

Bardstown Independent School District
Audited Financial Statements
and Required Supplementary Information
June 30, 2020

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
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JUNE 30, 2020**

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AUDITOR'S REPORT

SUMMERS, MCCRARY & SPARKS, P.S.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Bardstown Independent School District
Bardstown, KY 40004

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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of 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, 2020, and, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the respective budgetary comparison for the General Fund and the Special Revenue Fund and Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 4-12 and 54-65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bardstown Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements 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 the 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 and the schedule of expenditure 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2020, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note R to the financial statements, in 2020 the District adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities* and GASBS No. 87 *Leases*. Our opinion is not modified with respect to these matters.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 13, 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$2.0 million. Cash is lower at June 30, 2020, after the District incurred additional costs for COVID-19, completed the FY19 construction projects, and advanced the construction fund \$.792 million for initial costs on the new elementary school.
- Local tax was levied at the four percent rate increase of 86.4 cents per \$100 for real estate and 86.4 cents tangible property. No change was made in the motor vehicle tax at 53.1 cents per \$100 of assessed property.
- From fiscal year 2019 to 2020, total revenues from governmental activities increased approximately \$1.3 million primarily due to increased tax revenues (\$.675 million) and while state grant revenues *decreased* (\$.136 million). However, Federal grant revenues increased \$.323 million with the additional COVID relief funds in the CARES Act.
- The district adopted a \$30.6 million general fund budget in September 2020 for the upcoming year with 3.3% of the budgeted expenses set aside for contingency.

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 13 through 14 of this report.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

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.

There is one significant change in the fund financial statements for FY2020. The District implemented GASBS No. 84, *Fiduciary Activities*, for this fiscal year. Using the criteria in GASS No. 84 and guidance from the Kentucky Department of Education (KDE), the District has shifted the school activity funds that were previously reported as fiduciary (agency funds) to a governmental special revenue fund. Note T, on page 52, explains the prior period adjustment for this change.

The fund financial statements can be found on pages 15 through 21 of this report. Combining statements for the nonmajor funds can be found on pages 66 through 67.

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 \$11.3 million as of June 30, 2020 compared to \$10.6 million as of June 30, 2019. 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 \$.7 million in fiscal year 2020 as the District addressed the unique challenges of shifting in-person instruction to online nontraditional instruction.

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 \$10.7 million in 2019 to \$12.7 million in 2020, primarily because local governments are phasing in contribution increases imposed in 2017. The CERS insurance funds are funded at higher ratios, so the OPEB liabilities decreased from \$3.1 million in 2019 to \$3.0 million in 2020. TRS OPEB plans also improved their funding ratios and the TRS OPEB liabilities decreased from \$7.6 million in 2019 to \$6.7 million in 2020.

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

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

Net Position

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

Net Position, June 30 (Table 1)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated
Current and other assets	\$ 2,734,256	\$ 5,232,381	\$ 56,229	\$ 56,757	\$ 2,790,485	\$ 5,289,138
Capital assets	27,583,937	26,279,091	192,958	257,354	27,776,895	26,536,445
Total assets	30,318,193	31,511,472	249,187	314,111	30,567,380	31,825,583
Deferred Outflows-Pensions	2,369,666	2,165,782	652,644	565,350	3,022,310	2,731,132
Deferred Outflows-OPEB	1,953,172	1,225,270	262,190	183,600	2,215,362	1,408,870
Deferred Outflows-Refunding	41,850	49,960	-	-	41,850	49,960
Total Deferred Outflows	4,364,688	3,441,012	914,834	748,950	5,279,522	4,189,962
Long-term liabilities	20,162,801	21,725,776	-	20,716	20,162,801	21,746,492
Net pension liabilities	9,924,604	8,495,845	2,733,400	2,217,733	12,658,004	10,713,578
Net OPEB liabilities	9,105,853	10,056,658	653,522	646,500	9,759,375	10,703,158
Intangible asset lease liabilities	614,243	115,320	135,738	195,904	749,981	311,224
Other liabilities	582,891	1,296,531	29,110	17,522	612,001	1,314,053
Total liabilities	40,390,392	41,690,130	3,551,770	3,098,375	43,942,162	44,788,505
Deferred Inflows-Pensions	399,049	641,359	109,904	167,418	508,953	808,777
Deferred Inflows-OPEB	2,475,609	889,148	232,895	122,726	2,708,504	1,011,874
Total Deferred Inflows	2,874,658	1,530,507	342,799	290,144	3,217,457	1,820,651
Net position:						
Net investment in capital assets	7,194,317	4,737,965	57,220	61,449	7,251,537	4,799,414
Restricted	41,379	2,090,395	27,119	18,517	68,498	2,108,912
Unrestricted	(15,817,865)	(15,096,514)	(2,814,887)	(2,405,424)	(18,632,752)	(17,501,938)
Total Net Position	\$ (8,582,169)	\$ (8,268,154)	\$ (2,730,548)	\$ (2,325,458)	\$ (11,312,717)	\$ (10,593,612)

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

- Capital assets increased with additional construction on the new elementary school and the football field turf replacement projects that were started in FY 2020. The District also invested in an energy efficiency project across all campus facilities that was completed in September 2019. The other capital projects include a maintenance van, new bus, computer tablets for students, equipment for classrooms, and kitchen equipment.
- The District also implemented GASBS No. 87, *Leases*, for the 2020 fiscal year. This guidance requires recognition of an intangible right-to-use asset for copiers leased by the District along with a lease liability. The District recognized the following for the implementation and current year transactions for these leases:

	Fund	Intangible Right-to-Use Asset	Accumulated Amortization	Lease Liability
2017 Copier lease	General	\$ 213,878	\$ 128,327	\$ 89,414
2020 Copier lease	General	\$ 436,319	\$ 43,632	\$ 498,922
2017 Building lease	Day Care	\$ 297,305	\$ 109,012	\$ 195,904

- The district paid \$1.6 million on the revenue bond debt and \$.115 million on the financed bus purchases. The district also borrowed \$97,200 for a new bus. Also, the District paid \$10,044 toward a claim related to outstanding claims and deficits of the Kentucky School Boards Insurance Trust (KSBIT). The final payment for KSBIT was made in August 2020.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

- With these changes, the net investment in capital assets increased \$2.451 million.
- Deferred outflows of resources related to pensions (\$3.0 million) increased as Ky Retirement Systems (KRS) revised mortality assumptions and contributions for the next measurement period increased while investment yields were higher than anticipated in the assumptions. Deferred inflows of resources related to pensions (\$.5 million) decreased as additional differences between actual and estimated experience were lower than in prior years. These changes include the amortization of prior year balances in these deferred amounts.
- OPEB balances for deferred inflows (KRS-\$1.2 million and TRS-\$.935 million) increased with the change in mortality assumptions by KRS and changes in the employer proportions by TRS. Deferred inflows of resources for OPEB plans (KRS-\$1.1 million and TRS \$1.6 million) increased in the both plans because of differences between actual and expected experience that were higher than amounts recognized in previous years. Like the deferred outflows, the changes in deferred inflows include the amortization of amounts recognized in previous years. More information about these changes is discussed in Note G for the retirement plans and Note P for the OPEB plans, beginning on page 34 of this report and in the Required Supplementary Information beginning on page 43.
- Cash decreased from \$4.5 million to \$2 million as bond projects from 2019 were completed and current construction projects for a new elementary school and replacement of the football turf were started. The District incurred additional costs related to COVID and increased the General Fund subsidies to the Food Service and Day Care operations to sustain payroll while schools were closed.
- Tax receivables decreased from \$85,750 to \$75,753 as the District used a program to sell delinquent tax bills.

Change in Net Position

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

Changes in Net Position
Operating Results for the Year Ended June 30, (Table 2)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 610,525	\$ 249,178	\$ 681,828	\$ 878,692	\$ 1,292,353	\$ 1,127,870
Operating grants	3,582,335	(1,883,062)	1,474,076	1,667,128	5,056,411	(215,934)
Capital grants	76,299	76,298	-	-	76,299	76,298
General revenues:						
Property taxes	9,131,070	8,440,819	-	-	9,131,070	8,440,819
Motor vehicles taxes	418,872	477,170	-	-	418,872	477,170
Utility taxes	917,580	1,040,160	-	-	917,580	1,040,160
Distilled spirits tax	2,080,681	1,949,260	-	-	2,080,681	1,949,260
Interest and investment earnings	57,248	39,648	-	6	57,248	39,654
State Aid formula grants	10,502,440	11,190,051	-	-	10,502,440	11,190,051
Unrestricted federal aid	377,230	306,453	-	-	377,230	306,453
Gain(Loss) on disposal of fixed assets	(4,466)	669	-	-	(4,466)	669
Insurance recovery	16,920	-	-	-	16,920	-
Miscellaneous	271,619	131,757	5,200	-	276,819	131,757
Total Revenues	28,038,353	22,018,401	2,161,104	2,545,826	30,199,457	24,564,227

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

Changes in Net Position (Table 2 continued)

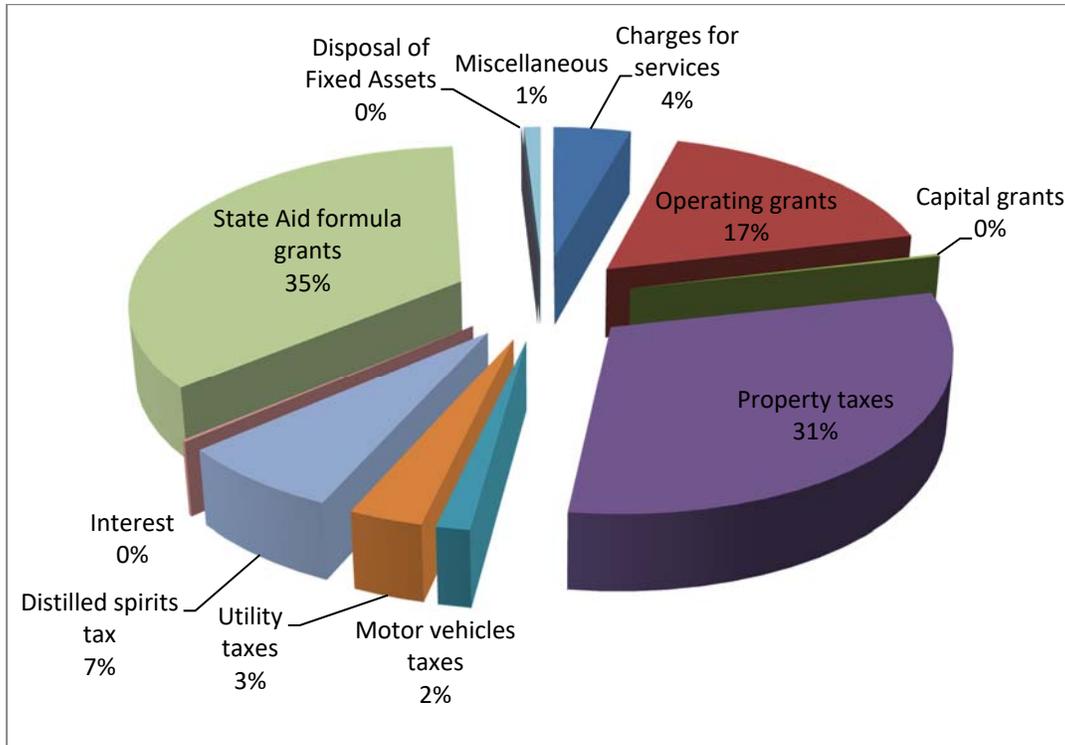
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Program Expenses:						
Instruction	16,666,164	9,148,476	-	-	16,666,164	9,148,476
Support Services						
Student	1,629,231	2,086,298	-	-	1,629,231	2,086,298
Instruction staff	820,154	1,013,532	-	-	820,154	1,013,532
District administration	946,170	1,198,434	-	-	946,170	1,198,434
School administration	1,490,020	1,916,373	-	-	1,490,020	1,916,373
Business	816,917	854,392	-	-	816,917	854,392
Plant operation and maintenance	3,244,887	3,496,312	-	-	3,244,887	3,496,312
Student transportation	1,345,596	1,380,182	-	-	1,345,596	1,380,182
Adult education	47,873	50,296	-	-	47,873	50,296
Community service activities	248,967	212,092	-	-	248,967	212,092
Food service	90,453	-	1,621,074	1,926,240	1,711,527	1,926,240
Child care	91,012	-	1,236,732	903,168	1,327,744	903,168
Interest on long-term debt	610,538	432,984	-	-	610,538	432,984
Total Expenses	28,047,982	21,789,371	2,857,806	2,829,408	30,905,788	24,618,779
Excess (deficiency) before transfers and special items	(9,629)	229,030	(696,702)	(283,582)	(706,331)	(54,552)
Transfers	(291,614)	(28,473)	291,614	28,473	-	-
Net increase (decrease) in net position	\$ (301,243)	\$ 200,557	\$ (405,088)	\$ (255,109)	\$ (706,331)	\$ (54,552)

