAs and Advisors PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
January 26, 2021

**MANAGEMENT LETTER AND COMMENTS**



HCA

Heartland CPAs and Advisors PLLC

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Kentucky State Committee for School District Audits  
Members of the Board of Education  
LaRue County School District  
Hodgenville, Kentucky

In planning and performing our audit of the basic financial statements of LaRue County School District for the year ended June 30, 2020, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated January 26, 2021, contains our report on the District's internal control. This letter does not affect our report dated January 26 2021, on the financial statements of the LaRue County School District.

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

This report is intended solely for the information and use of management, the members of the LaRue County Board of Education, others within the District, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heartland CPAs and Advisors PLLC*

Heartland CPAs and Advisors, PLLC  
Elizabethtown, Kentucky  
January 26, 2021

LARUE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2020

**UNCORRECTED PRIOR YEAR COMMENTS- NONE**

**CURRENT YEAR COMMENTS**

**ABRAHAM LINCOLN ELEMENTARY SCHOOL**

FUNDRAISER APPROVAL FORMS

We noted that the deposit made on 11/19/2019 in the amount of \$1,966.22 included a Multiple Receipt Form (F-SA-6) for the receipt of \$1,966.22 check from Strawbridge Picture Commission into the School Pictures Fund. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if this fundraiser was approved or if these funds were deposited into the correct account.

MANAGEMENT RESPONSE

The Finance Director will work with the Office Manager and Principal to ensure correct forms are used and will ensure the proper procedures are followed in the future.

**HODGENVILLE ELEMENTARY SCHOOL**

FUNDRAISER APPROVAL FORMS

We noted that the deposit made on 02/04/20 in the amount of \$240.00 included a Multiple Receipt Form (F-SA-6) for the receipt of \$240.00 check from students into the Yearbook Fund. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if this fundraiser was approved or if these funds were deposited into the correct account.

MANAGEMENT RESPONSE

The Finance Director will work with the Office Manager and Principal to ensure correct forms are used and will ensure the proper procedures are followed in the future.

**LARUE COUNTY MIDDLE SCHOOL**

CASH ADVANCE

We noted that check #9301, dated 03/09/2020, in the amount of \$60.00 was for a cash advance for an academic team trip from the Academic Fund. The following was on file for this expense, a pre-numbered check and a Purchase Order Form (F-SA-7) stating the funds were to be used to purchase reward meals for three LCMS students during the trip. There was no Advance Report (F-SA-9) on file for this advance. Redbook states that cash advances be supported by the Advance Report (F-SA-9) and that the completed Form F-SA-9, related receipts, other support documents, and unused cash shall be returned by close of the next business day after the trip.

MANAGEMENT RESPONSE

The Finance Director will work with the Office Manager and Principal to ensure correct forms are used and will ensure the proper procedures are followed in the future.