BARDSTOWN INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2018

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2018

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
PHILIP A. LOGSDON, CPA
BRIAN S. WOOSLEY, CPA

STILES, CARTER & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
WWW.SCACPA.COM

AMERICAN INSTITUTE OF CPAS
KENTUCKY SOCIETY OF CPAS

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits and
Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

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 Bardstown Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

2901 RING ROAD EAST, P.O. BOX 622 · ELIZABETHTOWN, KY 42702-0622 / PHONE 270-769-6371 · FAX 270-765-7934
120 WEST STEPHEN FOSTER AVENUE, #113 · BARDSTOWN, KY 40004 / PHONE 502-348-1433 · FAX 502-349-6365

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 Bardstown Independent School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* Statement 85, *Omnibus 2017,* and Statement 86, *Certain Debt Extinguishment Issues*. 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, budgetary comparison information, and pension schedules on pages 4 – 11 and 55 – 66 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 District's basic financial statements. The combining and individual nonmajor fund financial statements and school activity funds 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 nonmajor fund financial statements, school activity funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, school activity funds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2018, on our consideration of Bardstown Independent 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 Bardstown Independent School District's internal control over financial reporting and compliance.

Stiles, Carter & Associates, CPAs, P.S.C.

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 9, 2018

As management of the Bardstown Independent 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, 2018. We encourage readers to consider the information presented here 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 was $2.925 million.
- Local tax was levied at the three percent rate increase of 81.4 cents per $100 for real estate and tangible property. No change was made in the motor vehicle tax at 53.1 cents per $100 of assessed property.
- From fiscal year 2017 to 2018, total revenues from governmental activities increased approximately $3.629 million primarily due to increased tax revenues ($1.588 million) and while state grant revenues *decreased* ($4.887 million).
- The district adopted a $29.4 million general fund budget in September 2018 for the upcoming year with 4.2% of the budgeted expenses set aside for contingency.
- The District implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This governmental accounting and reporting standard requires the District to report its proportionate share of other postemployment benefits (OPEB) which adds $3.5 million of liabilities for the CERS net OPEB liability and $7.8 million for KTRS. In addition, the statement of net position now includes deferred outflows and inflows of resources related to OPEB. You can find more information about these changes in Note P. Note Q outlines the changes that have been reported as a change in our prior balances.

OVERVIEW OF FINANCIAL STATEMENTS

This management discussion is 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, in a manner similar to 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.

These statements are presented on an "economic resources'" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, 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 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 12 through 13 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary 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, day care operations, and adult education. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report. Proprietary fund statements are presented on pages 18 through 20. The fiduciary statement of net position for the agency funds that report school activity funds is presented on page 21.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 22 - 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources were less than liabilities plus deferred inflows of resources by $10.750 million as of June 30, 2018. This shortfall is caused primarily by the balances related to pensions and OPEB which will require additional resources in the future. Total net position decreased $1.5 million in fiscal year 2018 as the additional expenses for pensions and OPEB were reported in the government-wide financial statements.

The net pension and OPEB liabilities represents the District's proportionate share of the collective liability for District employees who participate in the CERS statewide cost-sharing defined benefit pension and OPEB plans. In addition, the District must recognize its proportionate share of the net OPEB liability in the KTRS system. The net pension liability increased from $8.6 million in 2017 to $10.2 million in 2018, primarily because the KRS Board decided to lower investment earnings for the CERS system with a revised investment policy that shifted investments into a strategy with lower yields. Implementing GASBS No. 75 added $11.3 million for the net OPEB liability, with a prior period adjustment of $9.8 million. The CERS insurance funds are funded at higher ratios but the change in investment strategy also increased that liability substantially.

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

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

Net Position

The 2018 Government-wide net position compared to 2017 is as follows:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 3,481,580	$ 4,096,640	$ 86,045	$ 265,530	$ 3,567,625	$ 4,362,170
Capital assets	25,630,368	26,533,780	79,085	89,110	25,709,453	26,622,890
Total assets	29,111,948	30,630,420	165,130	354,640	29,277,078	30,985,060
Deferred Outflows-Pensions	2,659,265	1,619,859	704,138	361,081	3,363,403	1,980,940
Deferred Outflows-OPEB	1,154,535	-	202,898	-	1,357,433	-
Deferred Outflows-Refunding	58,070	66,180	-	-	58,070	66,180
Total Deferred Outflows	3,871,870	1,686,039	907,036	361,081	4,778,906	2,047,120
Long-term debt outstanding	21,506,423	23,157,119	-	-	21,506,423	23,157,119
Net pension liabilities	8,042,553	7,063,907	2,129,558	1,574,605	10,172,111	8,638,512
Net OPEB liabilities	10,521,068	-	731,406	-	11,252,474	-
Other liabilities	581,369	629,092	30,442	14,378	611,811	643,470
Total liabilities	40,651,413	30,850,118	2,891,406	1,588,983	43,542,819	32,439,101
Deferred Inflows-Pensions	774,981	-	205,205	-	980,186	-
Deferred Inflows-OPEB	199,664	-	38,294		237,958	-
Total Deferred Inflows	974,645	-	243,499	-	1,218,144	-
Net position:						
Net investment in capital assets	4,516,003	3,788,930	79,085	89,110	4,595,088	3,878,040
Restricted	226,355	249,197	83,276	68,448	309,631	317,645
Unrestricted	(13,384,598)	(2,571,786)	(2,225,100)	(1,030,820)	(15,609,698)	(3,602,606)
Total Net Position	$ (8,642,240)	$ 1,466,341	$ (2,062,739)	$ (873,262)	$ (10,704,979)	$ 593,079

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

- Capital assets actually decreased as depreciation exceeded the new additions. Construction on the new bus garage and storage facility is almost complete. The other capital projects include the construction of a new softball field on the bus garage property, vision equipment for the schools, and a new digital display for the athletic fields.

- Total long-term obligations for bonds decreased $1.6 million with the annual principal paid during FY 2018 and no new bonds were issued. Also, the District paid $10,044 toward a claim related to outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT).

- With these two changes, the net investment in capital assets decreased $.717 million.

- As a result of implementing GASBS No. 75 related to OPEB in FY 2018, the District recorded a net OPEB liability for the District's proportionate share of CERS as of June 30, 2017 for $9.8 million and $11.3 million as of June 30, 2018. The District's OPEB balances includes it proportionate share of OPEB for both CERS and KTRS since the District is responsible for a portion of the certified staff postretirement healthcare benefits.

- Deferred outflows of resources related to pensions also increased as a result of the changes in assumptions and investment strategy at CERS. In FY 2018, however, the District also recognized deferred outflows related to OPEB of $1.4 million. The FY 2018 statement of net position also reports deferred inflows of resources--$.980 million for pensions and $.283 million for OPEB. Each year, certain variances between actual experience and assumptions in the prior actuarial valuations are recognized over several future periods. More information about these changes is discussed in Note H for the retirement plans (beginning on page 33) and Note Q for the OPEB plans (beginning on page 42) of this report and in the Required Supplementary Information beginning on page 56.

- Grant advances are lower as of June 30, 2018—$149,729 to $99,063 as the District completed several grant projects during the year and grant resources continue to decline.

- Cash decreased from $3.5 million to $2.9 million as the bond proceeds were spent on current construction projects.

- Tax receivables decreased from $248,190 to $94,051 after the collection efforts in the prior year were successful in reducing delinquent balances and increasing current collections.

- Other receivables increased from $336,354 to $283,870 due to a substantial insurance claim received in the prior year, offset by increased omitted tangible tax revenue in the current year.

Change in Net Position

Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2018 and 2017.

Changes in Net Position (Table 2)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	$ 259,599	$ 230,926	$ 767,538	$ 675,286	$ 1,027,137	$ 906,212
Operating grants	13,047,926	14,052,820	1,674,572	1,595,097	14,722,498	15,647,917
Capital grants	76,298	76,298	-	-	76,298	76,298
General revenues:					-	-
Property taxes	8,126,139	7,572,429	-	-	8,126,139	7,572,429
Motor vehicles taxes	414,684	397,037	-	-	414,684	397,037
Utility taxes	1,067,845	1,015,804	-	-	1,067,845	1,015,804
Distilled spirits tax	1,644,594	1,370,365	-	-	1,644,594	1,370,365
Interest and investment earnings	3,177	2,774	35	123	3,212	2,897
State Aid formula grants	11,375,280	11,970,528	-	-	11,375,280	11,970,528
Gain(Loss) on Disposal of Fixed Assets	828	123,481	-	-	828	123,481
Miscellaneous	163,527	431,829	32	7,473	163,559	439,302
Total Revenues	36,179,896	37,244,291	2,442,176	2,277,979	38,622,073	39,522,270
Program Expenses:						
Instruction	23,992,101	24,869,300	-	-	23,992,101	24,869,300
Support Services					-	-
Student	2,033,566	1,818,696	-	-	2,033,566	1,818,696
Instruction staff	996,923	896,019	-	-	996,923	896,019
District administration	1,454,801	1,249,338	-	-	1,454,801	1,249,338
School administration	1,894,672	1,609,152	-	-	1,894,672	1,609,152
Business	682,498	629,268	-	-	682,498	629,268
Plant operation and maintenance	3,609,117	2,897,190	-	-	3,609,117	2,897,190
Student transportation	1,275,297	1,134,797	-	-	1,275,297	1,134,797
Community service activities	313,203	242,654	-	-	313,203	242,654
Food service	-	-	2,183,044	1,968,585	2,183,044	1,968,585
Child care	-	-	897,682	706,061	897,682	706,061
Adult education	-	-	233	19,321	233	19,321
Interest on long-term debt	767,056	614,556	-	-	767,056	614,556
Total Expenses	37,019,234	35,960,970	3,080,959	2,693,967	40,100,193	38,654,937
Excess (deficiency) before transfers and special items	(839,338)	1,283,321	(638,783)	(415,988)	(1,478,121)	867,333
Transfers	23,247	(272)	(23,247)	272	0	-
Net increase (decrease) in net position	$ (816,091)	$ 1,283,049	$ (662,029)	$ (415,716)	$ (1,478,120)	$ 867,333