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

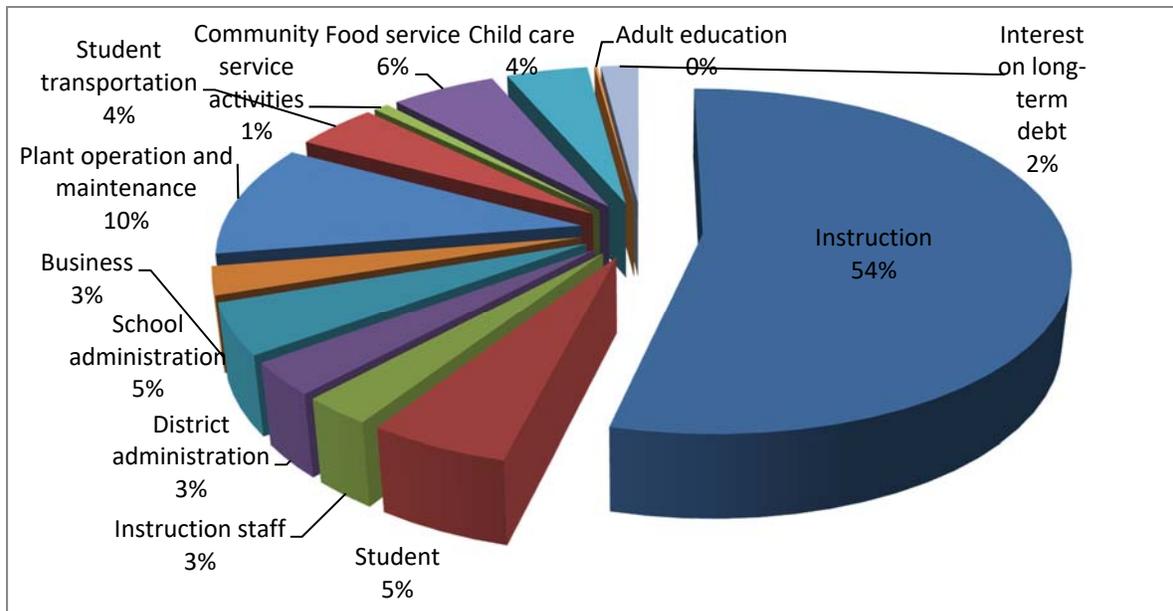
- In-person classes were suspended in March 2020 because of the COVID-19 pandemic. The District retained all staff, continued providing meals to low-income children, and incurred additional costs to equip students for nontraditional instruction. Additional resources from the Federal Cares Act were shared with the District to help offset additional costs.
- TRS of Ky continues to report negative pension expense reflecting the impact of revising the discount rate for the 2018 measurement. For the District’s FY2020, this adjustment decreased both operating grant revenues and instruction benefits by \$5.8 million.
- Property taxes increased from \$8.4 million to \$9.1 million with the growth of real property assessments within the school taxing district.
- Interest on long-term debt increased \$164,727 with the additional interest expense related to the copier leases recognized using guidance in GASBS No. 87. More information about the GASBS No. 87 implementation is outlined in Note E – Capital Assets, pages 29 – 30, and Note F – Long-Term Obligations, pages 31 – 34.
- Grant revenues increased \$4.3 million, which includes the following changes:
 - \$.500 million decrease in the SEEK formula funding
 - \$.517 million increase in the cash on-behalf payments
 - \$.071 million increase in Federal Medicaid reimbursements
 - \$.092 million decrease in restricted state revenue
 - \$4.7 million increase in the actuarial on-behalf payments
- The District received a \$47,385 bequeath from a former superintendent’s estate.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

The following provides a breakdown of total primary government revenues for the year ending June 30, 2020:



The following provides a breakdown of total primary government expenses for the year ending June 30, 2020:



BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

ANALYSIS OF THE DISTRICT’S FUNDS

Governmental Funds

The **General Fund** ended FY 2020 with an increase in fund balance of \$252,340. Total revenues were less than expenditures by \$697,382 with additional capital outlay and debt service for the copier leases and decreases in the SEEK funding. This shortfall was mitigated by the other financing resources for the bus purchase and the copier leases, resulting in a net increase to fund balance of \$252,340. The ending fund balance for General Fund represents 9.77% of the total expenditures, or a balance that would cover about 1.2 month of operations. This ratio is an increase over the 9.27% ratio in FY 2019 as the adjusted fund balance increased from \$2.5 million to \$2.8 million in FY 2020. At June 30, 2020, the General Fund is reporting an Assigned Fund Balance for the gift from Dr. Robert Smotherman’s estate.

The **Special Revenue** fund reports a variety of state and federal grants and usually reports a zero carryover in fund balance. As of June 30, 2020, this grant fund also reported accounts receivable from federal grants of \$530,819 million and a liability for grant advances of \$278,165 million (for grant funds that have not yet been expended for the allowable grant programs.)

The **School Activity** Fund (nonmajor) is a new special revenue fund in 2020 to report the operations of the individual school programs for athletic, community outreach, and scholastic projects. These programs were reported as fiduciary agency funds in FY2019 and reclassified to special revenue when the District implemented GASBS No. 84. This fund is included in the combining statements for nonmajor funds on pages 66 – 67.

The **Construction Fund** has been reported as a major fund in this report with the significant capital improvements anticipated for FY2021 and reported in FY2019. Expenditures for the completion of the energy efficiency project, new elementary school, and football turf replacement projects were \$2 million fund in part with an advance from General Fund of \$792,622 until financing for the elementary school is secured.

Proprietary Funds

The District’s proprietary funds include the Food Service and Child Care 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 \$17,050 and unrestricted net position decreased from a deficit of \$1.461 million to a deficit of \$1.478 million. Most of this decrease occurred because the costs of pension and OPEB benefits continue to exceed the lunchroom sales and federal and state grants for the District’s food service programs. Revenues decreased \$290,920 from the prior year with the COVID shutdown from March to June 2020. Operating expenses actually decreased from \$1.9 million to \$1.5 million for the same reason. However, \$90,453 of Food Service costs were reported in the Special Revenue Fund when KDE requested that districts report COVID costs separately. General Fund increased the subsidy to Food Service from \$28,473 to \$130,279 to help fund the shortfall caused by the shutdown. This program benefits from federal grants of \$1.0 million, which was \$.3 million lower in FY2020.

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 \$388,039 and a deficit in net position of \$1,252,405, Including the effects of pension and OPEB balances. In addition, the District implemented GASBS No. 87 and recognized a right-to-use asset and lease liability for a building leased from CHDA Properties, LLC, in 2017. This change in accounting policy reduced the beginning net position in the Child Care operations by \$7,611.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

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 the budgeted “ending 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 \$27.2 million with actual amounts of approximately \$27.9 million. Budgeted expenditures of approximately \$28.8 million compare with actual expenditures of approximately \$28.6 million (including the copier leases that are not included in the budget). The most significant fluctuation is for instruction where the actual exceeded the budgeted amount by approximately \$453,905, primarily due to the anticipated vs. actual figure for the cash on-behalf benefit payments of \$8.0 from the State for pension and OPEB, technology, administration, and debt service. These on-behalf payments are not included in the District’s budget planning because the revenues equal the expenditures and the amounts are not available until year-end.

CAPITAL ASSETS

At the end of fiscal year 2020, the School District had approximately \$27.8 million invested in land, building and improvements, vehicles, equipment, and construction in process. Table 3 shows fiscal year 2020 and 2019 balances. 2019 balances have been restated to include the right-to-use leased assets that were recognized with the implementation of GASBS No. 87, *Leases*, in FY 2020.

Capital Assets, Net of Depreciation (Table 3)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019 Restated	2020	2019 Restated	2020	2019 Restated
Land	\$ 3,383,461	\$ 3,383,461	\$ -	\$ -	\$ 3,383,461	\$ 3,383,461
Land improvements	283,490	298,623	-	-	283,490	298,623
Buildings and improvements	20,738,823	20,188,906	-	-	20,738,823	20,188,906
Technology equipment	164,312	129,137	-	-	164,312	129,137
Vehicles	614,877	636,353	4,233	5,314	619,110	641,667
General equipment	323,930	312,000	59,893	63,746	383,823	375,746
Construction in progress	1,578,569	1,210,370	-	-	1,578,569	1,210,370
Intangible right-to-use leased equipment	496,475	137,418	-	-	496,475	137,418
Intangible right-to-use building	-	-	128,832	137,418	128,832	137,418
Total	\$ 27,583,937	\$ 26,296,268	\$ 192,958	\$ 206,478	\$ 27,776,895	\$ 26,502,746

The following were major additions and capital assets placed in service during fiscal year 2020:

- Construction on a new elementary school was started in 2020.
- An energy efficiency renovation was initiated during FY 2019 and completed in the fall of 2019.
- A new bus was purchased that will be delivered by the end of calendar year 2020.
- Other capital additions include a maintenance van, new bus, computer tablets for students, equipment for classrooms, and kitchen equipment.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2020

LONG-TERM BONDED DEBT

At June 30, 2020, the School District had \$19.3 million in bonds outstanding. Of this amount, \$396,343 is to be paid by the Kentucky School Facility Construction Commission. A total of \$1,637,290 is due from District funds within one year. In addition, the District owes \$563,631 for financed bus purchases, with \$108,903 due in FY 2021. Remaining balances on the copier lease liabilities recognized in FY 2020 are \$588,336 with \$151,064 due in FY 2021. The remaining balance on the building lease recognized in FY 2020 is \$115,320 with \$46,157 due in FY 2021.

ECONOMIC FACTORS AND FY 2020 BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal, operate on a different fiscal year, but are reflected in the district overall June 30 fiscal year budget. By law the budget must have a minimum 2% contingency. The district adopted a budget 2020-2020 that includes a contingency of 3.1%. However, the District expects that fund balance in the General Fund will decrease in FY 2020 from \$2.8 million to \$1.8 million.

The District is moving forward with plans for the construction of a new elementary school on the Templin Avenue property, with a proposed completion date of August 2021.

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 .1759% of all employers in this system). The Kentucky General Assembly continues to develop additional legislative action to cut benefits for future employees for both teachers and the administrative employees in the District. CERS anticipates that employer contribution rates will continue to increase, but limited to 12% over the next five years, but level off as the funded status improves. The funded status at TRS of Kentucky continues to improve as investment performance exceeds actuarial assumptions.

Local tax for the 2021 school year was levied in September 2020 at 83.7 cents per \$100 for real estate and 85.0 cents tangible property. No change was made in the motor vehicle tax at 53.1 cents per \$100 of assessed property.

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, 2020**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets:			
Current Assets			
Cash and Cash Equivalents	\$ 2,046,053	\$ -	\$ 2,046,053
Inventory	-	30,988	30,988
Accounts Receivable			
Taxes - current	25,417	-	25,417
Taxes - delinquent	50,336	-	50,336
Other	81,630	11,372	93,002
Intergovernmental - indirect Federal	530,819	13,869	544,688
Total Current Assets	<u>2,734,255</u>	<u>56,229</u>	<u>2,790,484</u>
Capital Assets - Net			
Construction in Progress	1,578,569	-	1,578,569
Land	3,383,461	-	3,383,461
Net Depreciable Capital Assets	22,621,907	192,958	22,814,865
	<u>27,583,937</u>	<u>192,958</u>	<u>27,776,895</u>
Total Assets	\$ <u>30,318,192</u>	\$ <u>249,187</u>	\$ <u>30,567,379</u>
Deferred Outflows of Resources			
Deferred amount on refunding	\$ 41,850	\$ -	\$ 41,850
Proportionate share of deferred outflows of resources - Pension & OPEB	2,972,936	586,464	3,559,400
OPEB & Pension Contributions made after the measurement date	1,349,902	328,370	1,678,272
Total Deferred Outflows of Resources	\$ <u>4,364,688</u>	\$ <u>914,834</u>	\$ <u>5,279,522</u>
Liabilities			
Current Liabilities			
Accounts Payable	\$ 107,936	\$ 458	\$ 108,394
Accrued salaries and benefits payable	45,820	-	45,820
Grant Advances	278,165	-	278,165
Interest payable	150,968	-	150,968
Current portion of bond obligations	1,637,290	-	1,637,290
Current portion of financed purchases	108,903	-	108,903
Current portion of claims payable - KSBIT	10,044	-	10,044
Current portion of accrued sick leave	64,155	7,679	71,834
Total Current Liabilities	<u>2,403,281</u>	<u>8,137</u>	<u>2,411,418</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	17,574,456	-	17,574,456
Noncurrent portion of financed purchases	454,728	-	454,728
Noncurrent portion of accrued sick leave	313,226	20,973	334,199
Lease liabilities	614,243	135,738	749,981
Net OPEB liability - CERS	2,372,853	653,522	3,026,375
Net OPEB liability - KTRS	6,733,000	-	6,733,000
Net pension liability - CERS	9,924,604	2,733,400	12,658,004
Total Noncurrent Liabilities	<u>37,987,110</u>	<u>3,543,633</u>	<u>41,530,743</u>
Total Liabilities	<u>40,390,391</u>	<u>3,551,770</u>	<u>43,942,161</u>
Deferred Inflows of Resources			
Proportionate share of deferred inflows of resources - Pension & OPEB	2,874,658	342,799	3,217,457
Total Deferred Inflows of Resources	\$ <u>2,874,658</u>	\$ <u>342,799</u>	\$ <u>3,217,457</u>
Net Position			
Net investment in capital assets	7,194,317	57,220	7,251,537
Restricted for:			
Construction	-	-	-
Food Service	-	27,119	27,119
Unrestricted	(15,776,486)	(2,814,887)	(18,591,373)
Total Net Position	\$ <u>(8,582,169)</u>	\$ <u>(2,730,548)</u>	\$ <u>(11,312,717)</u>