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

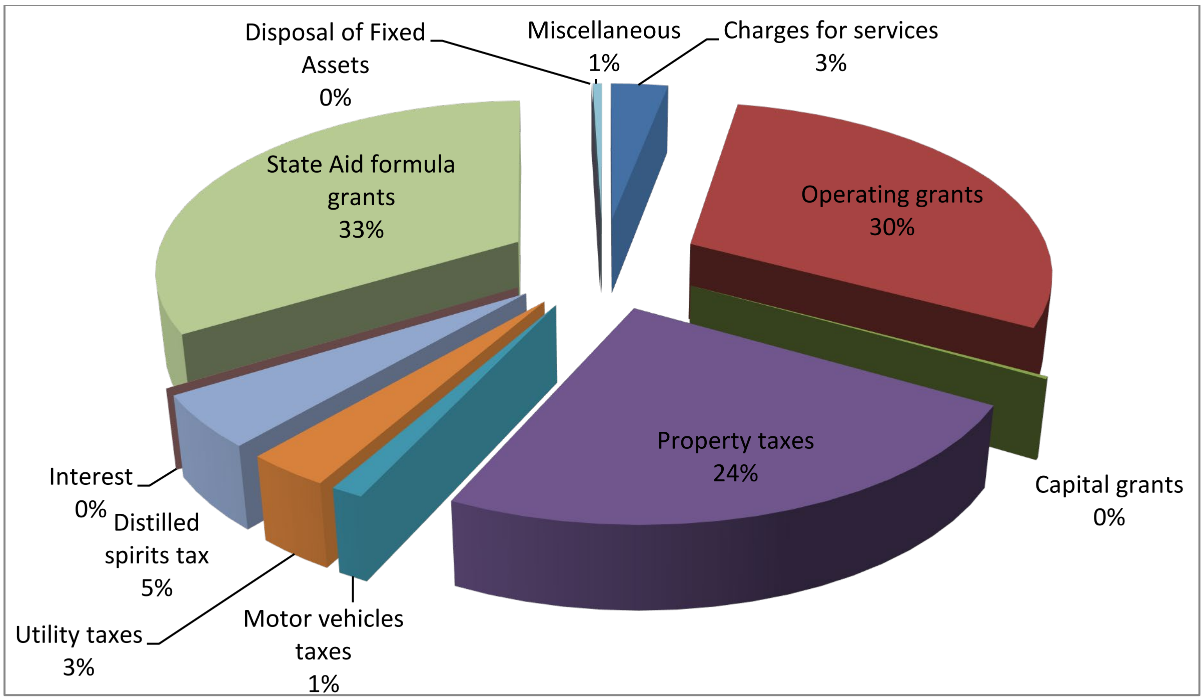
- Property taxes increased from $7.6 million to $8.1 million as a result of new property within the school taxing district totally $77,365,603 and approval of a tax rate that would produce a 4% increase of tax revenue.

- State aid decreased from $12.0 million to $11.4 million because there was an approximate reduction of 50 students in the SEEK base calculation, as well as a $15 reduction in total state funding per pupil overall.

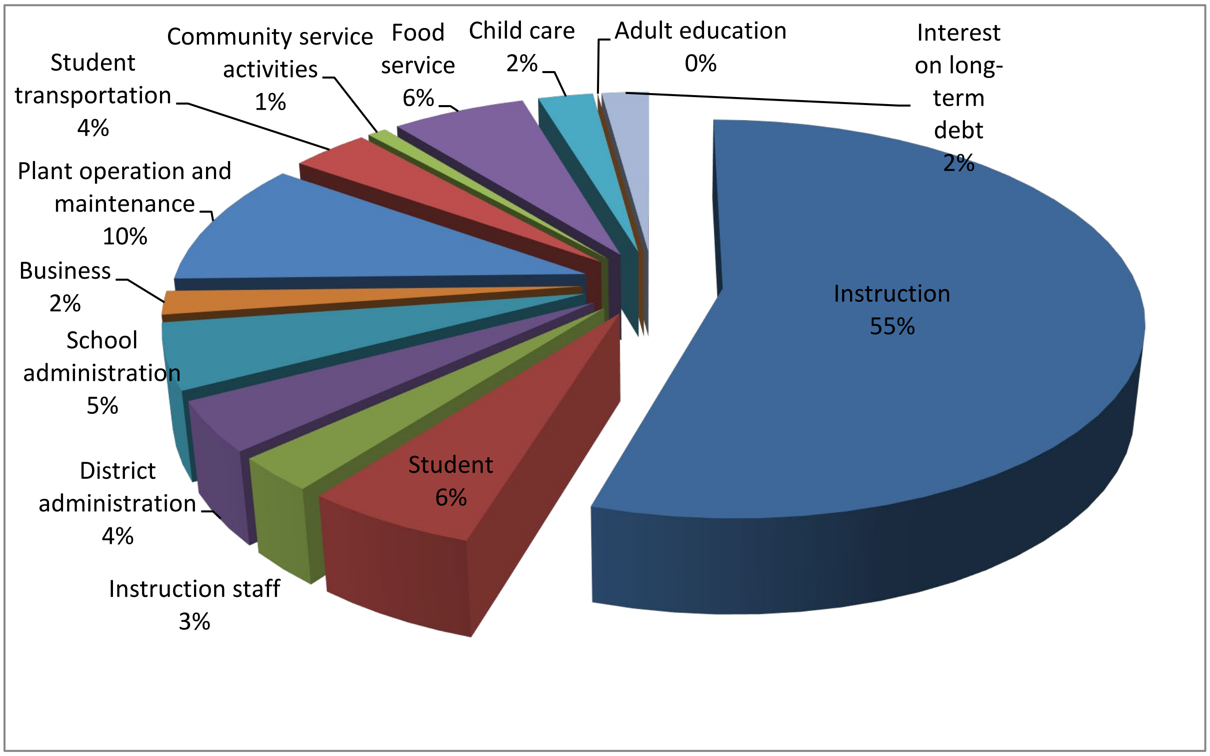
- Instruction decreased from $27.6 million to $22.6 million when *[what changed]*.

- Interest on long-term debt increased $152,500 after the District added additional bonds for the bus garage project in 2017.

The following provides a breakdown of total primary government revenues for the year ending June 30, 2018:



The following provides a breakdown of total primary government expenses for the year ending June 30, 2018:



ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The General Fund ended FY 2018 with a decrease in fund balance of $.490 million. The ending fund balance for General Fund represents 10.49% of the total expenditures, or about a reserve that would cover 1.25 months of operations. This ratio is a decrease over the 14.9% ratio in FY 2017 as the adjusted fund balance decreased from $3.3 million to $2.8 million in FY 2018.

The Special Revenue fund reports a variety of state and federal grants and always reports a zero carryover in fund balance. As of June 30, 2018, this grant fund also reported accounts receivable from federal grants of $.237 million and a liability for grant advances of $.133 million (for grant funds that have not yet been expended for the allowable grant programs.)

The Construction Fund has been included as a major fund in this report with the significant capital improvements during the year. Expenditures for the new bus garage and expansion for plant management storage facilities were $.440 million, leaving $.226 million restricted to complete the project during FY 2019.

Proprietary Funds

The District's proprietary funds include the Food Service, Child Care, and Adult Education funds. A portion of the OPEB balances were allocated to Food Service and Child Care based on the covered payroll in each of those departments.

Food Service operations for the year ended with a deficit of $.452 million and unrestricted net position decreased from a deficit of $.6 million to a deficit of $1.5 million. Most of this decrease occurred because the District implemented GASBS No. 75 and the Food Service share of the OPEB balances included deferred outflows of $.133 million, net OPEB liabilities of $.481 million, and deferred inflows of resources of $.25 million. $.347 million was recognized as a prior period adjustment to reflect the balances as of June 30, 2017. Revenues increased slightly from the prior year, but expenses increased from $2.0 million to $2.2 million due to pension and OPEB benefits and other operating costs for food. This program benefits from federal grants of $1.2 million, which were about the same as last year.

The Child Care operations provide staff childcare for infant thru two years and wrap-around childcare for school age children, up to grade 6. This fund ended the fiscal year with an operating deficit of $141,571 deficit and a deficit in net position of $752,579. Child Care also incurred additional balances for OPEB, with $69,489 in deferred outflows of resources, $250,493 for the net OPEB liability, and $13,115 of deferred inflows of resources.

The Adult Education fund has been closed as the District transferred operations to the Kentucky Community and Technical College System. The remaining net position of $68,448 was transferred by the District's Board to the General Fund to finance additional outreach in the Backpack Program. These resources are now reported as committed fund balance in the General Fund.

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 balanced budget with any budgeted remaining fund balance shown as a contingency expense in the budget process and prior year carryover fund balance included in revenues.

For the General Fund, revenues were budgeted at approximately $23.5 million with actual amounts of approximately $26.1 million. Budgeted expenditures of approximately $25.1 million compare with actual expenditures of approximately $26.6 million. The most significant fluctuation is for instruction where the actual exceeded the budgeted amount by approximately $1.4 million, primarily due to the anticipated vs. actual figure for the On-Behalf benefit recording.

CAPITAL ASSETS

At the end of fiscal year 2018, the School District had approximately $25.7 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2018 and 2017 balances.

Capital Assets, Net of Depreciation (Table 3)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	$ 3,383,461	$ 3,383,461	$ -	$ -	$ 3,383,461	$ 3,383,461
Buildings and improvements	20,061,832	21,161,042	-	-	20,061,832	21,161,042
Technology equipment	91,740	176,150	-	-	91,740	176,150
Vehicles	538,102	670,028	6,395	7,476	544,497	677,504
General equipment	269,823	161,601	72,690	81,634	342,513	243,235
Construction in progress	1,267,044	-	-	-	1,267,044	-
Total	$ 25,612,002	$ 25,552,282	$ 79,085	$ 89,110	$ 25,691,087	$ 25,641,392

The following were major additions and capital assets placed in service during fiscal year 2018:

- Renovation of Templin Avenue property for bus garage, maintenance office and storage facility continued and will be completed in FY 2019.
- The softball facility located on the main campus was renovated to include new field, permanent dugouts and bleachers.
- New vision screening equipment was purchased to help staff evaluate vision challenges for students in pre-school and elementary grades.
- Installed new soft playground equipment at Bardstown Early Childhood Education Center.
- Replaced the score keeper table at Bardstown High School gym.

LONG-TERM BONDED DEBT

At June 30, 2018, the School District had $20.7 million in bonds outstanding. Of this amount, $519,013 is to be paid by the Kentucky School Facility Construction Commission. A total of $1,545,200 is due from District funds within one year.

ECONOMIC FACTORS AND FY 2018 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 overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget 2018-2019 that includes a contingency of 4.2%. However, the District expects that fund balance in the General Fund will decrease in FY 2018 from $2.8 million to $1.3 million.

Templin Avenue property upgrades to building will be completed along with the relocation of the Bus Garage, including mechanic and office areas. Improvements included turf installation in general usage area and a lift/lube system in bus maintenance department. Capital Outlay Funds were utilized for the softball field complex, with a $291,000 transfer to Project #8118 in February, 2018.

The most significant challenge facing the District will be the recent efforts to revise pension funding for the CERS system (the District's allocation is .1738% of all employers in this system). The Board of Trustees revised the actuarial assumptions which increased both the unfunded liability and the employer contributions. The Kentucky General Assembly enacted additional legislative action to improve the funded status and sustainability of the local government statewide cost-sharing plan, but the process was challenged and is currently pending before the Kentucky Supreme Court. An additional bill adopted a five-year phased-in approach to mitigate the huge increases with the revised actuarial assumptions and investment strategies. The implementation of GASBS No. 75 has increased the awareness of these employer liabilities since the District is now reporting amounts related to their responsibilities for healthcare benefits in both CERS and KTRS.

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 Tracey Rogers, Director of Finance, 308 North Fifth Street, Bardstown, Kentucky, 40004, (502) 331-8800.