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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	TOTAL
Governmental Activities:							
Instruction	\$ (16,666,164)	\$ 610,525	\$ 3,548,116	\$ -	\$ (12,507,523)	\$ -	\$ (12,507,523)
Support Services:							
Student	(1,629,231)	-	-	-	(1,629,231)	-	(1,629,231)
Instruction staff	(820,154)	-	-	-	(820,154)	-	(820,154)
District administration	(946,170)	-	-	-	(946,170)	-	(946,170)
School administrative	(1,490,020)	-	-	-	(1,490,020)	-	(1,490,020)
Business	(816,917)	-	-	-	(816,917)	-	(816,917)
Plant operating and maintenance	(3,244,887)	-	-	-	(3,244,887)	-	(3,244,887)
Student transportation	(1,345,596)	-	34,219	-	(1,311,377)	-	(1,311,377)
Food service (COVID costs)	(90,453)	-	-	-	(90,453)	-	(90,453)
Day Care (COVID costs)	(91,012)	-	-	-	(91,012)	-	(91,012)
Adult Education	(47,873)	-	-	-	(47,873)	-	(47,873)
Community service activities	(248,967)	-	-	-	(248,967)	-	(248,967)
Interest on Long-Term Debt	(610,538)	-	-	76,299	(534,239)	-	(534,239)
Total Governmental Activities	(28,047,982)	610,525	3,582,335	76,299	(23,778,823)	-	(23,778,823)
Business-Type Activities							
Food service	(1,621,074)	158,698	1,309,847	-	-	(152,530)	(152,530)
Child care	(1,236,733)	523,130	164,229	-	-	(549,374)	(549,374)
Total Business-Type Activities	(2,857,807)	681,828	1,474,076	-	-	(701,903)	(701,903)
Total Primary Government	\$ (30,905,789)	\$ 1,292,353	\$ 5,056,411	\$ 76,299	\$ (23,778,823)	\$ (701,903)	\$ (24,480,727)
General Revenues:							
Taxes:							
Property taxes				\$ 9,131,070	\$ -	\$ 9,131,070	
Motor vehicle taxes				418,872	-	418,872	
Utility taxes				917,580	-	917,580	
Distilled spirits tax				2,080,681	-	2,080,681	
Investment Income				57,248	-	57,248	
State aid formulas				10,502,440	-	10,502,440	
Unrestricted federal aid				377,230	-	377,230	
Gain (Loss) on disposal of fixed assets				(4,466)	-	(4,466)	
Insurance recovery				16,920	-	16,920	
Miscellaneous				271,619	5,200	276,819	
Transfers				(291,614)	291,614	-	
Total General Revenues				\$ 23,477,580	\$ 296,814	\$ 23,774,394	
Change in Net Position				(301,243)	(405,089)	(706,333)	
Net Position June 30, 2019				(8,441,684)	(2,317,848)	(10,759,532)	
Prior period adjustment (Note T)				160,758	(7,611)	153,147	
Net Position June 30, 2019, restated				<u>(8,280,926)</u>	<u>(2,325,459)</u>	<u>(10,606,385)</u>	
Net Position June 30, 2020				\$ (8,582,169)	\$ (2,730,548)	\$ (11,312,718)	

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2020**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>NonMajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 1,781,608	\$ -	\$ -	\$ 264,445	\$ 2,046,053
Receivables:					
Accounts receivable	80,332	-	-	1,299	81,631
Taxes receivable - current	25,417	-	-	-	25,417
Taxes receivable - delinquent	50,336	-	-	-	50,336
Intergovernmental - Indirect Federal	-	530,819	-	-	530,819
Due from other funds	1,037,879	-	-	-	1,037,879
Total assets	<u>\$ 2,975,572</u>	<u>\$ 530,819</u>	<u>\$ -</u>	<u>\$ 265,744</u>	<u>\$ 3,772,135</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 18,768	\$ 7,397	\$ 75,910	\$ 5,861	\$ 107,936
Accrued liabilities	45,820	-	-	-	45,820
Due to other funds	-	245,257	792,622	-	1,037,879
Current portion of claims payable-KSBIT	10,044	-	-	-	10,044
Grant advances	-	278,165	-	-	278,165
Total liabilities	<u>74,632</u>	<u>530,819</u>	<u>868,532</u>	<u>5,861</u>	<u>1,479,844</u>
Deferred Inflows of Resources					
Unavailable revenues	62,697	-	-	-	62,697
Fund Balances:					
Restricted	-	-	-	-	-
Committed	22,002	-	-	259,883	281,885
Assigned	1,755,592	-	-	-	1,755,592
Unassigned	1,060,649	-	(868,532)	-	192,117
Total fund balances	<u>2,838,243</u>	<u>-</u>	<u>(868,532)</u>	<u>259,883</u>	<u>2,229,594</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,975,572</u>	<u>\$ 530,819</u>	<u>\$ -</u>	<u>\$ 265,744</u>	<u>\$ 3,772,135</u>

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, 2020**

Total Governmental Fund Balances		\$ 2,229,594
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		
		27,583,936
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	748,178	
Deferred outflows of resources - OPEB contributions to CERS made after the measurement date	184,525	
Deferred outflows of resources - OPEB contributions to TRS made after the measurement date	417,199	
Deferred outflows of resources - other CERS pension factors	1,621,488	
Deferred outflows of resources - other CERS OPEB factors	767,448	
Deferred outflows of resources - other TRS OPEB factors	584,000	
Deferred inflows of resources - CERS pension factors	(399,049)	
Deferred inflows of resources - CERS OPEB factors	(845,609)	
Deferred inflows of resources - TRS OPEB factors	(1,630,000)	
		1,448,180
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	(19,329,345)	
Bond discount	117,599	
Financed purchase obligations	(563,631)	
Intangible asset lease liabilities	(614,243)	
Deferred outflows of resources - refunding	41,850	
Accrued interest	(150,968)	
Unavailable property taxes	62,697	
Proportionate share of net pension liability - CERS	(9,924,604)	
Proportionate share of net OPEB liability - CERS	(2,372,853)	
Proportionate share of net OPEB liability - KTRS	(6,733,000)	
Accrued sick leave	(377,381)	(39,843,879)
Net Position of Governmental Activities		\$ <u><u>(8,582,169)</u></u>

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, 2020

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
From local sources:					
Taxes:					
Property	\$ 7,104,615	\$ -	\$ -	\$ 2,047,554	\$ 9,152,169
Motor vehicle	418,872	-	-	-	418,872
Utilities	917,580	-	-	-	917,580
Distilled spirits tax	2,080,681	-	-	-	2,080,681
Tuition and fees	123,464	-	-	487,061	610,525
Earnings on investments	56,284	964	-	-	57,248
Other local revenues	113,354	45,707	-	112,558	271,619
Intergovernmental - state	16,709,948	840,008	-	788,106	18,338,062
Intergovernmental - indirect federal	377,230	1,633,555	-	-	2,010,785
Total revenues	<u>27,902,028</u>	<u>2,520,234</u>	<u>-</u>	<u>3,435,279</u>	<u>33,857,541</u>
Expenditures					
Current					
Instruction	17,671,143	2,014,582	-	700,237	20,385,962
Support services:					
Student	2,034,554	14,161	-	164	2,048,879
Instruction staff	855,641	136,523	-	67,040	1,059,204
District administration	1,129,080	346	-	-	1,129,426
School administrative	1,775,173	-	-	-	1,775,173
Business	702,282	-	-	-	702,282
Plant operation and maintenance	2,136,876	2,523	-	-	2,139,399
Student transportation	1,028,050	1,286	-	25,330	1,054,666
Food Service (COVID costs)	-	90,453	-	-	90,453
Child Care (COVID costs)	-	91,012	-	-	91,012
Adult education	47,873	-	-	-	47,873
Community service activities	56,097	176,922	-	-	233,019
Capital Outlay	794,621	36,786	2,090,395	-	2,921,802
Debt service - principal	247,953	-	-	1,588,954	1,836,907
Debt service - interest	70,982	-	-	529,345	600,327
Debt service - issuance costs	1,700	-	-	-	1,700
Total Expenditures	<u>28,552,025</u>	<u>2,564,594</u>	<u>2,090,395</u>	<u>2,911,070</u>	<u>36,118,084</u>
Excess (Deficit) of Revenues over Expenditures	<u>(649,997)</u>	<u>(44,360)</u>	<u>(2,090,395)</u>	<u>524,209</u>	<u>(2,260,543)</u>
Other Financing sources (uses)					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds of Financed Purchases	97,200	-	-	-	97,200
Intangible asset leases	551,639	-	-	-	551,639
Bond discount and fees	-	-	-	-	-
Proceeds from sale of fixed assets	115,710	64	-	-	115,774
Insurance recovery	16,920	-	-	-	16,920
Operating transfers in	717,361	46,721	-	2,258,704	3,022,786
Operating transfers out	(549,108)	(2,425)	-	(2,762,867)	(3,314,400)
Total other financing sources (uses)	<u>949,722</u>	<u>44,360</u>	<u>-</u>	<u>(504,163)</u>	<u>489,919</u>
Net change in fund balances	299,725	-	(2,090,395)	20,046	(1,770,624)
Fund Balance June 30, 2019	2,538,518	-	1,221,863	71,226	3,831,607
Prior period adjustments (see Note T)	-	-	-	168,610	168,610
Fund Balance June 30, 2019, restated	<u>2,538,518</u>	<u>-</u>	<u>1,221,863</u>	<u>239,836</u>	<u>4,000,217</u>
Fund Balance June 30, 2020	<u>\$ 2,838,243</u>	<u>\$ -</u>	<u>\$ (868,532)</u>	<u>\$ 259,882</u>	<u>\$ 2,229,593</u>

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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ (1,770,624)

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	2,921,802	
Amortization of intangible right-to-use assets	(72,341)	
Depreciation	<u>(1,441,553)</u>	1,407,907

Proceeds from long-term debt are reported as revenues in the fund statements because they create current financial resources, but they are separated and shown as long-term debt on the statement of net position.