FINANCIAL STATEMENTS

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Current Assets			
Cash and Cash Equivalents	$ 2,867,816	$ 57,561	$ 2,925,377
Inventory	-	16,447	16,447
Accounts Receivable			
Taxes - current	27,689		27,689
Taxes - delinquent	66,362		66,362
Interfund balances	3,941	(3,941)	-
Other	278,383	5,487	283,870
Intergovernmental - indirect Federal	237,389	10,491	247,880
Total Current Assets	3,481,580	86,045	3,567,625
Capital Assets - Net			
Construction in Progress	1,267,044		1,267,044
Land	3,383,461		3,383,461
Net Depreciable Capital Assets	20,979,863	79,085	21,058,948
	25,630,368	79,085	25,709,453
Total Assets	$ 29,111,948	$ 165,130	$ 29,277,078
Deferred Outflows of Resources			
Deferred amount on refunding	$ 58,070	$ -	$ 58,070
Proportionate share of deferred outflows of resources - CERS Pension & OPEB	3,137,460	728,509	3,865,969
OPEB & Pension Contributions to CERS made after the measurement date	676,340	178,527	854,867
Total Deferred Outflows of Resources	$ 3,871,870	$ 907,036	$ 4,778,906
Liabilities			
Current Liabilities			
Accounts Payable	$ 172,188	$ 2,770	$ 174,958
Grant Advances	99,093		99,093
Interest payable	310,089		310,089
Current portion of bond obligations	1,545,220		1,545,220
Current portion of capital lease obligations	105,132		105,132
Current portion of claims payable - KSBIT	10,044		10,044
Current portion of accrued sick leave	61,527		61,527
Total Current Liabilities	2,303,293	2,770	2,306,063
Noncurrent Liabilities			
Noncurrent portion of bond obligations	19,188,116	-	19,188,116
Less:bond discount	(121,623)	-	(121,623)
Noncurrent portion of capital lease obligations	397,520	-	397,520
Noncurrent portion of claims payable - KSBIT	20,088	-	20,088
Noncurrent portion of accrued sick leave	300,398	27,672	328,070
Net OPEB liability - CERS	2,762,247	731,406	3,493,653
Net OPEB liability - KTRS	7,758,821		7,758,821
Net pension liability - CERS	8,042,553	2,129,558	10,172,111
Total Noncurrent Liabilities	38,348,120	2,888,636	41,236,756
Total Liabilities	40,651,413	2,891,406	40,651,413
Deferred Inflows of Resources			
Proportionate share of deferred inflows of resources - CERS pension & OPEB	974,645	243,499	1,218,144
Total Deferred Inflows of Resources	$ 974,645	$ 243,499	$ 1,218,144
Net Position			
Net investment in capital assets	4,516,003	79,085	4,595,088
Restricted for:			
Construction	226,355	-	226,355
Food Service	-	83,276	83,276
Unrestricted	(13,384,598)	(2,225,100)	(15,609,698)
Total Net Position	$ (8,642,240)	$ (2,062,739)	$ (10,704,979)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**TOTAL**
Governmental Activities:							
Instruction	$ (23,992,101)	$ 259,599	$ 13,038,591	$ -	$ (10,693,911)	$ -	$ (10,693,911)
Support Services:							
Student	(2,033,566)	-	-	-	(2,033,566)	-	(2,033,566)
Instruction staff	(996,923)	-	-	-	(996,923)	-	(996,923)
District administration	(1,454,801)	-	-	-	(1,454,801)	-	(1,454,801)
School administrative	(1,894,672)	-	-	-	(1,894,672)	-	(1,894,672)
Business	(682,498)	-	-	-	(682,498)	-	(682,498)
Plant operating and maintenance	(3,609,117)	-	-	-	(3,609,117)	-	(3,609,117)
Student transportation	(1,275,297)	-	9,334	-	(1,265,963)	-	(1,265,963)
Community service activities	(313,203)	-	-	-	(313,203)	-	(313,203)
Interest on Long-Term Debt	(767,056)	-	-	76,298	(690,758)	-	(690,758)
Total Governmental Activities	(37,019,234)	259,599	13,047,926	76,298	(23,635,412)	-	(23,635,412)
Business-Type Activities							
Food service	(2,183,044)	197,220	1,533,779	-	-	(452,045)	(452,045)
Child care	(897,682)	570,318	140,793	-	-	(186,571)	(186,571)
Adult education	(233)	-	-	-	-	(233)	(233)
Total Business-Type Activities	(3,080,959)	767,538	1,674,572	-	-	(638,849)	(638,849)
Total Primary Government	$ (40,100,193)	$ 1,027,137	$ 14,722,498	$ 76,298	$ (23,635,412)	$ (638,849)	$ (24,274,261)

	Governmental Activities	Business-Type Activities	TOTAL
General Revenues:			
Taxes:			
Property taxes	$ 8,126,139	$ -	$ 8,126,139
Motor vehicle taxes	414,684	-	414,684
Utility taxes	1,067,845	-	1,067,845
Distilled spirits tax	1,644,594	-	1,644,594
Investment Income	3,177	35	3,212
State aid formulas	11,375,280	-	11,375,280
Gain (Loss) on disposal of fixed assets	828	-	828
Insurance recovery	49,708		49,708
Miscellaneous	113,819	32	113,851
Transfers	23,247	(23,247)	-
Total General Revenues	$ 22,819,321	$ (23,180)	$ 22,796,141
Change in Net Position	(816,091)	(662,029)	(1,478,121)
Net Position June 30, 2017	1,466,341	(873,262)	593,079
Prior period adjustment (Note R)	(9,292,490)	(527,448)	(9,819,938)
Net Position June 30, 2017, restated	(7,826,149)	(1,400,710)	(9,226,859)
Net Position June 30, 2018	$ (8,642,240)	$ (2,062,739)	$ (10,704,980)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	NonMajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	$ 2,550,936	$ -	$ 316,880	$ 2,867,816
Receivables:				
Accounts receivable	278,382		-	278,382
Taxes receivable - current	27,689	-	-	27,689
Taxes receivable - delinquent	66,362	-	-	66,362
Intergovernmental - Indirect Federal	-	237,389	-	237,389
Due from other funds	137,695	-	-	137,695
Total assets	$ 3,061,064	$ 237,389	$ 316,880	$ 3,615,333
Liabilties and Fund Balances:				
Liabilities				
Accounts payable	$ 166,135	$ 4,543	$ 1,510	$ 172,188
Due to other funds	-	133,753	-	133,753
Current portion of claims payable-KSBIT	10,044	-	-	10,044
Grant advances	-	99,093	-	99,093
Total liabilities	176,179	237,389	1,510	415,078
Deferred Inflows of Resources				
Unavailable revenues	94,051			94,051
Fund Balances:				
Restricted	-	-	226,355	226,355
Committed	68,214	-	89,015	157,229
Assigned	1,534,115	-	-	1,534,115
Unassigned	1,188,505	-	-	1,188,505
Total fund balances	2,790,834	-	315,370	3,106,204
Total Liabilities, Deferred Inflows, and Fund Balances	$ 3,061,064	$ 237,389	$ 316,880	$ 3,615,333

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Governmental Fund Balances		$ 3,106,204
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the Statement of Net Position		25,630,368
Deferred outflows of resources and deferred inflows of resources related to the District's proportionate share of these amounts reported by the CERS pension plan are reported in the governmental activities in the Statement of Net Position		
Deferred outflows of resources - pension contributions to CERS made after the measurement date	511,122	
Deferred outflows of resources - OPEB contributions to CERS made after the measurement date	165,218	
Deferred outflows of resources - other CERS pension factors	2,148,143	
Deferred outflows of resources - other CERS OPEB factors	601,048	
Deferred outflows of resources - other KTRS OPEB factors	388,269	
Deferred inflows of resources - CERS pension factors	(774,981)	
Deferred inflows of resources - CERS OPEB factors	(144,624)	
Deferred inflows of resources - KTRS OPEB factors	(55,040)	
		2,839,155
Certain liabilities and deferred inflows are not reported in this fund statement because they are not due and payable, but they are presented in the Statement of Net Position		
Bonds payable	(20,733,336)	
Bond Discount	121,623	
Deferred outflows of resources - refunding	58,070	
Capital lease obligation	(502,652)	
Accrued interest	(310,089)	
Non-current portion claims payable - KSBIT	(20,088)	
Unavailable property taxes	94,051	
Proportionate share of net pension liability - CERS	(8,042,553)	
Proportionate share of net OPEB liability - CERS	(2,762,247)	
Proportionate share of net OPEB liability - KTRS	(7,758,821)	
Accrued sick leave	(361,925)	(40,217,967)
Net Position of Governmental Activities		$ (8,642,240)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Taxes:				
Property	$ 6,149,078	$ -	$ 1,883,010	$ 8,032,088
Motor vehicle	414,684	-	-	414,684
Utilities	1,067,845	-	-	1,067,845
Distilled spirits tax	1,644,594	-	-	1,644,594
Tuition and fees	180,513	-	79,085	259,598
Earnings on investments	3,170	7	-	3,177
Other local revenues	66,359	95,434	62,471	224,264
Intergovernmental - state	16,387,139	1,209,084	771,709	18,367,932
Intergovernmental - indirect federal	225,565	1,293,977	-	1,519,542
Total revenues	26,138,947	2,598,502	2,796,275	31,533,724
Expenditures				
Current				
Instruction	16,152,556	2,219,378	290,142	18,662,076
Support services:				
Student	1,979,142	21,938	-	2,001,080
Instruction staff	849,861	88,442	60,039	998,342
District administration	1,393,589	-	-	1,393,589
School administrative	1,812,426	-	-	1,812,426
Business	617,509	-	-	617,509
Plant operation and maintenance	2,570,691	-	-	2,570,691
Student transportation	1,002,790	2,232	3,003	1,008,025
Adult education	44,406	-	-	44,406
Community service activities	29,740	228,418	-	258,158
Capital Outlay	10,445	50,489	442,184	503,118
Debt service - principal	132,824	-	1,516,521	1,649,345
Debt service - interest	15,721	-	586,467	602,188
Total Expenditures	26,611,700	2,610,897	2,898,356	32,120,953
Excess (Deficit) of Revenues over Expenditures	(472,753)	(12,395)	(102,081)	(587,229)
Other Financing sources (uses)				
Proceeds from sale of fixed assets	828	-	-	828
Insurance recovery	49,708	-	-	49,708
Operating transfers in	203,103	12,395	2,661,414	2,876,912
Operating transfers out	(271,186)	-	(2,582,479)	(2,853,665)
Total other financing sources (uses)	(17,547)	12,395	78,935	73,783
Net change in fund balances	(490,300)	-	(23,146)	(513,446)
Fund Balance June 30, 2017	3,281,134	-	338,516	3,619,650
Fund Balance June 30, 2018	$ 2,790,834	$ -	$ 315,370	$ 3,106,204

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (513,446)
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Capital outlays are reported as expenditures in the fund financial statement because they are 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 depreciation expense exceeds capital outlays for the year.		
Capital expenditures	503,118	
Depreciation	(1,406,530)	(903,412)
Debt service payments are reported as expenitures in this fund financial statement because they use current financial resources, ut they are separated and shown as payments of long-term debt on the statement of net postion and interest expense on the statement of activities. The differencwe is the amount of principal payment made for the year:		
Bond principal payments	1,516,521	
Bond discounts (premiums)	(8,815)	
Capital lease principal payments	122,780	1,630,486
Property taxes that are unavailable are deferred in the fund statements but recognized as revenues in the governmentwide statements		94,051
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.		
Accrued interest	(147,942)	
Sick leave	10,167	
Claims payable - KSBIT (noncurrent)	10,044	
Current year recognition of deferred outflows on refunding	(8,111)	
On-behalf revenues - KTRS share of pension and OPEB expenses	4,501,585	
On-behalf expenses - KTRS share of pension and OPEB expenses	(4,501,585)	
OPEB expense related to changes in the net pension liability and the net changes in deferred inflows of resources and deferred outflows of resources related to KTRS	(125,074)	
OPEB expense related to changes in the net pension liability and the net changes in deferred inflows of resources and deferred outflows of resources related to CERS	(148,634)	
Pension expense related to changes in the net pension liability and the net changes in deferred inflows of resources and deferred outflows of resources related to CERS	(714,220)	(1,123,770)
Change in Net Position of Governmental Activities		$ (816,091)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	Food Service Fund	Child Care Fund	Adult Education Fund	Total
Assets				
<u>Current Assets</u>				
Cash and cash equivalents	$ 57,561	$ -	$ -	$ 57,561
Inventory	16,447	-	-	16,447
Accounts receivable	-	5,487	-	5,487
Intergovernmental receivable	10,491	-	-	10,491
Total Current Assets	84,499	5,487	-	89,986
Capital Assets, Net				
Capital Assets, net	79,085	-	-	79,085
Total assets	$ 163,584	$ 5,487	$ -	$ 169,071
Deferred Outflows of Resources				
Deferred Outflows-pension & OPEB contributions	$ 117,385	$ 61,142	$	$ 178,527
Deferred Outflows-Other CERS & OPEB Factors	479,008	249,501		728,509
Total Deferred Outflows of Resources	$ 596,393	$ 310,643	$ -	$ 907,036
Liabilities & Net Position				
<u>**Current Liabilities**</u>				
Accounts Payable	$ 1,224	$ 1,546	$ -	$ 2,770
Interfund Payables		3,941	-	3,941
Total Current Liabilities	1,224	5,487	-	6,711
<u>**Noncurrent Liabilities**</u>				
Accrued Sick Leave	27,672	$ -	-	27,672
Net Pension Liability	1,400,223	729,335		2,129,558
Net OPEB Liability	480,913	250,493		731,406
Total Noncurrent Liabilities	1,908,808	979,828	-	2,888,636
Total Liabilities	1,910,032	985,315	-	2,895,347
Deferred Inflows of Resources				
Deferred inflows-Pension & OPEB	$ 160,105	$ 83,394	$	$ 243,499
Total Deferred Outflows of Resources	$ 160,105	$ 83,394	$ -	$ 243,499
NET POSITION:				
Net Investment in Capital Assets	$ 79,085	$ -	$ -	$ 79,085
Restricted	83,276	-	-	83,276
Unrestricted	(1,472,521)	(752,579)	-	(2,225,100)
Total Net Position	$ (1,310,160)	$ (752,579)	$ -	$ (2,062,739)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service Fund	Child Care Fund	Adult Education Fund	TOTAL
Operating revenues:				
Lunchroom sales	$ 197,221	$ -	$ -	$ 197,221
Tuition and fees	-	570,318	-	570,318
Other operating revenues	-	32	-	32
Total operating revenues	197,221	570,350	-	767,571
Operating expenses:				
Salaries and wages	1,266,251	727,063	-	1,993,314
Materials and supplies	874,528	86,479	234	961,241
Depreciation	10,025	-	-	10,025
Other operating expenses	32,240	84,140	-	116,380
Total operating expenses	2,183,044	897,682	234	3,080,960
Income (loss) from operations	(1,985,823)	(327,332)	(234)	(2,313,389)
Non-operating revenues (expenses):				
Federal grants	1,289,684	17,889	-	1,307,573
State grants - matching	15,218	45,567	-	60,785
State grants - on behalf	117,926	77,337	-	195,263
Donated commodities	110,950	-	-	110,950
Transfers to governmental funds	-	-	(68,214)	(68,214)
Transfers from governmental funds	-	44,968	-	44,968
Interest income	35	-	-	35
Total non-operating revenues	1,533,813	185,761	(68,214)	1,651,360
Changes in net position	(452,010)	(141,571)	(68,448)	(662,029)
Net Position, July 1, 2017	(511,343)	(430,367)	68,448	(873,262)
Prior Period Adjustment (Note R)	(346,807)	(180,641)		(527,448)
Net Position, July 1, 2016 (restated)	(858,150)	(611,008)	68,448	(1,400,710)
Net Positon, June 30, 2018	$ (1,310,160)	$ (752,579)	$ -	$ (2,062,739)

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Food Service Fund	Child Care Fund	Adult Education Fund	TOTAL
Cash Flows from Operating Activities				
Cash received from:				
Lunchroom sales	$ 197,221	$	$	$ 197,221
Tuition and fees		564,831	-	564,831
Other activities	-	32	-	32
Cash paid to/for:				
Employees	(817,824)	(508,153)	-	(1,325,977)
Supplies	(761,627)	(81,264)	(234)	(843,125)
Other activities	(32,240)	(84,140)	-	(116,380)
Net Cash Provided (Used) by Operating Activities	(1,414,470)	(108,694)	(234)	(1,523,398)
Cash Flows from Non-Capital Financing Activities				
Federal grants	1,291,887	17,889	1,598	1,311,374
State grants	15,218	45,567	-	60,785
Transfers	-	44,967	(68,214)	(23,247)
Net Cash Provided (Used) by Non-Capital Financing Activities	1,307,105	108,423	(66,616)	1,348,912
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments				
Receipts of interest income	35	-	-	35
Net Cash Provided (Used) by Investing Activities	35	-	-	35
Net Increase (Decrease) in Cash and Cash Equivalents	(107,330)	(271)	(66,850)	(174,451)
Cash and Cash Equivalents, Beginning of Year	164,891	272	66,850	232,012
Cash and Cash Equivalents, End of Year	$ 57,561	$ -	$ -	$ 57,561
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ (1,985,823)	$ (327,331)	$ (234)	$ (2,313,388)
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:				
Depreciation/Amortization	10,025	-	-	10,025
Donated commodities	110,950	-	-	110,950
State on-behalf payments	117,926	77,337	-	195,263
Change in assets, deferred resources, and liabilities:				
Accounts receivable	-	(5,487)		(5,487)
Accounts payable	(827)	1,274	-	447
Inventory	2,778	-	-	2,778
Interfund payables	-	3,941	-	3,941
Accrued sick leave	15,617	-	-	15,617
Deferred outflows of resources	(332,960)	(166,750)		(499,710)
Net pension liability	384,040	170,913		554,953
Net OPEB liability	103,699	54,014		157,713
Deferred inflows of resources	160,105	83,394		243,499
Net Cash Provided by Operating Activities	$ (1,414,470)	$ (108,694)	$ (234)	$ (1,523,398)
Non-cash transactions				
Donated commodities	110,950	-	-	110,950
State on-behalf payments	117,926	77,337	-	195,263
CERS pension & OPEB expenses	314,884	141,571	-	456,455

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

		AGENCY FUND
ASSETS		
Cash and Cash Equivalents	$	180,317
Investments		114
TOTAL ASSETS	$	180,431
LIABILITIES		
Accounts Payable	$	4,515
Due to student groups		175,916
TOTAL LIABILITIES	$	180,431
FIDUCIARY NET POSITION		

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

TABLE OF CONTENTS — NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bardstown Independent School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

<u>Reporting Entity</u>
The Bardstown Independent 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 Bardstown Independent Board of Education (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined by considering budget adoption policies, funding, and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

<u>Bardstown Independent School District Finance Corporation</u> – In a prior year, the Board of Education resolved to authorize the establishment of the Bardstown Independent 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. The Corporation is blended into the District's financial statements.

<u>Basis of Presentation</u>
The District's basic financial statements present government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, 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.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year- end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. The Special Revenue (Grant) Funds account 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 on page 70. 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. This is a nonmajor fund.

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 Fund).

1. The Capital Outlay Fund receives those funds from Support Education Excellence in Kentucky (SEEK) designated by the state as Capital Outlay Funds. These resources are restricted for use in financing projects identified in the district's facility plan. This is a nonmajor fund.

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a nonmajor fund of the District.

E. The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. This is a nonmajor fund.

II. Proprietary Fund Types (Enterprise Funds)

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

B. The Child Care Fund is used to account for after school revenues and programs where a fee is charged for participating. Management has determined that the Child Care fund should be reported as a major fund.

C. The Adult Education Fund is used to account for adult education activities, including the Department of Education's Adult Education grant funds. The board has transferred operations of the Adult Education programs to the Kentucky Community and Technical College System during fiscal year 2018. However, management decided to continue reporting the Adult Education Fund as a major fund.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. 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.

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.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

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

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

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

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

Property Taxes
Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer. However, the actual due date is based on a period ending 30 days after the tax bill mailing.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 when tax revenues are restricted to a specific purpose. During fiscal year 2018, the Board expanded efforts to collect delinquent property taxes. Therefore, the balances as of June 30, 2018, now include legal fees for collection efforts plus penalties and interest due on the remaining balances.

The property tax rates assessed for the year ended June 30, 2018, to finance the General Fund operations were $0.814 per $100 valuation for real property, $0.814 per $100 valuation for business personal property and $0.531 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 delivery, within the district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of $5,000 with the exception of real property for which there is no threshold. Computer equipment is inventoried for control purposes for all purchases, but the $5,000 threshold is used for financial reporting purposes. Land and building improvements are capitalized, but capitalization does not include the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life.

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

Description	Estimated Lives
Buildings and Improvements	25-50 years
Land Improvements	20 years
Technology Equipment	5 years
Vehicles	5-10 years
Food Service Equipment	10-12 years
Furniture and Fixtures	7 years

Unpaid Accrued Sick Leave

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The non-current portion of the liability is not reported in the governmental funds, but is included in the government-wide financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used. The food service fund uses the specific identification method for valuation of ending inventory.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions, the net pension liability, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing public employee retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension plans when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension plans. Both systems publish separate financial statements as described in Note H.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing public employee retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the OPEB plans when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note Q.

Fund Balances
Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

a) Nonspendable fund balance - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
b) Restricted fund balance - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
c) Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority to be reported as committed, amounts cannot be used for any other purpose unless the District's governing Board votes to remove or change the constraint. A Board resolution is required to commit funds.
d) Assigned fund balance - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Only the Board has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year.
e) Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools, fees for after school programs, and fees for adult education programs.