Proceeds of Financed purchases	(97,200)	
Intangible right-to-use leases	(551,639)	(648,839)

Debt service payments are reported as expenditures in this fund financial statement because they use current financial resources, but they are separated and shown as payments of long-term debt on the statement of net position and interest expense on the statement of activities. The difference is the amount of principal payment made for the year:

Bond principal payments	1,628,770	
Amortization of Bond discounts (premiums)	(9,340)	
Intangible asset lease principal	86,563	
Financed purchases principal	111,530	1,817,523

Property taxes that are unavailable are deferred in the fund statements but recognized as revenues in the governmentwide statements (21,100)

Additional on-behalf transactions are recorded based on KTRS actuarial reports:

On-behalf revenues - KTRS share of pension and OPEB expenses	(5,810,543)	
On-behalf expenses - KTRS share of pension and OPEB expenses	5,810,543	

Sales of capital assets in the fund statements do not include the book value of assets sold that are reported in the statement of activities

Book value of intangible assets sold on lease termination		(120,241)
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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 sick leave long-term liabilities	(84,726)	
Claims payable - KSBIT	10,044	
Bond discounts to be amortized in future periods		
Current year recognition of deferred outflows on refunding	(8,110)	
OPEB expense related to changes in the net OPEB liability and the net changes in deferred inflows of resources and deferred outflows of resources related to KTRS	115,274	
OPEB expense related to changes in the net OPEB liability and the net changes in deferred inflows of resources and deferred outflows of resources related to CERS	(23,029)	
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	<u>(982,564)</u>	<u>(965,871)</u>

Change in Net Position of Governmental Activities \$ (301,244)

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020**

	Food Service Fund	Child Care Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Inventory	30,988	-	30,988
Accounts receivable	-	11,372	11,372
Intergovernmental receivable	13,869	-	13,869
Total Current Assets	<u>44,857</u>	<u>11,372</u>	<u>56,229</u>
Capital Assets, Net			
Capital Assets, net	64,126	128,832	192,958
Total assets	<u>\$ 108,983</u>	<u>\$ 140,204</u>	<u>\$ 249,187</u>
Deferred Outflows of Resources			
Deferred Outflows-pension & OPEB contributions	\$ 142,498	\$ 185,872	\$ 328,370
Deferred Outflows-Other CERS & OPEB Factors	364,981	221,483	586,464
Total Deferred Outflows of Resources	<u>\$ 507,479</u>	<u>\$ 407,355</u>	<u>\$ 914,834</u>
Liabilities & Net Position			
<u>Current Liabilities</u>			
Accounts Payable	\$ 133	\$ 325	\$ 458
Current Portion of Accrued Sick Leave	6,838	841	7,679
Total Current Liabilities	<u>6,971</u>	<u>1,166</u>	<u>8,137</u>
<u>Noncurrent Liabilities</u>			
Accrued Sick Leave	18,677	2,296	20,973
Lease Liability	-	135,738	135,738
Net Pension Liability	1,516,275	1,217,125	2,733,400
Net OPEB Liability	362,524	290,998	653,522
Total Noncurrent Liabilities	<u>1,897,476</u>	<u>1,646,157</u>	<u>3,543,633</u>
Total Liabilities	<u>\$ 1,904,447</u>	<u>\$ 1,647,323</u>	<u>\$ 3,551,770</u>
Deferred Inflows of Resources			
Deferred inflows-Pension & OPEB	\$ 190,158	\$ 152,641	\$ 342,799
Total Deferred Outflows of Resources	<u>\$ 190,158</u>	<u>\$ 152,641</u>	<u>\$ 342,799</u>
NET POSITION:			
Net Investment in Capital Assets	\$ 64,126	\$ (6,906)	\$ 57,220
Restricted	19,209	7,910	27,119
Unrestricted	(1,561,478)	(1,253,409)	(2,814,887)
Total Net Position	<u>\$ (1,478,143)</u>	<u>\$ (1,252,405)</u>	<u>\$ (2,730,548)</u>

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 FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Child Care Fund	TOTAL
Operating revenues:			
Lunchroom sales	\$ 158,698	\$ -	\$ 158,698
Tuition and fees	-	523,130	523,130
Other operating revenues	-	-	-
Total operating revenues	<u>158,698</u>	<u>523,130</u>	<u>681,828</u>
Operating expenses:			
Salaries and wages	859,799	1,080,115	1,939,914
Materials and supplies	725,959	85,250	811,209
Depreciation	10,404	59,461	69,865
Other operating expenses	24,912	7,611	32,523
Total operating expenses	<u>1,621,074</u>	<u>1,232,437</u>	<u>2,853,511</u>
Income (loss) from operations	(1,462,376)	(709,307)	(2,171,683)
Non-operating revenues (expenses):			
Federal grants	1,087,618	22,285	1,109,903
State grants - matching	4,809	54,947	59,756
State grants - on behalf	97,784	86,997	184,781
Other donations	5,200	-	5,200
Donated commodities	119,636	-	119,636
Transfers from governmental funds	130,279	161,335	291,614
Interest expense on lease liabilities	-	(4,296)	(4,296)
Total non-operating revenues	<u>1,445,326</u>	<u>321,268</u>	<u>1,766,594</u>
Net Change in Net Position	(17,050)	(388,039)	(405,089)
Net Position, July 1, 2019	(1,461,093)	(856,755)	(2,317,848)
Prior Period Adjustment (Note R)	-	(7,611)	(7,611)
Net Position, July 1, 2019 (restated)	<u>(1,461,093)</u>	<u>(864,366)</u>	<u>(2,325,459)</u>
Net Positon, June 30, 2020	<u>\$ (1,478,143)</u>	<u>\$ (1,252,405)</u>	<u>\$ (2,730,548)</u>

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

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Child Care Fund	TOTAL
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 158,698	\$ -	\$ 158,698
Tuition and fees		511,758	511,758
Other activities	-	-	
Cash paid to/for:			
Employees	(732,085)	(606,492)	(1,338,577)
Supplies	(636,100)	(84,131)	(720,231)
Other activities	(24,912)	(7,611)	(32,523)
Net Cash Provided (Used) by Operating Activities	<u>(1,234,399)</u>	<u>(186,475)</u>	<u>(1,420,874)</u>
Cash Flows from Non-Capital Financing Activities			
Federal grants	1,089,709	22,285	1,111,994
State grants	4,809	54,947	59,756
Other grants	5,200	-	5,200
Transfers	130,279	161,335	291,614
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>1,229,997</u>	<u>238,567</u>	<u>1,468,564</u>
Cash Flows from Capital & Related Financing Activities			
Purchase of property	(5,470)	-	(5,470)
Payment on Long-Term Debt		(60,167)	(60,167)
Interest on Long-Term Debt	-	(4,296)	(4,296)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(5,470)</u>	<u>(64,463)</u>	<u>(69,933)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,872)	(12,371)	(22,243)
Cash and Cash Equivalents, Beginning of Year	9,872	12,371	22,243
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided			
by Operating Activities:			
Operating Income (Loss)	\$ (1,462,376)	\$ (709,307)	\$ (2,171,683)
Adjustments to Reconcile Net Income (Loss) to			
Net Cash from Operating Activities:			
Depreciation/Amortization	10,404	59,461	69,865
Donated commodities	119,636	-	119,636
State on-behalf payments	97,784	86,997	184,781
Change in assets, deferred resources, and liabilities:			
Accounts receivable	-	(11,372)	(11,372)
Accounts payable	(14,510)	(2,554)	(17,064)
Inventory	(15,267)	2,833	(12,434)
Interfund payables	-	-	
Accrued sick leave	4,799	3,137	7,936
Deferred outflows of resources	(29,123)	(136,761)	(165,884)
Net pension liability	99,807	415,861	515,668
Net OPEB liability	(50,396)	57,418	7,022
Deferred inflows of resources	4,843	47,812	52,655
Net Cash Provided by Operating Activities	<u>\$ (1,234,399)</u>	<u>\$ (186,475)</u>	<u>\$ (1,420,874)</u>
Non-cash transactions			
Donated commodities	\$ 119,636	\$ -	\$ 119,636
State on-behalf payments	\$ 97,784	\$ 86,997	\$ 184,781
CERS pension & OPEB expenses	\$ 25,131	\$ 384,328	\$ 409,459

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

NOTES TO THE FINANCIAL STATEMENTS

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
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JUNE 30, 2020

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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.

Reporting Entity

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:

Bardstown Independent School District Finance Corporation – 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.

Basis of Presentation

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. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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. The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2020 after the District implemented GASBS No. 84, *Fiduciary Activities*.
 - E. 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 major fund of the District.
 - F. 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 2020, the Board expanded efforts to collect delinquent property taxes. Therefore, the balances as of June 30, 2020, 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, 2020, to finance the General Fund operations were \$0.864 per \$100 valuation for real property, \$0.864 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

<u>Description</u>	<u>Estimated Lives</u>
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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, 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 (“TRS of Ky”) 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.

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 (“TRS of Ky”) 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 G.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 from 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 \$2,046,054. \$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	\$ 2,046,053
Proprietary Funds	-0-
	<u>\$ 2,046,053</u>

NOTE C—CASH AND CASH EQUIVALENTS (Continued)

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.

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, 2020, the District did not hold any invested funds.

NOTE E – CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Construction in progress	\$ 1,210,370	\$ 1,578,569	\$ (1,210,370)	\$ 1,578,569
Land	3,383,461	-	-	3,383,461
Total Non-depreciable capital assets	<u>4,593,831</u>	<u>1,578,569</u>	<u>(1,210,370)</u>	<u>4,962,030</u>
Depreciable capital assets:				
Land improvements	302,664	-	-	302,664
Buildings	39,987,552	1,741,147	-	41,728,699
Technology equipment	1,686,293	97,959	-	1,784,252
Vehicles	2,132,560	119,081	(60,003)	2,191,638
Other equipment	1,243,377	43,778	-	1,287,155
Total depreciable capital assets	<u>45,352,446</u>	<u>2,001,965</u>	<u>(60,003)</u>	<u>47,294,408</u>
Less accumulated depreciation				
Land improvements	(4,041)	(15,133)	-	(19,174)
Buildings	(19,798,646)	(1,191,231)	-	(20,989,877)
Technology equipment	(1,557,156)	(62,784)	-	(1,619,940)
Vehicles	(1,496,207)	(140,556)	60,003	(1,576,760)
Other equipment	(931,377)	(31,848)	-	(963,225)
Total accumulated depreciation	<u>(23,787,427)</u>	<u>(1,441,552)</u>	<u>60,003</u>	<u>(25,168,976)</u>
Total depreciable capital assets, net	<u>21,565,019</u>	<u>560,413</u>	<u>-</u>	<u>22,125,432</u>
Intangible Right-to-Use assets:				
Leased equipment	171,772	551,639	(171,772)	551,639
Less accumulated amortization	(34,354)	(72,341)	51,532	(55,164)
Net intangible right-to-use assets	<u>137,418</u>	<u>479,298</u>	<u>(120,241)</u>	<u>496,475</u>
Governmental activities capital assets, net	<u>\$ 26,296,268</u>	<u>\$ 2,618,280</u>	<u>\$ (1,330,611)</u>	<u>\$ 27,583,937</u>

BARDSTOWN INDEPENDENT SCHOOL DISTRICT — BARDSTOWN, KY
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 JUNE 30, 2020

Depreciation and amortization expenses were charged to governmental functions as follows:

Instruction	\$ 401,303
Support Services	
Student	14,180
Instruction staff	111
District administration	2,649
School administration	761
Business	11,596
Plant operation and maintenance	873,046
Student transportation	137,906
	<u>\$ 1,441,552</u>

Business-type Activities capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers & Retirements</u>	<u>Ending Balance</u>
Business-type activities:				
Depreciable capital assets:				
Vehicles	\$ 10,808	\$ -	\$ -	\$ 10,808
Equipment	609,096	5,470	-	614,566
Total depreciable capital assets	<u>619,904</u>	<u>5,470</u>	<u>-</u>	<u>625,374</u>
Less accumulated depreciation				
Vehicles	(5,494)	(1,081)	-	(6,575)
Equipment	(545,350)	(9,323)	-	(554,673)
Total accumulated depreciation	<u>(550,844)</u>	<u>(10,404)</u>	<u>-</u>	<u>(561,248)</u>
Total depreciable capital assets, net	<u>69,060</u>	<u>(4,934)</u>	<u>-</u>	<u>64,126</u>
Intangible Right-to-Use assets:				
Leased building	297,305	-	-	297,305
Less accumulated amortization	(109,012)	(59,461)	-	(168,473)
Net intangible right-to-use assets	<u>188,293</u>	<u>(59,461)</u>	<u>-</u>	<u>128,832</u>
Business-type activities capital assets, net	<u>257,353</u>	<u>(64,395)</u>	<u>0</u>	<u>192,958</u>
Primary government capital assets, net	<u>\$ 26,553,621</u>	<u>\$ 2,553,885</u>	<u>\$ (1,330,611)</u>	<u>\$ 27,776,895</u>

Intangible Right-to-Use Assets

In FY 2020, the District implemented the guidance in GASBS No. 87, *Leases*, and recognized the value of copiers leased under long-term contracts and a building leased for a Child Care facility.

As of June 30, 2019, the District had one lease agreement in place for copiers. In December 2019, the District negotiated a new lease agreement to replace the copiers leased under the 2018 lease with new leased equipment. The lessor paid the District \$115,320 to buyout the old lease agreement and enter a new lease. This payment has been recognized as a termination fee to replace the old equipment. The District has reported a loss on this exchange of \$4,921 in FY 2020. Terms of the new lease are described in Note F.

As of June 30, 2019, the District had leased a building from the CHDA Properties, LLC, to use as a Child Care facility in the Day Care Fund. The lease was renewed on September 1, 2017, and will continue until August 31, 2022. The District does not plan to renew this lease and will likely renovate an existing District building to replace this leased property. The intangible right-to-use asset is being amortized over 5 years, the term of the current lease. Terms of this lease are described in Note F.

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	Final Maturity Date
2008 RF	\$ 940,000	3.25% - 3.90%	3/1/2020
2008	1,620,000	2.30% - 4.00%	4/1/2028
2010 RF	6,380,000	.60% - 3.10%	5/15/2024
2012 RF	4,650,000	1.75% - 2.62%	8/15/2025
2012 EN	275,000	1.25% - 3.00%	9/15/2028
2013 RF	2,750,000	.75% - 2.00%	8/1/2026
2014	925,000	2.00% - 3.75%	5/1/2034
2015 RF A	1,245,000	2.00% - 3.75%	8/1/2027
2015 RF B	2,075,000	2.00% - 2.55%	8/1/2031
2016	4,505,000	2.15% - 3.20%	2/1/2036
2017	1,250,000	3.00% - 3.50%	3/15/2037
2019	1,770,000	2.50% - 3.25%	3/1/2039

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 2015-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, 2020, \$11,917 remains to be charged to future operations. The District completed the refunding to reduce its total debt service payments over the next 15 years by \$102,590.

In March 2015, the Board issued \$2,075,000 of 2015-B School Building Refunding Revenue Bonds refunding the 2010 Series Build America Bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$65,552. This difference, reported in the accompanying government-wide financial statements as deferred outflows of resources, is being charged to operations through the year 2031 using the straight-line method which approximates the effective-interest method. As of June 30, 2020, \$29,933 remains to be charged to future operations. The District completed the refunding to reduce its total debt service payments over the next 11 years by \$171,051.

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.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT — BARDSTOWN, KY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE F – LONG-TERM OBLIGATIONS (CONTINUED)

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

	Bardstown Independent School District		Kentucky School Facility Construction Commission		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,604,444	\$ 509,333	\$ 32,846	\$ 12,231	\$ 1,637,290	\$ 521,564
2022	1,647,228	466,550	33,602	11,474	1,680,830	478,024
2023	1,694,426	421,884	34,434	10,642	1,728,860	432,526
2024	1,741,388	374,930	35,412	9,663	1,776,800	384,593
2025	1,710,965	321,212	24,035	8,813	1,735,000	330,025
2026 - 2030	5,623,616	1,126,082	131,949	32,290	5,755,565	1,158,372
2031 - 2035	3,680,935	527,009	104,065	9,600	3,785,000	536,609
2036 - 2040	1,230,000	71,900	-	-	1,230,000	71,900
Thereafter	-	-	-	-	-	-
	<u>\$ 18,933,002</u>	<u>\$ 3,818,899</u>	<u>\$ 396,343</u>	<u>\$ 94,713</u>	<u>\$ 19,329,345</u>	<u>\$ 3,913,612</u>

Financed Purchases

The District finances several buses under financing agreements 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:	
2021	123,140
2022	110,803
2023	90,376
2024	80,972
2025	61,113
2025 - 2027	153,392
	<u>619,796</u>
Less: amount representing interest	(56,165)
Present value of minimum lease payments	<u>563,631</u>
Current maturities	108,903
Non-current maturities	454,728
	<u>563,631</u>

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.

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.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT — BARDSTOWN, KY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE F – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in Long-term Obligations

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

<u>Describe</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Noncurrent Balance</u>
Revenue bonds payable	\$ 20,958,115	\$ -	\$ 1,628,770	\$ 19,329,345	\$ 1,637,290	\$ 17,692,055
Bond premium (discount)	(126,939)	-	(9,340)	(117,599)	(9,340)	(108,259)
Financed purchases	581,857	97,200	115,426	563,631	108,903	454,728
Claim - KSBIT	20,088	-	10,044	10,044	10,044	0
Accrued sick leave	292,655	84,726	-	377,381	64,155	313,226
Total Governmental	\$ 21,725,776	\$ 181,926	\$ 1,744,900	\$ 20,162,802	\$ 1,811,052	\$ 18,351,750

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.

Intangible Right-to-Use Lease Liabilities

In FY 2020, the District implemented the guidance of GASBS No. 87, *Leases*, for accounting and reporting leases that had previously been reported as operating leases.

Copier Leases

The District leases a variety of copier/printers from XBS Office Solutions for a term of 60 months. XBS paid the District \$115,320 to buy out the 2018 Xerox lease as an incentive to enter a new agreement and replace the equipment with updated models. This payment was recognized as a termination fee to replace the old copiers. The new lease requires a minimum monthly lease payment of \$9,669, plus additional charges for excess usage and excluding applicable taxes. The District will continue to make the payments on the previous lease until that agreement expires in June 2023. For purposes of discounting future payments on the 2020 lease, the District used the interest rate (2%) on its KISTA financing agreements to determine an appropriate discount rate. The 2018 lease was discounted using an imputed rate of 12.29% to determine the discounted lease liability that matched the buyout payment. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note E. The prior period adjustment is described in Note T.

Minimum lease payments over the next five years include:

	<u>Lease Payments to Maturity</u>								
	<u>2018 Lease</u>			<u>2020 Lease</u>			<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2021	\$ 33,846	\$ 12,311	\$ 46,157	\$ 107,027	\$ 9,001	\$ 116,028	\$ 140,873	\$ 21,312	\$ 162,185
FY 2022	38,249	7,908	46,157	109,187	6,841	116,028	147,437	14,748	162,185
FY 2023	43,225	2,932	46,157	111,391	4,637	116,028	154,616	7,569	162,185
FY 2024				113,640	2,388	116,028	113,640	2,388	116,028
FY 2025				57,677	337	58,014	57,677	337	58,014
Totals	\$ 115,320	\$ 23,151	\$ 138,471	\$ 498,922	\$ 23,204	\$ 522,126	\$ 614,243	\$ 46,354	\$ 660,597

Building Lease

The District leases a building from CHDA Properties, LLC, for use as a Child Care facility for the Day Care Fund. The lease was renewed for a five-year term on September 1, 2017, and will terminate on August 31, 2022. The District does not plan to renew this lease and will likely renovate another District building to replace this leased building. The current monthly lease payment is \$5,371.80. The present value of the lease was determined using a discount rate of 2.55%, the same interest rate the District incurred for bus purchases in 2017. The leased building and accumulated amortization of the right-to-use asset is outlined in Note E. The prior period adjustment is described in Note T.

NOTE F – LONG-TERM OBLIGATIONS (CONTINUED)

Remaining lease payments on this building lease include:

	2017 Lease		
	Principal	Interest	Total
FY 2021	\$ 61,718	\$ 2,743	\$ 64,462
FY 2022	63,311	1,151	64,462
FY 2023	10,709	34	10,744
FY 2024			
FY 2025			
Totals	<u>\$ 135,738</u>	<u>\$ 3,928</u>	<u>\$ 139,667</u>

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, 2020, the District had no restricted fund balance for future construction projects because the General Fund had advanced resources to finance initial construction projects for the elementary school and football turf replacement 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, 2020, the District had \$21,982 committed for the Backpack Programs, \$76,822 committed fund balance for District activities, and \$183,061 for school activity funds for a total of \$281,865 in committed balances in the governmental fund statements. In FY 2020, the District transferred the School Activity funds from fiduciary agency funds to a special revenue fund within the governmental funds. The \$183,061 is a new committed fund balance in the governmental category in FY 2020.

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 2020 budget. The District had \$1,708,207 assigned related to FY 2021 budget appropriations. \$47,385 was assigned in the Special Revenue fund until the gift from Dr. Robert Smotherman is allocated to specific projects.

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/>.

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.

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

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

NOTE H – RETIREMENT PLANS (CONTINUED)

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

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

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. TRS of Ky 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 TRS of Ky.

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, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky 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	\$ 12,658,004
Commonwealth's proportionate share of TRS of Ky net pension liability associated with the District	<u>58,545,906</u>
Total	<u>\$ 71,203,910</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.179979 percent. For the year ended June 30, 2020, the District recognized pension expense of \$1,353,421 related to CERS and a negative expense of \$1,714,646 related to TRS of Ky. The District also recognized negative on-behalf revenue of \$8,332,053 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky. TRS has reported negative pension expense in both the 2018 and 2019 measurement periods.

At June 30, 2019, 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	\$ 323,197	\$ 53,483
Changes of assumptions	1,281,134	-
Net difference between projected and actual earnings on pension plan investments	242,984	447,036
Changes in proportion and idifferences between District contributions and proportionate share of contributions	220,757	8,434
District contributions subsequent to the measurement date	954,239	-
Totals	<u>\$ 3,022,311</u>	<u>\$ 508,953</u>

\$954,239 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, 2021.

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:	
2020	\$ 981,042
2021	406,003
2022	157,595
2023	14,478
2024	-0-
Thereafter	-0-

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

	<u>CERS</u>	<u>TRS of Ky</u>
Inflation	2.30%	3.0%
Salary Increases	3.30% - 11.55%	3.5-7.3%
Investment rate of return	6.25%	7.5%

For CERS, mortality tables were revised for the 2019 measurement based on an experience study completed in March 2019. The mortality table used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS of Ky, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The last experience study for the period July 1, 2010 – June 30, 2015, was performed in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. 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.

NOTE H – RETIREMENT PLANS (CONTINUED)

However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
Growth:	62.50%	
U. S. Equity	18.75%	4.30%
International Equity	18.75%	4.80%
Private Credit	10.00%	6.65%
High Yield Credit	15.00%	2.60%
Liquidity:	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	.20%
Diversifying Strategies:		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Equity	40.0%	4.2%
Non-U.S. Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories*	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

* Includes high yield, non-US developed bonds, and private credit strategies

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. In 2018, the Kentucky General Assembly allowed CERS employers to use a ten-year phase-in for the significant contribution increases that resulted when the earnings assumption was lowered from 7.5% to 6.25%. This phased-in approach is the current “statutory contribution rates” based on actuarial projections, but limited to no more than a 12% annual increase. 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 TRS of Ky, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the statutorily required rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

Sensitivity of CERS and TRS of Ky 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District’s proportionate share of the net pension liability \$	15,831,572	\$ 12,658,003	\$ 10,012,865
KTRS	6.50%	7.50%	8.50%
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 TRS of Ky.

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. 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.

NOTE I – COMMITMENTS AND CONTINGENCIES (Continued)

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 was paid over a seven-year period and the final payment on this claim is due in August 2020.

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

The Construction fund currently has a deficit fund balance of \$868,532 with construction projects that will be bonded in a future period. 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. The deficit in Food Service is \$1,478,143 and Day Care is \$1,252,405. Pension liabilities are \$1,516,275 in Food Service and \$1,217,125 in Day Care. The net OPEB liability in Food Service is \$362,524 and in Day Care the balance is \$290,998. These liabilities will be funded with resources in future years as local governments in Ky continue to increase contributions to reduce the unfunded liabilities of CERS.

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NOTE M – DEFICIT OPERATING BALANCES (continued)

In addition, the pension and OPEB expense for CERS caused deficits in the proprietary funds. The Construction Fund deficits reflect advances from the general fund for the school construction project that will be financed in a future year. The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of net position:

Construction Fund	\$2,090,395
Food Service Fund	\$17,050
Child Care Fund	\$388,039

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 - TRANSFERS

The following transfers were made during the year ending June 30, 2020:

From Fund	To Fund	Purpose	Amount
General	District Activity	Community service	53,658
General	Special Revenue	Grant match	46,721
General	School Activity	Program support	159,540
General	Food Service	Program support	130,279
General	Day Care	Program support	158,910
Special Revenue	Day Care	Program support	2,425
School Activity	District Activity	Shifted activities	3,506
Building	Debt Service	Bond payments	2,042,001
Building	General	Capital asset purchases	495,001
Capital Outlay	General	Bldg & Equipment	222,360

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, 2020 for retirement and OPEB was \$7,492,015, plus \$165,657 for other projects. These payments were recorded as follows:

Purposes		Fund Allocations	
KTRS	\$ 4,405,907	General Fund	\$ 7,396,593
Other benefit payments	3,086,108	Debt Service	76,298
Technology purchases	89,359	Food Service	97,784
Debt service	76,298	Child Care	86,997
Total	\$ 7,657,672		\$ 7,657,672

NOTE P – ON-BEHALF PAYMENTS (continued)

In addition, the District recognized revenue and expense from TRS of Ky for on-behalf payments as a nonemployer contributing entity:

Pension expense	\$ (6,120,553)
OPEB-Med	304,669
OPEB-Life	5,341
Total On-behalf	\$ (5,810,543)

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 TRS of Ky plans. The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>. TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRSofKy.gov/05_publications/index.htm.

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 2019 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.