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

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

NOTE B – ESTIMATES

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

NOTE C—CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was $2,925,377. $250,000 of bank account balances per separate banks is covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Breakdown per financial statements:	
Governmental Funds	$ 2,867,816
Proprietary Funds	57,561
	$ 2,925,377

In addition to the cash and cash equivalents listed above, the district has agency funds that are not included in the governmental funds or the proprietary fund balances. The agency funds (school activity funds) at year end were $180,317. Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

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, 2018, $3,705,360 of the District's bank balance of $3,955,360 was exposed to custodial credit risk. However, the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE D – DEPOSITS AND INVESTMENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits. As of June 30, 2018, the District did not hold any invested funds.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Construction in progress	$ 962,121	$ 304,923	$ -	$ 1,267,044
Land	3,383,461	-	-	3,383,461
Total Non-depreciable capital assets	4,345,582	304,923	-	4,650,505
Depreciable capital assets:				
Land improvements	20,220	-		20,220
Buildings	38,591,937	66,538	-	38,658,475
Technology equipment	1,581,004	-	-	1,581,004
Vehicles	1,898,920	-	-	1,898,920
Other equipment	1,042,326	131,657	-	1,173,983
Total depreciable capital assets	43,134,407	198,195	-	43,332,602
Less accumulated depreciation				
Land improvements	(843)	(1,011)		(1,854)
Buildings	(17,430,893)	(1,165,747)	-	(18,596,640)
Technology equipment	(1,404,855)	(84,410)	-	(1,489,265)
Vehicles	(1,228,893)	(131,926)	-	(1,360,819)
Other equipment	(880,725)	(23,435)	-	(904,160)
Total accumulated depreciation	(20,946,209)	(1,406,529)	-	(22,352,738)
Total depreciable capital assets, net	22,188,198	(1,208,334)	-	20,979,864
Governmental activities capital assets, net	26,533,780	(903,411)	-	25,630,369

	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Business-type activities:				
Depreciable capital assets:				
Vehicles	10,808	-	-	10,808
Equipment	609,096	-	-	609,096
Total depreciable capital assets	619,904	-	-	619,904
Less accumulated depreciation				
Vehicles	(3,332)	(1,081)	-	(4,413)
Equipment	(527,463)	(8,944)	-	(536,407)
Total accumulated depreciation	(530,795)	(10,025)	-	(540,820)
Total depreciable capital assets, net	89,109	(10,025)	-	79,084
Business-type activities capital assets, net	89,109	(10,025)	-	79,084
Primary government capital assets, net	$ 26,622,889	$ (913,436)	$ -	$ 25,709,453

NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 390,845
Support Services	
Student	10,973
Instruction staff	461
District administration	5,227
School administration	4,652
Business	15,788
Plant operation and maintenance	846,348
Student transportation	132,235
	$1,406,529

NOTE F – LONG-TERM OBLIGATIONS

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

Issue Date	Original Proceeds	Interest Rates
2007 RF	$ 940,000	3.25% - 3.90%
2008	1,620,000	2.30% - 4.00%
2010 RF	6,380,000	0.60% - 3.10%
2012 RF	4,650,000	1.75% - 2.625%
2012 EN	275,000	1.25% - 3.00%
2013 RF	2,750,000	0.75% - 2.00%
2014	925,000	2.00% - 3.75%
2015 RF A	1,245,000	2.00% - 3.75%
2015 RF B	2,075,000	2.00% - 2.55%
2016	4,505,000	2.15% - 3.20%
2017	1,250,000	3.00% - 3.5%

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 Bardstown Independent School District 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 entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

In March 2015, the Board issued $1,245,000 of 2017-A School Building Refunding Revenue Bonds refunding the 2006 Series Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $18,577. This difference, reported in the accompanying government-wide financial statements as deferred outflows of resources, is being charged to operations through the year 2030 using the straight-line method which approximates the effective-interest method. As of June 30, 2018, $15,726 remains to be charged to future operations.

NOTE F – LONG-TERM OBLIGATIONS (CONTINUED)

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, 2018 for debt service (principal and interest) are as follows:

	Bardstown Independent School		Kentucky School Facility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 1,484,763	$ 538,455	$ 60,457	$ 15,840	$ 1,545,220	$ 554,295
2020	1,526,557	499,567	62,213	14,085	1,588,770	513,652
2021	1,564,444	458,096	32,846	12,231	1,597,290	470,327
2022	1,607,228	416,312	33,602	11,474	1,640,830	427,786
2023	1,649,426	372,647	34,434	10,642	1,683,860	383,288
2024 - 2028	6,986,319	1,223,631	136,046	40,421	7,122,365	1,264,052
2029 - 2033	3,576,979	577,398	133,021	18,956	3,710,000	596,354
2034 - 2038	1,818,606	123,228	26,394	990	1,845,000	124,218
	$ 20,214,322	$ 4,209,334	$ 519,013	$ 124,637	$ 20,733,335	$ 4,333,971

Capital Leases Payable

The District leases several buses under capital leases issued by the Kentucky Interlocal School Transportation Association (KISTA). Future minimum lease payments under the terms of the leases are as follows:

Year Ending June 30:	
2019	$ 117,595
2020	105,631
2021	85,875
2022	76,497
2023	57,569
2024 - 2027	103,355
	546,522
Less: amount representing interest	(43,870)
Present value of minimum lease payments	$ 502,652
Current maturities	$ 105,132
Non-current maturities	397,520
	$ 502,652

The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

NOTE F – LONG-TERM OBLIGATIONS (CONTINUED)

Operating Leases

The District leases fifty-six copier/printers from Xerox for a lease term of 60 months, beginning June 2017 with a supplemental agreement added in August 2017. The lease requires a minimum monthly lease payment of $3,846.42, plus additional charges for excess usage and excluding applicable taxes. Minimum lease payments over the next five years include:

FY 2019	$46,157
FY 2020	46,157
FY 2021	46,157
FY 2022	46,157
FY2023 (subject to renewal)	46,157
Total	$230,785

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is not reported.

Changes in Long-term Obligations

Long-term liability activity for the year ended June 30, 2018, was as follows:

Describe	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Revenue bonds payable	$ 22,249,856	$ -	$ 1,516,520	$ 20,733,336	$ 1,545,220
Bond premium (discount)	(130,438)	-	(8,815)	(121,623)	(8,815)
Capital lease obligations	625,432	-	122,780	502,652	105,132
Claim - KSBIT	40,176	-	10,044	30,132	10,044
Accrued sick leave	372,093		10,168	361,925	61,527
Total Governmental	$ 23,157,118	$ 0	$ 1,650,697	$ 21,506,422	$ 1,713,108

The debt service fund is primarily responsible for paying the bond obligations through funding from the capital outlay fund. The general fund is primarily responsible for paying accrued sick leave.

NOTE G – FUND BALANCES

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, 2018, the District had $266,355 restricted fund balance for future construction projects.

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. At June 30, 2018, the District had $68, 214 committed for the Backpack Programs and $89,015 committed fund balance for school activity funds for a total of $157,229 in committed balances in the governmental fund statements.

Assigned fund balances represent 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, (b) amounts in the general fund that are intended to be used for a specific purpose, and (c) amounts appropriated from existing fund balance to eliminate a projected budgetary deficit in the FY 2018 budget. The District had $1,534,115 assigned related to FY 2018 budget appropriations.

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.

NOTE H – RETIREMENT PLANS

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

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

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

NOTE H – RETIREMENT PLANS (CONTINUED)

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

The 2018 General Assembly enacted legislation that would eliminate the 4% guarantee of investment returns for the Tier 3 members, along with several other benefit changes. However, the Kentucky Attorney General and several other stakeholders challenged the process used to enact Senate Bill 151 and the case is currently pending in the Kentucky Supreme Court.

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

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

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth.

NOTE H – RETIREMENT PLANS (CONTINUED)

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a separate publicly available financial report that can be obtained from the KTRS website, at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

NOTE H – RETIREMENT PLANS (CONTINUED)

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District in a special funding situation.

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

District's proportionate share of the CERS net pension liability	$ 10,172,111
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	110,729,897
Total	$ 120,902,008

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2017, the District's proportion was 0.173784 percent. For the year ended June 30, 2018, the District recognized pension expense of $1,131,322 related to CERS and $7,882,272 ($4,242,411 in the fund financial statements and $3,639,861 in the governmentwide financial statements) related to KTRS. The District also recognized revenue of $7,882,271 for KTRS support provided by the Commonwealth.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CERS:		
Difference between expected and actual	$ 12,617	$ 258,212
Changes of assumptions	1,877,030	-
Net difference between projected and	805,619	679,802
Changes in proportion and idifferences	24,347	42,172
District contributions subsequent to the	643,789	-
Totals	$ 3,363,402	$ 980,186

$643,789 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

NOTE H – RETIREMENT PLANS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 779,484
2018	757,756
2019	332,802
2020	(130,615)
2021	-

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

	CERS	KTRS
Inflation	2.30%	3.50%
Salary Increases	3.30%-11.55%	4.0-8.2%
Investment rate of return	6.25%	7.50%

For CERS, the mortality table used for active members 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.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2017.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2009 through 20014, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long- term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE H – RETIREMENT PLANS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S. Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield Credit	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash Equivalent	2.0%	1.88%
Total	100%	

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U. S. Equity	42.0%	4.4%
Non-U.S. Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories*	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	.8%
Total	100.0%	

* Includes hedge funds, high yield and non-US developed bonds

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

NOTE H – RETIREMENT PLANS (CONTINUED)

For KTRS, the discount rate used to measure the total pension liability was 4.49%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2038 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2038. There was a change in the Municipal Bond Index Rate from the prior measurement date to the current measurement, so the SEIR was adjusted using the revised Municipal Bond Index of 3.56%. this change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of the net pension liability	$ 12,829,232	$ 10,172,112	$ 7,949,451
KTRS	3.88%	4.88%	5.88%
District's proportionate share of the net pension liability	$ -	$ -	$ -

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

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, 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 this financial statement.

NOTE I – 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.

NOTE I – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

In fiscal year 2014, the District was notified that in order to settle outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT), a non-profit self-insured pool, an assessment would be made to present and prior insurance trust members.

On July 15, 2014, the District was notified of the final assessment of $80,353. The claim is to be paid over a seven-year period. Payments due under the claim at June 30, 2018 are as follows:

Year Ending June 30:	
2019	10,044
2020	10,044
	$ 20,088

NOTE J – LITIGATION

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

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund.

The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until 24 months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving 90 days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

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.

NOTE M – DEFICIT OPERATING BALANCES

There are no governmental funds of the District that currently have a deficit fund balance. The General Fund and District Activity Fund in the governmental funds report decreases in fund balance because the District used prior year fund balances to finance current year operations. The Construction Fund and Building Fund used prior year balances to complete capital projects. The governmental fund operating deficits are summarized in the following table.

General Fund	$ 490,300
District Activity Fund	304
Construction Fund	18,784
Building Fund	4,058

In the proprietary funds, deficit net positions are caused by the recognition of the net pension liability and the net OPEB liability for CERS employees in Food Service of $1,400,223 and Day Care of $729,335. The net OPEB liability in Food Service is $480,913 and in Day Care the balance is $250,493. The remaining balance in the Adult Education Fund has been transferred to the General Fund to provide financial support for the Backpack Program.