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

At June 30, 2020, the District reported a liability of \$3,026,375 for its proportionate share of the CERS collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's

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

long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .179932 percent. The District recognized OPEB expense of \$61,631 as the OPEB liability and the related deferred inflows of resources decreased while deferred outflows of resources increased.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of	Deferred Inflows of Resources
CERS:		
Difference between expected and actual	\$ -	\$ 913,127
Changes of assumptions	895,533	5,988
Net difference between projected and actual	19,934	154,353
Changes in proportion and differences	63,349	5,036
District contributions subsequent to the measurement date	235,346	-
Totals	\$ 1,214,162	\$ 1,078,504

Of the total amount reported as deferred outflows of resources related to OPEB, \$235,346 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30*:	BISD Portion
2020	\$ (11,414)
2021	(11,414)
2022	31,323
2023	(50,573)
2024	(49,619)
Thereafter	(7,992)
Total Deferred to Future Years	\$ (99,689)

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service 3.55% to 19.05%, for hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend rate starts at 7.00%, January 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.00%, January 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years
Municipal Bond Index Rate	3.62%
Discount Rate	5.68% non-hazardous and 5.69% hazardous

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

Mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2019 for use with the June 30, 2019 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. The target allocation and best estimates of arithmetic real rate of return for each major class are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Equity	40.0%	4.2%
Non-U.S. Equity	22.0%	5.2%
Fixed Income	15.0%	1.2%
Additional Categories*	7.0%	3.2%
Real Estate	7.0%	3.8%
Private Equity	7.0%	6.3%
Cash	<u>2.0%</u>	0.9%
Total	<u>100.0%</u>	

* Includes high yield, non-US developed bonds, and private credit strategies

Discount rate – The single discount rate of 5.68% for CERS nonhazardous and 5.69% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2019. 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 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. 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 (24 years as of June 30, 2019) 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 and 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.

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

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			
	<u>1% Decrease</u>	<u>Current Discount</u> <u>Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of the net OPEB liability	\$ 4,056,482	\$ 3,026,375	\$ 2,328,137

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			
	<u>1% Decrease</u>	<u>Current Trend</u> <u>Rates</u>	<u>1% Increase</u>
CERS			
District's proportionate share of the net OPEB liability	\$ 2,325,222	\$ 3,026,375	\$ 4,063,695

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

TRS of Ky 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 TRS of Ky Medical Insurance and Life Insurance Plans. The following information is about the TRS of Ky plans:

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

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

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

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

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

At June 30, 2020, the District reported a liability of \$6,733,000 for its proportionate share of the collective net OPEB liability for medical insurance. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the District's proportion was .217591 percent.

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

District's proportionate share of the net OPEB liability	\$ 6,733,000
State's proportionate share of the net OPEB liability associated with the District	<u>5,437,000</u>
Total	<u>\$12,170,000</u>

For the year ended June 30, 2020, the District recognized a decrease in OPEB expense of \$115,275 as the liability decreased, deferred outflows and inflows of resource increased, and deferred contributions decreased. In addition, the District recognized on-behalf revenue and expenses of \$623,498 for support provided by the State as a nonemployer contributing entity. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
KTRS:		
Difference between expected and actual experience	\$ -	\$ 1,630,000
Changes of assumptions	29,000	-
Net difference between projected and actual earnings on OPEB plan investments	179,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	376,000	-
District contributions subsequent to the measurement date	417,199	-
Totals	\$ 1,001,199	\$ 1,630,000

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

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Of the total amount reported as deferred outflows of resources related to OPEB, \$417,199 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	BISD Portion
2020	\$ (197,000)
2021	(197,000)
2022	(182,000)
2023	(185,000)
2024	(171,000)
Thereafter	(114,000)
Total Deferred to Future Years	<u>\$ (1,046,000)</u>

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

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

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience which covered the five-year period ending June 30, 2015.

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.

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

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Additional Categories*	17.0%	3.2%
Cash	1.0%	.9%
Total	<u>100.0%</u>	

* Includes high yield, non-US developed bonds, and private credit strategies

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		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	7.00%	8.00%	9.00%
District's proportionate share of the net OPEB liability	\$ 7,976,000	\$ 6,733,000	\$ 5,692,000

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

	HEALTHCARE TREND RATE SENSITIVITY ANALYSIS		
	<u>1% Decrease</u>	<u>1.02% - 7.75%</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of the net OPEB liability	\$ 5,481,000	\$ 6,733,000	\$ 8,273,000

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

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

TRS 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.

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, 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	<u>126,000</u>
Total	<u>\$ 126,000</u>

For the year ended June 30, 2020, the District recognized OPEB revenue and expense of \$5,391 for support provided by the State.

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.50%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

NOTE Q – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)
TRS of Ky POST-EMPLOYMENT LIFE INSURANCE BENEFITS (Continued)

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience which covered the five-year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Additional Categories*	6.0%	3.2%
Cash	<u>2.0%</u>	.9%
Total	<u>100.0%</u>	

* Includes high yield, non-US developed bonds, and private credit strategies

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 – TRS of Ky issues a publicly available financial report that can be obtained at [http://www.TRS of Ky.ky.gov/05_publications/index.htm](http://www.TRSofKy.ky.gov/05_publications/index.htm).

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2020. This standard requires the District to revise the reporting for its "agency" funds that include checking accounts for all the schools and their activity funds. Since the District provides administrative controls over these accounts, as required by the KDE Red Book, these funds were reclassified to Special Revenue funds and classified with other governmental funds of the District as the District implemented this standard in FY 2020. Other significant provisions of the standard will not affect the District.

In June 2017, the GASB issued Statement No. 87, *Leases*, which will be effective for reporting periods beginning after June 15, 2021. This standard requires the District to recognize intangible assets and liabilities for lease agreements that are currently reported as operating leases and expensed as lease payments are remitted to the lessors. The District early-implemented this guidance in FY 2020 since they initiated a new copier lease and terminated a lease from 2018. The financial impact of this implementation is described in Note E – Capital Assets, Note F – Long-Term Liabilities, and Note T – Prior Period Adjustments.

NOTE R – EFFECT OF NEW ACCOUNTING STANDARDS (Continued)

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for reporting periods beginning after June 15, 2019. This guidance revised the definition of debt for purposes of reporting in the note disclosures and expanded the required disclosures for direct borrowings and direct placements. The District implemented this standard for FY 2020, but these changes had a minimal impact on the District with only separate reporting for the long-term lease liabilities required by GASBS No. 87.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District will review its current IT subscription services to evaluate the impact of this standard, but since the recognized value for the intangible assets is generally the same as the corresponding subscription liability, there will be minimal financial impact for the District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for fiscal years beginning after June 15, 2021 (457 plan reporting). This standard replaces the guidance in GASBS No. 32, the current standard for 457 plan reporting. The District will evaluate the impact of this standard on the District’s deferred compensation plan offered to employees, but is likely to have minimal impact since the Kentucky Deferred Compensation Authority has its own governing board and provides the trust reporting for the plans offered to state and local government employees in Kentucky.

NOTE S – SUBSEQUENT EVENT

Management has evaluated subsequent events through November 11, 2020, the date which the financial statements were available to be issued.

Subsequent to June 30, 2020, the District approved an increase in the property tax rate to 83.7 cents per \$100 in assessed value of real estate and 85.0 cents per \$100 for tangible property.

NOTE T – PRIOR PERIOD ADJUSTMENT

The District implemented two new GASB standards in FY 2020—GASBS No. 84, *Fiduciary Activities*, and GASBS No. 87, *Leases*. GASBS No. 84 and KDE policy requires the District to shift reporting for school activity funds from fiduciary agency funds to a special revenue fund. GASBS No. 87 requires reporting an intangible right-to-use asset and a lease liability for copier leases that the District had previously reported as operating leases. The following table outlines the prior period adjustments necessary to implement these two standards.

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Business- Type Activities</u>	<u>Total</u>
Net position, as previously reported	\$ (8,441,684)		\$ (2,317,848)	\$ (10,759,532)
Due to Student Groups		\$ (168,610)		
Adjustments:				
GASBS No. 87 Implementation				
Intangible lease assets	171,772		297,305	469,077
Accumulated amortization intangible leased assets	(34,354)		(109,012)	(143,366)
Lease liability	(145,270)		(195,904)	(341,174)
Net change -- GASBS No. 87 Implementation	<u>(7,852)</u>		<u>(7,611)</u>	<u>(15,463)</u>
Agency Funds Reclassified to Special Revenue	168,610	168,610		168,610
Net Change in Beginning Net Position	<u>160,758</u>	<u>168,610</u>	<u>(7,611)</u>	<u>153,147</u>
Net position, June 30, 2019, Restated	<u>\$ (8,280,926)</u>	<u>\$ -</u>	<u>\$ (2,325,459)</u>	<u>\$ (10,606,385)</u>

BARDSTOWN INDEPENDENT SCHOOL DISTRICT — BARDSTOWN, KY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020

NOTE T – PRIOR PERIOD ADJUSTMENT (continued)

The impact on governmental and fiduciary balances is outlined in the following table:

	<u>School Activity Fund</u>	<u>Fiduciary Funds</u>	<u>Day Care Fund</u>
Fund Balance/Net Position, as previously reported	\$ -		\$ (856,755)
Due to Student Groups		\$ (168,610)	
Adjustments:			
Agency Funds Reclassified to School Activity Fund	168,610	168,610	
GASBS No. 87 Implementation:			
Intangible lease assets			297,305
Accumulated amortization intangible leased assets			(109,012)
Lease liability			(195,904)
Fund Balance/Net Position, July 1, as restated	<u>\$ 168,610</u>	<u>\$ -</u>	<u>\$ (864,366)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Property	\$ 6,709,994	\$ 6,709,994	\$ 7,104,615	\$ 394,621
Motor vehicle	500,127	500,127	418,872	(81,255)
Utilities	1,100,000	1,100,000	917,580	(182,420)
Distilled spirits tax	1,983,945	1,983,945	2,080,681	96,736
Tuition and fees	162,000	162,000	123,464	(38,536)
Earnings on investments	108,000	108,000	56,284	(51,716)
Other local revenues	35,550	35,550	113,354	77,804
Intergovernmental - state	16,249,238	16,285,286	16,709,948	424,662
Intergovernmental - federal	290,000	290,000	377,230	87,230
Total Revenues	<u>27,138,854</u>	<u>27,174,902</u>	<u>27,902,028</u>	<u>727,126</u>
Expenditures:				
Instruction	19,451,200	19,443,603	17,678,135	1,765,468
Support services:				
Student	1,580,914	1,580,914	2,034,554	(453,640)
Instruction staff	592,753	592,344	855,641	(263,297)
District administration	1,065,719	1,065,719	1,129,080	(63,361)
School administrative	1,366,006	1,366,413	1,791,011	(424,598)
Business	942,626	950,026	1,336,042	(386,016)
Plant operation and maintenance	2,471,623	2,471,723	2,179,809	291,914
Student transportation	1,067,849	1,067,849	1,123,149	(55,300)
Day Care	10,000	10,000	-	10,000
Adult Education	-	-	47,873	(47,873)
Community service activities	92,788	92,788	56,097	36,691
Debt service	130,680	130,680	320,635	(189,955)
Total Expenditures	<u>28,772,158</u>	<u>28,772,059</u>	<u>28,552,026</u>	<u>220,033</u>
Excess (deficit) of revenues over expenditures	<u>(1,633,304)</u>	<u>(1,597,157)</u>	<u>(649,998)</u>	<u>947,159</u>
Other financing sources (uses)				
Proceeds of Financed Purchases			97,200	(97,200)
Intangible asset leases			551,639	(551,639)
Proceeds from sale of fixed assets			115,710	(115,710)
Insurance recovery			16,920	(16,920)
Contingency	(950,394)	(721,360)	-	(721,360)
Operating transfers in			717,361	(717,361)
Operating transfers out	(220,000)	(220,000)	(549,108)	329,108
Total other financing sources (uses)	<u>(1,170,394)</u>	<u>(941,360)</u>	<u>949,722</u>	<u>(1,891,082)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,803,698)</u>	<u>(2,538,517)</u>	<u>299,724</u>	<u>(943,923)</u>
Fund Balance June 30, 2019	<u>2,803,698</u>	<u>2,538,517</u>	<u>2,538,518</u>	<u>1</u>
Fund Balance June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,838,242</u>	<u>\$ (943,922)</u>

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 964	\$ 964
Tuition and fees			-	-
Other local revenues	\$ 29,000	\$ 25,000	45,707	20,707
Intergovernmental - state	2,336,878	3,026,617	840,008	(2,186,609)
Intergovernmental - indirect federal		-	1,633,555	1,633,555
Total revenues	<u>2,365,878</u>	<u>3,051,617</u>	<u>2,520,234</u>	<u>(531,383)</u>
Expenditures				
Instruction	2,007,525	2,231,399	2,051,368	180,031
Support services:				
Student	38,924	77,474	14,161	63,313
Instruction staff	127,569	124,599	136,523	(11,924)
District administration (COVID costs)	-	-	346	
Student transportation	5,000	8,817	1,286	7,531
Plant operations (COVID costs)	-	20,000	2,523	
Food service (COVID costs)	-	291,141	90,453	
Day care (COVID costs)	-	161,900	91,012	
Community services activities	186,860	183,008	176,922	6,086
Total expenditures	<u>2,365,878</u>	<u>3,098,338</u>	<u>2,564,594</u>	<u>245,037</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>(46,721)</u>	<u>(44,360)</u>	<u>2,361</u>
Other financing sources (uses)				
Proceeds from sale of fixed assets	-	-	64	64
Operating transfers in	-	46,721	46,721	-
Operating transfers out			(2,425)	(2,425)
Total other financing sources (uses)	<u>-</u>	<u>46,721</u>	<u>44,360</u>	<u>(2,361)</u>
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISONS FOR THE YEAR ENDED JUNE 30, 2019**