In addition, the following proprietary fund financial statements report operations (also caused by the pension and OPEB expense for CERS) that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of net position:

Food Service Fund	$ 452,010
Child Care Fund	141,571
Adult Education (deficit is the final program balance transferred to General Fund)	68,448

NOTE N – COBRA

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

NOTE O – INTERFUND ACTIVITY

The following transfers were made during the year ending June 30, 2018:

From Fund	To Fund	Purpose	Amount
General	District Activity	Community service	213,824
General	Special Revenue	Grant match	12,395
General	Child Care	Program support	44,713
Building	General	Capital asset purchases	43,866
Building	Debt Service	Bond payments	2,026,690
Building	Construction	Soccer field construction	291,000
Capital Outlay	General	Bldg & Equipment	91,023
Capital Outlay	Construction	Soccer field construction	129,900
Adult Education	General	Backpack program	68,214

As of June 30, 2018, the Special Revenue Fund owed the General Fund $133,754 and the Child Care Fund owed the General Fund $3,941 for expenses paid by the General Fund.

NOTE P – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2018 was $7,392,842. These payments were recorded as follows:

Purposes			Fund Allocations		
KTRS	$	4,242,411	General Fund	$	7,121,281
Other benefit payments		2,964,856	Debt Service		76,298
Technology purchases		69,141	Food Service		117,926
Administration		40,137	Child Care		77,337
Debt service		76,298			
Total	$	7,392,843		$	7,392,842

In addition, the District recognized revenue and expense from KTRS on-behalf payments (as a nonemployer contributing entity):

Pension expense		3,639,860
OPEB-Med		505,000
OPEB-Life		9,272
Total On-behalf	$	11,546,975

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and KTRS plans. The Kentucky Retirement System's publicly available financial report may be obtained from http://kyret.ky.gov/. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

CERS Other Postemployment Benefits

Plan Description—CERS health insurance benefits are also subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non- hazardous retirees receive $10 toward the monthly premium for each full year of service.

Hazardous retirees receive $15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2017 measurement period, CERS allocated 4.70% of the 19.18% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 6% employee contributions are allocated to the health insurance plan.

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

At June 30, 2018, the District reported a liability of $3,493,653 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2017, 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, 2017, the District's proportion was .173784 percent.

The amount recognized by the District as its proportionate share of the OPEB liability was $3,493,653 as of June 30, 2018, and $2,740,317 as of June 30, 2017. The recognition of the District's liability as of June 30, 2017 is reflected as a prior period adjustment in the Statement of Activities and Note R—Prior Period Adjustments. For the year ended June 30, 2018, the District recognized OPEB expense of $127,984.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
CERS:		
Difference between expected and actual	$ -	$ 9,703
Changes of assumptions	760,197	-
Net difference between projected and	-	165,108
Changes in proportion and idifferences	-	8,107
District contributions subsequent to the	208,965	-
Totals	$ 969,162	$ 182,918

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Of the total amount reported as deferred outflows of resources related to OPEB, $208,965 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	BISD Portion
2019	$ 99,326
2020	99,326
2021	99,327
2022	99,327
2023	140,604
Thereafter	39,369
Total Deferred to Future Years	$ 577,279

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%

Mortality rates were based on the RP-2000 Combined Mortality Table updated with projection scale BB from 2000 to 2013. Pre-retirement mortality male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%. Post-retirement mortality rates for females are set back one year. The RP-2000 Disabled Mortality Table is used for post-retirement mortality using the Scale BB projected to 2025. Male mortality rates are set back four years.

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, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2013 valuation. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May and July 2017 for use with the June 30, 2017 valuation in order to reflect future economic expectations.

The long-term expected rate of return on OPEB plan investments was determined 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.

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

The target allocation and best estimates of arithmetic real rate of return for each major class are summarized in the table below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield Credit	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	6.56%

*Long-term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan.

Discount rate – The single discount rate of 5.84% for CERS-Nonhazardous was used to measure the total OPEB liability as of June 30, 2017. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System's actuarial determined contributions, but any cost associated with the implicit subsidy is not paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, 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 (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

DISCOUNT RATE SENSITIVITY ANALYSIS

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of the net OPEB liability	$ 12,829,232	$ 3,493,653	$ 7,949,451

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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:

HEALTHCARE TREND RATE SENSITIVITY ANALYSIS

	1% Decrease	Current Trend Rates	1% Increase
CERS			
District's proportionate share of the net OPEB liability	$ 2,679,812	$ 3,493,653	$ 4,551,599

The Kentucky Retirement System's publicly available financial report may be obtained from http://kyret.ky.gov/.

KTRS POST-EMPLOYMENT HEALTH CARE BENEFITS
The Commonwealth of Kentucky (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 KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

Plan description—In addition to the pension benefits described in Note H, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS 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 KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

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

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

At June 30, 2018, the District reported a liability of $7,759,000 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, 2017, 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, 2017, the District's proportion was .217591 percent.

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

District's proportionate share of the net OPEB liability	$ 7,759,000
State's proportionate share of the net OPEB liability associated with the District	6,338,000
Total	$14,097,000

The recognition of the District's liability as of June 30, 2017, $ 7,681,724, is reflected as a prior period adjustment in the Statement of Activities and Note R—Prior Period Adjustments.

For the year ended June 30, 2018, the District recognized OPEB expense of $170,213 and revenue of $304,520 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
KTRS:		
Net difference between projected and actual earnings on OPEB plan	-	55,040
District contributions subsequent to the measurement date	388,269	-
Totals	$ 388,269	$ 55,040

Of the total amount reported as deferred outflows of resources related to OPEB, $388,269 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	BISD Portion
2019	$ (13,760)
2020	(13,760)
2021	(13,760)
2022	(13,760)
2023	-
Thereafter	-
Total Deferred to Future Years	$ (55,040)

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	60.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	4.5%	4.0%
Private Equity	5.5%	6.6%
High Yield	10.0%	4.3%
Other Additional Categories*	10.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

**Modeled as 50% High Yield and 50% Bank Loans.*

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

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

DISCOUNT RATE SENSITIVITY ANALYSIS

	1% Decrease	Current Discount Rate	1% Increase
CERS	7.00%	8.00%	9.00%
District's proportionate share of the net OPEB liability	$ 9,035,379	$ 7,759,000	$ 6,696,176

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:

HEALTHCARE TREND RATE SENSITIVITY ANALYSIS

KTRS	1% Decrease	1.02% - 7.75%	1% Increase
District's proportionate share of the net OPEB liability	$ 6,498,032	$ 7,759,000	$ 9,315,533

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

Life Insurance Plan

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

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

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

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

At June 30, 2018, 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, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ -0-
State's proportionate share of the net OPEB liability associated with the District	85,000
Total	$ 85,000

For the year ended June 30, 2018, the District recognized OPEB expense of $9,272 and revenue of $9,272 for support provided by the State.

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

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	3.56%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 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. Large Cap Equity	38.4%	4.3%
U.S. Small Cap Equity	2.6%	4.8%
Developed Int'l Equity	15.8%	5.2%
Emerging Markets Equity	4.2%	5.4%
Fixed Income - Inv Grade	16.0%	1.2%
Real Estate	6.0%	4.0%
Private Equity	7.0%	6.6%
High Yield	2.0%	4.3%
Other Additional Categories**	7.0%	3.3%
Cash (LIBOR)	1.0%	0.5%
Total	100.0%	

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

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

OPEB plan fiduciary net position – KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

NOTE R – PRIOR PERIOD ADJUSTMENT

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This revised guidance for OPEB provides similar accounting and financial reporting requirements as the pension guidance in GASB Statement No. 68 and No. 73. GASB 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB benefits as a liability to provide more comprehensive reporting and improve the comparability of the measurement of the annual OPEB costs incurred by governmental employers. Cost-sharing governmental employers, such as the District, are required to report a net OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 75 required retrospective application which requires a restatement of the beginning balances for the OPEB-related amounts. The District has recorded the following prior-period adjustments for the governmental activities.

Net position of governmental activities, as previously reported	$ 1,466,341
Adjustments:	
Net OPEB liability, June 30, 2017	(9,848,348)
Deferred outflows- OPEB contributions after measurement date	555,858
Net position of governmental activities, July 1, as restated	(7,826,149)
FY 2018 change in net position, governmental activities	(861,230)
Net position of governmental activities at June 30, 2018	$ (8,687,379)

The District has recorded the following prior-period adjustments for the business-type activities.

Net position of business-type activities, as previously reported	$ (873,262)
Adjustments:	
Net OPEB liability, June 30, 2017	(573,693)
Deferred outflows- OPEB contributions after measurement date	46,245
Net position of business-type activities, July 1, as restated	(1,400,710)
FY 2018 change in net position, business-type activities	(662,029)
Net position of business-type activities at June 30, 2018	$ (2,062,739)

NOTE S - SUBSEQUENT EVENT

Management has evaluated subsequent events through November 9, 2018, the date which the financial statements were available to be issued. Subsequent to June 30, 2018, the District approved an increase in the property tax rate to 83.7 cents per $100 in assessed value of real estate and personal property.

NOTE T – EFFECT OF NEW ACCOUNTING STANDARDS ON DISTRICT FINANCIAL STATEMENTS

In January 2018, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2018. This standard will require the District to rename its “agency” funds to “custodial” funds. Other significant provisions of the standard will not affect the District.

In March 2018, the GASB issued Statement No. 85, *Omnibus 2018*, which includes several provisions that will affect pension and OPEB reporting. This statement is effective for periods beginning after June 15, 2018. This standard only affects certain reporting terminology associated with the District’s postemployment benefit reporting and will not have a significant impact on the balances associated with either the net pension liability or the net OPEB liability to be reported in the next fiscal year.