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, 2020**

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
KTRS						
Proportionate share percentage	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Proportionate share amount	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability	58,545,906	55,155,039	110,729,897	118,804,900	94,384,809	80,555,447
Total	<u>\$ 58,545,906</u>	<u>\$ 55,155,039</u>	<u>\$ 110,729,897</u>	<u>\$ 118,804,900</u>	<u>\$ 94,384,809</u>	<u>\$ 80,555,447</u>
District's covered-employee payroll	\$ 11,698,141	\$ 12,942,308	\$ 11,003,087	\$ 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%	0.0%	0.0%
Plan's fiduciary net position as a percentage of total pension liability	58.76%	59.28%	39.83%	35.22%	42.49%	45.59%
CERS						
Proportionate share percentage	0.17998%	0.17591%	0.17378%	0.17545%	0.17425%	0.17325%
Proportionate share amount	\$ 12,658,003	\$ 10,713,577	\$ 10,172,112	\$ 8,638,512	\$ 7,491,729	\$ 5,619,422
Covered Payroll	\$ 4,944,245	\$ 4,509,221	\$ 4,446,057	\$ 4,095,797	\$ 4,121,647	\$ 4,192,373
Collective share of NPL as % of payroll	256.0%	237.6%	228.8%	210.9%	181.8%	134.0%
Plan's fiduciary net position as a percentage of total pension liability	50.45%	53.54%	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, 2020**

TABLE 2--CONTRIBUTIONS

	2020	2019	2018	2017	2016	2015
KTRS						
Actuarially Required Contributions (OPEB)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions Recognized by Plan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Difference	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,698,141	\$ 12,942,308	\$ 11,003,087	\$ 12,685,204	\$ 12,523,890	\$ 12,290,898
Contributions as Percentage of Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CERS NONHAZARDOUS PLAN						
Actuarially Required Contributions	\$ 954,239	\$ 756,629	\$ 643,789	\$ 625,055	\$ 508,698	\$ 525,510
Contributions Recognized by Plan	\$ 954,239	\$ 756,629	\$ 643,789	\$ 625,055	\$ 508,698	\$ 525,510
Difference	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,944,245	\$ 4,509,221	\$ 4,446,057	\$ 4,095,797	\$ 4,121,647	\$ 4,192,373
Contributions as Percentage of Payroll	19.30%	16.78%	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.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
FOR THE YEAR ENDED JUNE 30, 2020**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Actuarial Methods and Assumptions:

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.

The 2019 actuarial valuation used update mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 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 (continued)
FOR THE YEAR ENDED JUNE 30, 2020

COUNTY EMPLOYEES RETIREMENT SYSTEM (continued):

Changes of Benefit Terms -

2009: A new benefit tier for members who first participate 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 member whose participation date is on or after January 1, 2014

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

2018 Changes of Assumptions – The 2018 actuarial analysis for TRS of Ky indicated that cash flow for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
KTRS - Medical			
Proportionate share percentage	0.23%	0.22%	0.23%
Proportionate share amount	\$ 6,733,000	\$ 7,580,000	\$ 7,758,821
Commonwealth's proportionate share of the net pension liability	6,532,000	6,532,000	6,338,000
Total	<u>\$ 13,265,000</u>	<u>\$ 14,112,000</u>	<u>\$ 14,096,821</u>
District's covered-employee payroll	\$ 11,698,141	\$ 12,942,308	\$ 11,003,087
District's proportionate share of the net pension liability as a percentage of its covered payroll	57.6%	58.6%	70.5%
Plan's fiduciary net position as a percentage of total pension liability	32.58%	25.54%	21.18%
CERS - Medical			
Proportionate share percentage	0.17993%	0.17591%	0.17378%
Proportionate share amount	\$ 3,026,375	\$ 3,123,158	\$ 3,026,375
Covered Payroll	\$ 4,944,245	\$ 4,509,221	\$ 4,446,057
Collective share of NPL as % of payroll	61.2%	69.3%	68.1%
Plan's fiduciary net position as a percentage of total pension liability	65.26%	57.62%	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, 2020**

TABLE 4--OPEB CONTRIBUTIONS

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
KTRS - Medical			
Actuarially Required Contributions (OPEB)	\$ 417,199	\$ 392,924	\$ 372,795
Contributions Recognized by Plan	\$ 417,199	\$ 392,924	\$ 372,795
Difference	\$ -	\$ -	\$ -
Covered Payroll	\$ 11,698,141	\$ 12,942,308	\$ 11,003,087
Contributions as Percentage of Payroll	3.57%	3.04%	3.39%
	2018	2018	2018
CERS - Medical			
Actuarially Required Contributions	\$ 235,346	\$ 245,368	\$ 222,057
Contributions Recognized by Plan	\$ 235,346	\$ 245,368	\$ 222,057
Difference	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,446,057	\$ 4,509,221	\$ 4,095,797
Contributions as Percentage of Payroll	5.29%	5.44%	5.42%

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, 2020**

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2019

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:

Valuation Date: June 30, 2019

2017 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.

2019 Changes to assumptions:

The State's biennial budget for the two years ended June 30, 2020, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2020**

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

	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
KTRS			
District Proportionate share percentage	0.00%	0.00%	0.00%
District Proportionate share amount	\$ -	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability	112,000	112,000	85,000
Total	<u>\$ 112,000</u>	<u>\$ 112,000</u>	<u>\$ 85,000</u>
District's covered payroll	\$ 11,698,141	\$ 12,942,308	\$ 11,003,087
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan's fiduciary net position as a percentage of total pension liability	73.40%	74.97%	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.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE PLAN
FOR THE YEAR ENDED JUNE 30, 2020**

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2019

2017 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, 2020**

	<u>Debt Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>School Activity Fund</u>	<u>Total NonMajor Governmental Funds</u>
Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 75,964	\$ 188,481	\$ 264,445
Accounts receivable	-	-	-	1,299	-	1,299
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,263</u>	<u>\$ 188,481</u>	<u>\$ 265,744</u>
Liabilities & Fund Balances:						
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ 441	\$ 5,420	\$ 5,861
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>441</u>	<u>5,420</u>	<u>5,861</u>
Fund Balances						
Restricted	-	-	-	-	-	-
Committed	-	-	-	76,822	183,061	259,883
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,822</u>	<u>183,061</u>	<u>259,883</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,263</u>	<u>\$ 188,481</u>	<u>\$ 265,744</u>

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, 2020**

	<u>Debt Service Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>District Activity Fund</u>	<u>School Activity Fund</u>	<u>Total NonMajor Funds</u>
Revenues:						
From Local Sources:						
Taxes:						
Property	\$ -	\$ -	\$ 2,047,554	\$ -	\$ -	\$ 2,047,554
Tuition and fees	-	-	-	35,280	451,781	487,061
Other local revenues	-	-	-	56,494	56,064	112,558
Intergovernmental - State	76,298	222,360	489,448	-	-	788,106
Total Revenues	<u>76,298</u>	<u>222,360</u>	<u>2,537,002</u>	<u>91,775</u>	<u>507,845</u>	<u>3,435,280</u>
Expenditures						
Current:						
Instruction	-	-	-	105,966	594,271	700,237
Support Services:						
Student support	-	-	-	164	-	164
Instruction staff	-	-	-	36,846	30,194	67,040
Student transportation	-	-	-	366	24,964	25,330
Plant operation and maintenance	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt service - principal	1,588,954	-	-	-	-	1,588,954
Debt service - interest	529,345	-	-	-	-	529,345
Total expenditures	<u>2,118,299</u>	<u>-</u>	<u>-</u>	<u>143,342</u>	<u>649,429</u>	<u>2,911,070</u>
Excess (Deficit) of Revenues over Expenditures	<u>(2,042,001)</u>	<u>222,360</u>	<u>2,537,002</u>	<u>(51,567)</u>	<u>(141,584)</u>	<u>524,210</u>
Other financing sources (uses)						
Proceeds from sale of bonds	-	-	-	-	-	-
Bond discount and fees	-	-	-	-	-	-
Operating transfers in	2,042,001	-	-	57,163	159,540	2,258,704
Operating transfers out	<u>-</u>	<u>(222,360)</u>	<u>(2,537,002)</u>	<u>-</u>	<u>(3,505)</u>	<u>(2,762,867)</u>
Total other financing sources (uses)	<u>2,042,001</u>	<u>(222,360)</u>	<u>(2,537,002)</u>	<u>57,163</u>	<u>156,035</u>	<u>(504,163)</u>
Net change in fund balance	-	-	0	5,596	14,451	20,047
Fund Balance June 30, 2019	-	-	-	71,226	-	71,226
Prior period adjustment (Note T)	-	-	-	-	168,610	168,610
Fund Balance, June 30, 2019, restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,226</u>	<u>168,610</u>	<u>239,836</u>
Fund Balance June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 76,822</u>	<u>\$ 183,061</u>	<u>\$ 259,883</u>

See accompanying report of independent auditors.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 COMBINING SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCE
 STUDENT ACTIVITY FUNDS
 JUNE 30, 2020**

	Cash	Accounts Receivable	Accounts Payable	Fund Balance
Bardstown Elementary School	\$ 9,978	\$ -	\$ 84	\$ 9,894
Bardstown Middle School	30,490	-	939	29,551
Bardstown High School	119,369	-	3,559	115,810
Bardstown Primary School	19,480	-	-	19,480
Bardstown Early Childhood	9,164	-	838	8,326
Totals	<u>\$ 188,481</u>	<u>\$ -</u>	<u>\$ 5,420</u>	<u>\$ 183,061</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 COMBINING SCHEDULE OF CHANGES IN FUND BALANCE
 STUDENT ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020**

	Revenues	Expenditures	Transfers	Net Change in Fund Balance	Fund Balance, Beginning	Fund Balance, Ending
Bardstown Elementary School	\$ 28,179	\$ (24,872)	\$ 543	\$ 3,850	\$ 6,044	\$ 9,894
Bardstown Middle School	124,984	(139,085)	22,682	8,581	20,970	29,551
Bardstown High School	321,408	(447,899)	132,810	6,319	109,491	115,810
Bardstown Primary School	21,277	(28,507)	-	(7,230)	26,710	19,480
Bardstown Early Childhood	11,997	(9,066)	-	2,931	5,395	8,326
Totals	<u>\$ 507,845</u>	<u>\$ (649,429)</u>	<u>\$ 156,035</u>	<u>\$ 14,451</u>	<u>\$ 168,610</u>	<u>\$ 183,061</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
 BARDSTOWN HIGH SCHOOL ACTIVITIES
 JUNE 30, 2020**

	Cash Balance	Accounts Receivable	Accounts Payable	Fund Balance
Athletics:				
Athletics General	\$ 900	\$ -	\$ -	\$ 900
Athletics/Game Expense	-	-	-	-
Banquet	-	-	-	-
Century Club - Football*	-	-	-	-
District Tournaments*	-	-	-	-
Fellowship of Christian Athletes	761	-	-	761
Archery	-	-	-	-
Friends of Archery	528	-	-	528
Baseball	-	-	-	-
Friends of Baseball	26,220	-	-	26,220
Basketball - Boys	589	-	589	-
Friends of Boys' Basketball	304	-	-	304
Basketball - Girls	-	-	-	-
Friends of Girls' Basketball	8,705	-	-	8,705
Bowling	150	-	150	-
Friends of Bowling	1,267	-	-	1,267
Cheerleading	-	-	-	-
Friends of Cheerleading	1,537	-	-	1,537
Cross Country	-	-	-	-
Friends of Cross Country	1,260	-	-	1,260
Football	-	-	-	-
Golf	-	-	-	-
Friends of Golf	1,191	-	-	1,191
Pep Club	-	-	-	-
Soccer - Boys	-	-	-	-
Friends of Boys' Soccer	1,712	-	-	1,712
Soccer - Girls	-	-	-	-
Friends of Girls' Soccer	2,469	-	-	2,469
Softball - Fast Pitch	-	-	-	-
Friends of Softball	5,889	-	-	5,889
Swim	-	-	-	-
Friends of Swim	881	-	-	881
Tennis	-	-	-	-
Tiger Fund	-	-	-	-
Track	-	-	-	-
Friends of Track	4,562	-	-	4,562
Volleyball	-	-	-	-
Friends of Volleyball	1,065	-	-	1,065
Wrestling	-	-	-	-
Friends of Wrestling	2	-	-	2
Subtotal Athletics	<u>59,992</u>	<u>-</u>	<u>739</u>	<u>59,253</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
 BARDSTOWN, KENTUCKY
 COMBINING SCHEDULE OF ASSETS, LIABILITIES, AND FUND BALANCE
 BARDSTOWN HIGH SCHOOL ACTIVITIES
 JUNE 30, 2020**