In June 2018, the GASB issued Statement No. 87, *Leases*, which will be effective for reporting periods beginning after December 15, 2019. This standard will require the District to recognize intangible assets and liabilities for lease agreements that are currently reported as operating leases. Management is currently evaluating the impact of the adoption of this standard on the District’s financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
GENERAL FUND

	Budget			Variance Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Taxes				
Property	$ 5,978,000	$ 5,978,000	$ 6,149,078	$ 171,078
Motor vehicle	501,424	501,424	414,684	(86,740)
Utilities	1,100,000	1,100,000	1,067,845	(32,155)
Distilled spirits tax	1,673,310	1,673,310	1,644,594	(28,716)
Tuition and fees	118,000	118,000	180,513	62,513
Earnings on investments	2,000	2,000	3,170	1,170
Other local revenues	47,583	47,583	66,359	18,776
Intergovernmental - state	13,921,428	13,926,149	16,387,139	2,460,990
Intergovernmental - federal	200,000	200,000	225,565	25,565
Total Revenues	23,541,745	23,546,466	26,138,947	2,592,481
Expenditures:				
Instruction	14,745,922	14,745,922	16,163,001	(1,417,079)
Support servicves:				
Student	1,825,568	1,825,568	1,979,142	(153,574)
Instruction staff	762,654	762,654	849,861	(87,207)
District administration	1,347,874	1,347,874	1,393,589	(45,715)
School administrative	1,646,152	1,646,152	1,812,426	(166,274)
Business	824,838	824,838	617,509	207,329
Plant operation and maintenance	2,562,752	2,562,752	2,570,691	(7,939)
Student transportation	1,110,058	1,110,058	1,002,790	107,268
Adult Education			44,406	(44,406)
Community service activities	161,104	161,104	29,740	131,364
Debt service	129,409	129,409	148,545	(19,136)
Total Expenditures	25,116,331	25,116,331	26,611,700	(1,495,369)
Excess (deficit) of revenues over expenditures	(1,574,586)	(1,569,865)	(472,753)	1,097,112
Other financing sources (uses)				
Proceeds from sale of fixed assets			828	(828)
Insurance recovery			49,708	
Contingency	(1,555,167)	(1,441,269)	-	(1,441,269)
Operating transfers in			203,103	(203,103)
Operating transfers out	(270,000)	(270,000)	(271,186)	1,186
Total other financing sources (uses)	(1,825,167)	(1,711,269)	(17,547)	(1,644,014)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(3,399,753)	(3,281,134)	(490,300)	(546,901)
Fund Balance June 30, 2017	3,399,753	3,281,134	3,281,134	0
Fund Balance June 30, 2018	$ -	$ -	$ 2,790,834	$ (546,901)

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
SPECIAL REVENUE FUND

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues				
Earnings on investments			$ 7	$ 7
Tuition and fees			-	-
Other local revenues	$ 32,739	$ 32,739	95,434	62,695
Intergovernmental - state	1,083,504	1,205,759	1,209,084	3,325
Intergovernmental - indirect federal	57,266	1,450,311	1,293,977	(156,334)
Total revenues	1,173,509	2,688,809	2,598,502	(90,307)
Expenditures				
Instruction	1,138,557	2,388,025	2,269,867	118,158
Support services:				
Student		32,748	21,938	10,810
Instruction staff	58,952	130,384	88,442	41,942
Student transportation		5,000	2,232	2,768
Community services activities	26,000	179,045	228,418	(49,373)
Total expenditures	1,223,509	2,735,202	2,610,897	124,305
Excess (Deficit) of Revenues over Expenditures	(50,000)	(46,393)	(12,395)	33,998
Other financing sources (uses)				
Operating transfers in	50,000	46,393	12,395	(33,998)
Operating transfers out			-	-
Total other financing sources (uses)	50,000	46,393	12,395	(33,998)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	-	-	-	-
Fund Balance June 30, 2017	-	-	-	-
Fund Balance June 30, 2018	$ -	$ -	$ -	$ -

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2018

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:

a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

TABLE 1--PROPORTIONATE SHARE OF COLLECTIVE LIABILITY
District 's Proportionate Share of the Net Pension Liability

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
KTRS				
Proportionate share percentage	0.00%	0.00%	0.00%	0.00%
Proportionate share amount	$ -	$ -	$ -	$ -
Commonwealth's proportionate share of the net pension liability	110,729,897	118,804,900	94,384,809	80,555,447
Total	$ 110,729,897	$ 118,804,900	$ 94,384,809	$ 80,555,447
District's covered-employee payroll	$ 13,006,756	$ 12,685,204	$ 12,523,890	$ 12,290,898
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan's fiduciary net position as a percentage of total pension liability	39.83%	35.22%	45.59%	45.59%
CERS				
Proportionate share percentage	17.37840%	17.54500%	17.42500%	17.32500%
Proportionate share amount	$ 10,172,112	$ 8,638,512	$ 7,491,729	$ 5,619,422
Covered Payroll	$ 4,446,057	$ 4,095,797	$ 4,121,647	$ 4,192,373
Collective share of NPL as % of payroll	228.8%	210.9%	181.8%	134.0%
Plan's fiduciary net position as a percentage of total pension liability	53.30%	55.50%	59.97%	66.80%

Note: This schedule will be expanded to include 10 years of information as those details become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

TABLE 2--CONTRIBUTIONS

	2018	2017	2016	2015
KTRS				
Actuarially Required Contributions (OPEB)	$ -	$ -	$ -	$ -
Contributions Recognized by Plan	$ -	$ -	$ -	$ -
Difference	$ -	$ -	$ -	$ -
Covered Payroll	$ 11,003,087	$ 13,006,756	$ 12,685,204	$ 12,523,890
Contributions as Percentage of Payroll	0.00%	0.00%	0.00%	0.00%
CERS NONHAZARDOUS PLAN				
Actuarially Required Contributions	$ 643,789	$ 625,055	$ 508,698	$ 525,510
Contributions Recognized by Plan	$ 643,789	$ 625,055	$ 508,698	$ 525,510
Difference	$ -		$ -	$ -
Covered Payroll	$ 4,446,057	$ 4,095,797	$ 4,121,647	$ 4,192,373
Contributions as Percentage of Payroll	14.48%	15.26%	12.34%	12.53%

Note: This schedule will be expanded to include 10 years of information as those details become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

See accompanying report of independent auditors.

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

2009: A new benefit tier for members who first participated on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date began on or after January 1, 2014

Changes of Actuarial Assumptions:

2015 – 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 assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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.

2017 - The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The amortization period for the unfunded liability was reset as of July 1, 2013 to a closed 30-year period. For the 2017 actuarial valuation, several key actuarial assumptions were revised. The following table outlines the actuarial methods and assumptions that were used in 2017 and 2016 to determine contribution rates reported for all systems:

Assumption	2017 Valuation	2016 Valuation
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	**2.30%**	**3.25%**
Salary Increase	**3.3% to 11.55%** varies by service), average, including Inflation	**4%**, average, including Inflation
Investment Rate of Return	**6.25%**, Net of Pension Plan Investment Expense, including Inflation	**7.5%**, Net of Pension Plan Investment Expense, including Inflation

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED JUNE 30, 2018

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Benefit Terms - None

Changes of assumptions. 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. There were no changes for 2015 to 2018.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

TABLE 3--PROPORTIONATE SHARE OF COLLECTIVE LIABILITY
District 's Proportionate Share of the Net OPEB Liability

		Fiscal Year 2018
KTRS - Medical		
Proportionate share percentage		0.22%
Proportionate share amount	$	7,758,821
Commonwealth's proportionate share of the net pension liability		6,338,000
Total	$	14,096,821
District's covered-employee payroll		$11,003,087
District's proportionate share of the net pension liability as a percentage of its covered payroll		70.5%
Plan's fiduciary net position as a percentage of total pension liability		21.18%
CERS - Medical		
Proportionate share percentage		17.37840%
Proportionate share amount	$	3,493,653
Covered Payroll	$	4,095,797
Collective share of NPL as % of payroll		85.3%
Plan's fiduciary net position as a percentage of total pension liability		52.40%

Note: This schedule will be expanded to include 10 years of information as those details become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

TABLE 4--OPEB CONTRIBUTIONS

	Fiscal Year 2018
KTRS - Medical	
Actuarially Required Contributions (OPEB)	$ 372,795
Contributions Recognized by Plan	$ 372,795
Difference	$ -
Covered Payroll	$ 13,006,756
Contributions as Percentage of Payroll	3.00%

	2018
CERS - Medical	
Actuarially Required Contributions	$ 222,057
Contributions Recognized by Plan	$ 222,057
Difference	$ -
Covered Payroll	$ 4,095,797
Contributions as Percentage of Payroll	4.70%

Note: This schedule will be expanded to include 10 years of information as those details become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL INSURANCE PLAN FOR THE YEAR ENDED JUNE 30, 2018

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2017

Changes in Actuarial assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, 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	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

June 30, 2017 (Valuation Date: June 30, 2016)

Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire 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.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

TABLE 5 DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LIFE INSURANCE PLAN

KTRS		Fiscal Year 2018
Proportionate share percentage		0.00%
Proportionate share amount	$	-
Commonwealth's proportionate share of the net pension liability		85,000
Total	$	85,000
District's covered-employee payroll		$11,003,087
District's proportionate share of the net pension liability as a percentage of its covered payroll		0.0%
Plan's fiduciary net position as a percentage of total pension liability		79.99%

Note: This schedule will be expanded to include 10 years of information as those details become available.
Note: These amounts are based on the prior year's measurement period, not the District's fiscal year.

See accompanying report of independent auditors.

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

June 30, 2017 (Valuation Date: June 30, 2016)

Changes to benefit terms:

With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retire 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.

OTHER SUPPLEMENTARY INFORMATION

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Debt Service Fund	Capital Outlay Fund	Construction Fund	Building Fund	District Activity Fund	Total NonMajor Governmental Funds
Assets:						
Cash and cash equivalents	$ -	$ -	$ 227,865	$ -	$ 89,015	$ 316,880
Total Assets	$ -	$ -	$ 227,865	$ -	$ 89,015	$ 316,880
Liabilities & Fund Balances:						
Liabilities:						
Accounts Payable	$ -	$ -	$ 1,510	$ -	$ -	$ 1,510
Total Liabilities	-	-	1,510	-	-	1,510
Fund Balances						
Restricted	-	-	226,355	-	-	226,355
Committed	-	-	-	-	89,015	89,015
Total Fund Balances	-	-	226,355	-	89,015	315,370
Total Liabilities & Fund Balances	$ -	$ -	$ 227,865	$ -	$ 89,015	$ 316,880

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Debt Service Fund	Capital Outlay Fund	Construction Fund	Building Fund	District Activity Fund	Total NonMajor Funds
Revenues:						
From Local Sources:						
Taxes:						
Property	$ -	$ -	$ -	$ 1,883,010	$ -	$ 1,883,010
Tuition and fees	-	-	-	-	79,085	79,085
Other local revenues	-	-	-		62,471	62,471
Intergovernmental - State	76,298	220,923	-	474,488	-	771,709
Total Revenues	76,298	220,923	-	2,357,498	141,556	2,796,275
Expenditures						
Current:						
Instruction	-	-	-	-	290,142	290,142
Support Services:			-			
Instruction staff	-	-	-	-	60,039	60,039
Student transportation	-	-		-	3,003	3,003
Capital Outlay	-	-	439,684	-	2,500	442,184
Debt service - principal	1,516,521	-	-	-	-	1,516,521
Debt service - interest	586,467	-	-	-	-	586,467
Total expenditures	2,102,988	-	439,684	-	355,684	2,898,356
Excess (Deficit) of Revenues over Expenditures	(2,026,690)	220,923	(439,684)	2,357,498	(214,128)	(102,081)
Other financing sources (uses)						
Operating transfers in	2,026,690	-	420,900	-	213,824	2,661,414
Operating transfers out	-	(220,923)	-	(2,361,556)	-	(2,582,479)
Total other financing sources (uses)	2,026,690	(220,923)	420,900	(2,361,556)	213,824	78,935
Net change in fund balance	-	-	(18,784)	(4,058)	(304)	(23,146)
Fund Balance June 30, 2017	-	-	245,139	4,058	89,319	338,516
Fund Balance June 30, 2018	$ -	$ -	$ 226,355	$ -	$ 89,015	$ 315,370

See accompanying report of independent auditors.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
COMBINING SCHEDULE OF FIDUCIARY NET POSITION - AGENCY FUNDS
June 30, 2018

	Bardstown Elementary School	Bardstown Middle School	Bardstown High School	Bardstown Primary School	Bardstown Early Childhood	Total
Assets						
Cash and cash equivalents	$ 9,797	$ 22,803	$ 115,199	$ 29,827	$ 2,691	$ 180,317
Accounts receivable	-	-	-	114	-	114
Total assets	$ 9,797	$ 22,803	$ 115,199	$ 29,941	$ 2,691	$ 180,431
Liabilities						
Accounts payable	$ 4,373	$ -	$ -	$ 142	$ -	$ 4,515
Due to student groups	5,424	22,803	115,199	29,799	2,691	175,916
Total liabilities	$ 9,797	$ 22,803	$ 115,199	$ 29,941	$ 2,691	$ 180,431

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND LIABILITIES
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Due to Student Groups June 30, 2018
Bardstown Elementary School	$ 5,526	$ 29,914	$ 25,643	$ 9,797	$ -	$ 4,373	$ 5,424
Bardstown Middle School	17,427	126,645	121,269	22,803	-	-	22,803
Bardstown High School	93,025	363,960	341,786	115,199	-	-	115,199
Bardstown Primary School	11,841	52,113	34,127	29,827	114	142	29,799
Bardstown Early Childhood	2,681	14,292	14,282	2,691	-	-	2,691
Totals	$ 130,500	$ 586,924	$ 537,107	$ 180,317	$ 114	$ 4,515	$ 175,916

The accompanying notes are an integral part of these financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
SCHEDULE OF ASSETS, RECEIPTS, DISBURSEMENTS AND LIABILITIES - BARDSTOWN HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2018

	Cash Balance July 1, 2017	Receipts	Disbursements	Cash Balance June 30, 2018	Accounts Receivable June 30, 2018	Accounts Payable June 30, 2018	Due to Student Groups June 30, 2018
All A Classic	$ 2	$ -	$ -	$ 2	$ -	$ -	$ 2
Athletics/Game Expense	-	36,380	36,380	-	-	-	-
Athletics General	-	452	452	-	-	-	-
District Tournaments	861	2,779	1,389	2,251	-	-	2,251
Football playoffs	1,377	-	-	1,377	-	-	1,377
Friends of Archery	6,180	6,769	2,748	10,201	-	-	10,201
Friends of Band	60	17,673	17,731	2	-	-	2
Friends of Baseball	5,716	35,939	27,754	13,901	-	-	13,901
Friends of Bowling	-	590	590	-	-	-	-
Friends of Boy's Basketball	3,919	14,722	14,837	3,804	-	-	3,804
Friends of Cheerleading	2,187	9,442	9,129	2,500	-	-	2,500
Friends of Chorus	651	4,486	4,629	508	-	-	508
Friends of Cross Country	1,232	11,978	13,103	107	-	-	107
Friends of Girls Basketball	14,613	35,029	40,527	9,115	-	-	9,115
Friends of Boy's Soccer	406	4,475	4,613	268	-	-	268
Friends of Girl's Soccer	10,697	3,381	8,213	5,865	-	-	5,865
Friends of Golf	740	1,320	1,466	594	-	-	594
Friends of Orchestra	727	3,753	1,281	3,199	-	-	3,199
Friends of Softball	2,870	2,795	4,302	1,363	-	-	1,363
Friends of Tennis	2	1,055	1,056	1	-	-	1
Friends of Track	1,334	8,036	5,345	4,025	-	-	4,025
Friends of Volleyball	13	4,226	2,204	2,035	-	-	2,035
Friends of Wrestling	19	875	810	84	-	-	84
19th District Bball	891	-	-	891	-	-	891
Academic Club	865	270	357	778	-	-	778
Annual/Yearbook	1,380	3,873	67	5,186	-	-	5,186
Art Club	150	-	-	150	-	-	150
Best Buddies	-	410	309	101	-	-	101
Blue Dot Books	218	-	-	218	-	-	218
Chess Club	127	-	-	127	-	-	127
Debate Team	-	240	159	81	-	-	81
Drama	222	281	225	278	-	-	278
FBLA Club	199	11,963	8,909	3,253	-	-	3,253
FCCLA	1,547	1,779	1,781	1,545	-	-	1,545
FCA	1,037	415	495	957	-	-	957
General Fund	12,165	6,859	5,921	13,103	-	-	13,103
Industrial Technology	55	456	225	286	-	-	286
Interest on Accounts	3,523	60	5	3,578	-	-	3,578
Junior/Senior Prom	5,704	9,440	7,487	7,657	-	-	7,657
Key Club	319	9,511	9,509	321	-	-	321
Music Club	1,051	48,092	48,350	793	-	-	793
National Honor Society	422	1,950	1,906	466	-	-	466
Pep Club	-	2,405	2,179	226	-	-	226
Science Club	242	400	400	242	-	-	242
Science Olympiad	219	1,526	383	1,362	-	-	1,362
Senior Class	209	4,873	3,907	1,175	-	-	1,175
Spanish Club	37	556	397	196	-	-	196
Speech	419	5,795	4,882	1,332	-	-	1,332
Stem	2,688	13,885	15,254	1,319	-	-	1,319
Student Council	476	-	-	476	-	-	476
Sunshine Fund	212	-	-	212	-	-	212
Testing	250	12,437	11,128	1,559	-	-	1,559
Textbooks	2,135	-	-	2,135	-	-	2,135
Toiger Mentoring	561	345	247	659	-	-	659
Teacher Cadet Program	217	274	34	457	-	-	457
TMH-Dorsey	7	-	-	7	-	-	7
TSA Club	80	1,691	1,695	76	-	-	76
Vending	414	762	366	810	-	-	810
Wrestling Club	19	-	-	19	-	-	19
Y-Club	1,359	17,257	16,650	1,966	-	-	1,966
Sub Total	93,025	363,960	341,786	115,199	-	-	115,199
				-	-	-	
Transfers	-	3,833	3,833	-	-	-	-
				-	-	-	
TOTAL	$ 93,025	$ 360,127	$ 337,953	$ 115,199	$ -	$ -	$ 115,199

See accompanying report of independent auditors.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Pass Through Grantor's Identifying Number	Federal Expenditures
U.S. Department Of Agriculture			
Child Nutrition Cluster:			
Cash Assistance			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002-17	224,015
		7750002-18	723,198
School Breakfast Program	10.553	7760005-17	76,894
		7760005-18	250,283
Summer Food Service Program for Children	10.559	7740023-18	5,037
Noncash Assistance (Commodities)			
National School Lunch Program	10.555	057502-02	110,950
TOTAL CHILD NUTRITION CLUSTER			1,390,377
Other U.S. Department of Agriculture Program			
Passed through the Kentucky Department of Education			
Child and Adult Care Food Program	10.558	7790021-18	17,889
Total U.S. Department Of Agriculture			1,408,266
U.S. Department Of Education			
Special Education Cluster (IDEA)			
Special Education - Grants to State	84.027	337C	40,054
		337CP	3,368
		337D	444,178
		337DP	17,086
			504,686
Special Education - Preschool Grants	84.173	343D	22,165
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			526,851
Other U.S. Department Of Education Programs			
Passed through the Kentucky Department of Education			
Title I - Grants to Local Educational Agencies	84.010	310C	$ 189,712
		310D	471,286
			660,998
Vocational Education - Basic Grants to States	84.048	348D	18,650
		348BA	925
			19,575
Improving Teacher Quality - State Grants	84.367	401C	52,527
Limited English Proficiency - Immigrant	84.365	345C	486
		345D	9,413
			9,899
Rural Education	84.358	350C	21,534
Total U.S. Department Of Education			1,291,384
Total Expenditures of Federal Awards			$ 2,699,650

See accompanying independent auditor’s report and notes to the schedule of expenditures of federal awards.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL

AWARDS JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

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	X no
• Significant deficiencies(s) identified that are not considered to be material weaknesses?	_____ yes	X none reported
Noncompliance material to financial statements noted?	_____ yes	X no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	X no
• Significant deficiencies(s) identified that are not considered to be material weakness(es)?	_____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the 2CFR 200.516(a)?	_____ yes	X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 / 10.555 / 10.559	**Child Nutrition Cluster**
84.027 / 84.027A / 84.173	**Special Education Cluster**

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section I – Summary of Auditor's Results – Continued

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 findings to report.

Section III – Federal Award Findings and Questioned Costs

No findings to report.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2018

2017-001
(Material Weakness)

Condition: During the audit we noted material adjustments for accounts payable and construction in progress at June 30, 2017.

Current Status: No material adjustments were noted for the financial statements as of and for the year ending June 30, 2018.

2017-002 – Child Nutrition Cluster – CFDA No. 10.553, 10.555, and 10.559 – Year Ended June 30, 2017 – U. S. Department of Agriculture; passes through the Kentucky Department of Agriculture (Significant Deficiency – Procurement)

Condition The District's policies and procedures were in accordance with state requirements but did not include the required federal requirements regarding procurement.

Current Status: The District implemented revised procurement procedures effective July 1, 2017.

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

Stiles, Carter & Associates
CERTIFIED PUBLIC ACCOUNTANTS
www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

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

Members of the Board of Education
Bardstown Independent School District
Bardstown, 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 the Bardstown Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Bardstown Independent School District's basic financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

2901 Ring Road East, P.O. Box 622 · Elizabethtown, KY 42702-0622 / Phone 270-769-6371 · Fax 270-765-7934
120 West Stephen Foster Avenue, #113 · Bardstown, KY 40004 / Phone 502-348-1433 · Fax 502-349-6365

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 *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We also noted certain other matters that we reported to management of Bardstown Independent School District in a separate letter dated November 9, 2018.

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.

Stiles, Carter & Associates, CPAs, P.S.C.

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 9, 2018

Chris R. Carter, CPA
Ann M. Fisher, CPA
Scott Kisselbaugh, CPA
Philip A. Logsdon, CPA
Brian S. Woosley, CPA

Stiles, Carter & Associates
CERTIFIED PUBLIC ACCOUNTANTS
www.scacpa.com

American Institute of CPAs
Kentucky Society of CPAs

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

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Bardstown Independent 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 the District's major federal programs for the year ended June 30, 2018. The Bardstown Independent 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 requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Bardstown Independent 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I, II, III, and IV 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Bardstown Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

2901 Ring Road East, P.O. Box 622 · Elizabethtown, KY 42702-0622 / Phone 270-769-6371 · Fax 270-765-7934
120 West Stephen Foster Avenue, #113 · Bardstown, KY 40004 / Phone 502-348-1433 · Fax 502-349-6365

Report on Internal Control Over Compliance

The management of Bardstown Independent 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 the Bardstown Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Bardstown Independent 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 a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Stiles, Carter + Associates, CPAs, P.S.C.

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 9, 2018