	Cash Balance	Accounts Receivable	Accounts Payable	Fund Balance
Academic Organizations:				
Academic Club	\$ -	\$ -	\$ -	\$ -
Friends of Art	150	-	-	150
Band	302	-	302	-
Friends of Band	2,261	-	-	2,261
Bookstore	320	-	-	320
Career & Transition	-	-	-	-
Chess Club	127	-	-	127
Chorus	-	-	-	-
Friends of Chorus	-	-	-	-
Debate Team	446	-	-	446
Drama	-	-	-	-
Educators Rising	-	-	-	-
Exams & Testing	2,704	-	-	2,704
FBLA Club	1,238	-	-	1,238
FCCLA	1,257	-	-	1,257
Foreign Language	545	-	-	545
Friends of Foreign Language	-	-	-	-
General Fund	7,856	-	-	7,856
Home Economics	-	-	-	-
Industrial Technology	101	-	-	101
Junior/Senior Prom	1,536	-	-	1,536
Key Club	1,742	-	-	1,742
Music Club	6,967	-	-	6,967
National Honor Society	1,228	-	-	1,228
Orchestra	-	-	-	-
Friends of Orchestra	5,529	-	288	5,241
Physical Education	-	-	-	-
Robotics Team	-	-	-	-
Science Club	113	-	-	113
Science Olympiad	661	-	-	661
Senior Class	3,721	-	-	3,721
Special Education	657	-	-	657
Speech	-	-	-	-
Friends of Speech	-	-	-	-
STEM	13,750	-	-	13,750
Tiger Mentoring	1,200	-	-	1,200
Teacher Cadet Program	133	-	-	133
Tech Student Association	3	-	-	3
Friends of Tech Students	115	-	-	115
Vending	1,019	-	-	1,019
Y-Club	1,466	-	-	1,466
Yearbook	2,230	-	2,230	-
Subtotal Academic	<u>59,377</u>	<u>-</u>	<u>2,820</u>	<u>56,557</u>
TOTAL BARDSTOWN HIGH SCHOOL	<u><u>\$ 119,369</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,559</u></u>	<u><u>\$ 115,810</u></u>

***NOTE: These activities have been moved to District Activity Fund**

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
COMBINING SCHEDULE OF CHANGES IN FUND BALANCE
BARDSTOWN HIGH SCHOOL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Revenues	Expenditures	Transfers	Net Change in Fund Balance	Fund Balance, Beginning	Fund Balance, Ending
Athletics:						
Athletics General	\$ 9,244	\$ (11,976)	\$ -	\$ (2,732)	\$ 3,632	\$ 900
Athletics/Game Expense	2	(7,814)	-	(7,812)	7,812	-
Banquet	-	(1,494)	1,494	-	-	-
Century Club - Football*	-	-	(1,255)	(1,255)	1,255	-
District Tournaments*	585	(585)	(2,250)	(2,250)	2,250	0
Fellowship of Christian Athletes	320	(594)	-	(274)	1,035	761
Archery	3,032	(5,196)	2,164	-	-	-
Friends of Archery	3,201	(2,673)	-	528	-	528
Baseball	-	(8,106)	8,106	-	-	-
Friends of Baseball	19,741	(9,805)	-	9,936	16,284	26,220
Basketball - Boys	9,028	(17,101)	8,073	-	-	-
Friends of Boys' Basketball	8,060	(13,783)	-	(5,723)	6,027	304
Basketball - Girls	8,105	(14,254)	6,149	-	-	-
Friends of Girls' Basketball	8,025	(9,389)	-	(1,364)	10,069	8,705
Bowling	20	(10,055)	10,035	-	-	-
Friends of Bowling	6,465	(5,222)	-	1,243	24	1,267
Cheerleading	-	(10,173)	10,173	-	-	-
Friends of Cheerleading	6,262	(7,523)	-	(1,261)	2,798	1,537
Cross Country	-	(5,320)	5,320	-	-	-
Friends of Cross Country	5,297	(4,138)	-	1,159	101	1,260
Football	30,860	(50,666)	19,806	-	-	-
Golf	-	(4,051)	4,051	-	-	-
Friends of Golf	1,650	(1,608)	-	42	1,149	1,191
Pep Club	139	(181)	-	(42)	42	(0)
Soccer - Boys	5,444	(6,545)	1,101	-	-	-
Friends of Boys' Soccer	4,013	(3,041)	-	972	740	1,712
Soccer - Girls	3,683	(6,956)	3,273	-	-	-
Friends of Girls' Soccer	5,835	(6,671)	-	(836)	3,305	2,469
Softball - Fast Pitch	-	(6,092)	6,092	-	-	-
Friends of Softball	4,772	(5,289)	-	(517)	6,406	5,889
Swim	-	(8,729)	8,729	-	-	-
Friends of Swim	2,110	(2,701)	-	(591)	1,472	881
Tennis	-	(102)	102	-	-	-
Tiger Fund	207	(419)	-	(212)	212	-
Track	-	(2,216)	2,216	-	-	-
Friends of Track	-	(1,037)	-	(1,037)	5,599	4,562
Volleyball	3,816	(8,405)	4,589	-	-	-
Friends of Volleyball	6,835	(8,707)	-	(1,872)	2,937	1,065
Wrestling	340	(7,527)	7,187	-	-	-
Friends of Wrestling	366	(414)	-	(48)	50	2
Subtotal Athletics	157,457	(276,558)	105,155	(13,946)	73,199	59,253

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BARDSTOWN, KENTUCKY
COMBINING SCHEDULE OF CHANGES IN FUND BALANCE
BARDSTOWN HIGH SCHOOL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	Revenues	Expenditures	Transfers	Net Change in Fund Balance	Fund Balance, Beginning	Fund Balance, Ending
Academic Organizations:						
Academic Club	\$ -	\$ (4,515)	\$ 4,262	\$ (253)	\$ 253	-
Friends of Art	-	-	-	-	150	150
Band	-	(12,441)	12,441	-	-	-
Friends of Band	23,781	(22,419)	-	1,362	899	2,261
Bookstore	-	(1,775)	-	(1,775)	2,095	320
Career & Transition	290	(487)	197	-	-	-
Chess Club	-	-	-	-	127	127
Chorus	24	(3,635)	3,611	-	-	-
Friends of Chorus	4,554	(5,045)	-	(491)	491	-
Debate Team	-	-	-	-	446	446
Drama	-	(2,270)	2,270	-	-	-
Educators Rising	260	(880)	620	-	-	-
Exams & Testing	13,962	(12,905)	-	1,057	1,647	2,704
FBLA Club	5,174	(5,580)	-	(406)	1,644	1,238
FCCLA	3,365	(3,224)	-	141	1,116	1,257
Foreign Language	927	(666)	-	261	284	545
Friends of Foreign Language	504	(504)	-	-	-	-
General Fund	6,211	(3,413)	-	2,798	5,058	7,856
Home Economics	-	(1,082)	1,082	-	-	-
Industrial Technology	-	(140)	-	(140)	241	101
Junior/Senior Prom	-	(3,324)	-	(3,324)	4,860	1,536
Key Club	6,940	(5,253)	-	1,687	55	1,742
Music Club	46,403	(45,500)	-	903	6,064	6,967
National Honor Society	1,972	(1,588)	-	384	844	1,228
Orchestra	100	(2,102)	2,002	-	-	-
Friends of Orchestra	3,847	(663)	-	3,184	2,057	5,241
Physical Education	130	(130)	-	-	-	-
Robotics Team	-	(845)	845	-	-	-
Science Club	-	-	-	-	113	113
Science Olympiad	200	-	-	200	461	661
Senior Class	2,855	(50)	-	2,805	916	3,721
Special Education	770	(247)	-	523	134	657
Speech	2,622	(5,341)	-	(2,719)	2,719	-
Friends of Speech	8,373	(8,373)	-	-	-	-
STEM	13,900	(150)	-	13,750	-	13,750
Tiger Mentoring	-	-	-	-	1,200	1,200
Teacher Cadet Program	120	-	-	120	13	133
Tech Student Association	451	(448)	-	3	-	3
Friends of Tech Students	1,183	(1,068)	-	115	-	115
Vending	556	(100)	-	456	563	1,019
Y-Club	12,572	(12,948)	-	(376)	1,842	1,466
Yearbook	1,905	(2,230)	325	-	-	-
Subtotal Academic	163,951	(171,341)	27,655	20,265	36,292	56,557
TOTAL BARDSTOWN HIGH SCHOOL	\$ 321,408	\$ (447,899)	\$ 132,810	\$ 6,319	\$ 109,491	\$ 115,810

*NOTE: These activities have been moved to District Activity Fund

FEDERAL AWARDS REPORTING

BARDSTOWN INDEPENDENT SCHOOLS
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Passed Through Kentucky Department of Education			
United States Department of Education			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education_Grants to States	84.027	3810002-18	162,649
Special Education_Grants to States	84.027	3810002-19	411,030
Total Special Education_Grants to States			<u>573,679</u>
Special Education_Preschool Grants	84.173	3800002-18	6,871
Special Education_Preschool Grants	84.173	3800002-19	17,021
Total Special Education_Preschool Grants			<u>23,892</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			
			<u>597,571</u>
Title I Grants to Local Educational Agencies	84.010	3100002-18	190,622
Title I Grants to Local Educational Agencies	84.010	3100002-19	391,052
Title I Grants to Local Educational Agencies	84.010	3220002-19	440
Total Title I Grants to Local Educational Agencies			<u>582,114</u>
English Language Acquisition Grants	84.365	3300002-18	1,095
English Language Acquisition Grants	84.365	3300002-19	15,175
Total English Language Acquisition Grants			<u>16,270</u>
Career and Technical Education -- Basic Grants to States	84.048	3710002-18	905
Career and Technical Education -- Basic Grants to States	84.048	3710002-19	24,869
Total Career and Technical Education -- Basic Grants to States			<u>25,774</u>
Rural Education			
Rural Education	84.358	3140002-18	1,988
Total Rural Education			<u>1,988</u>
Improving Teacher Quality State Grants	84.367	3230002-17	57,112
Improving Teacher Quality State Grants	84.367	3230002-18	94,632
Improving Teacher Quality State Grants	84.367	3230002-19	8,739
Total Improving Teacher Quality State Grants			<u>160,483</u>
Student Support and Academic Enrichment Program	84.424	3420002-18	27,481
Student Support and Academic Enrichment Program	84.424	3420002-19	16,478
Total Student Support and Academic Enrichment Program			<u>43,959</u>
ESSER FUNDS	84.425	GEER FUNDS--633F	16,381
ESSER FUNDS	84.425	ESSER FUNDS--613F	174,908
Total ESSER FUNDS			<u>191,289</u>
Total Department of Education			<u>1,619,448</u>
United States Department of Agriculture			
National School Lunch Program	10.555	40000808	119,636
National School Lunch Program	10.555	7750002-19	237,907
National School Lunch Program	10.555	7750002-20	515,995
School Breakfast Program	10.553	7760005-19	79,046
School Breakfast Program	10.553	7760005-20	173,382
Child and Adult Care Food Program	10.558	7790021-19	6,077
Child and Adult Care Food Program	10.558	7790021-20	13,553
Child and Adult Care Food Program	10.558	7800016-19	636
State Administrative	10.560	7700001-19	4,809
Child and Adult Care Food Program	10.558	7800016-20	2,020
Summer School Feeding Program	10.559	7690024-19	535
Summer School Feeding Program	10.559	7690024-20	5,839
Summer School Feeding Program	10.559	7740023-19	5,107
Summer School Feeding Program	10.559	7740023-20	69,806
Total United States Department of Agriculture			<u>1,234,348</u>
Department of Health and Human Services			
Child Care and Development Block Grant	93.575	CARES - CHILD CARE DEVELOPMENT FUN--658FC	14,110
Total Child Care and Development Block Grant			<u>14,110</u>
Total Department of Health and Human Services			<u>14,110</u>
Total Expenditures of Federal Awards			<u>\$ 2,867,906</u>

The accompanying notes are an integral part of this schedule

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020**

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bardstown Independent School District under the programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of operations of the Bardstown Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. 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.
- 2) Bardstown Independent School District did not elect to use the 10% de minimus indirect cost rate.

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2020, the District received food commodities totaling \$47,860.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

2020-001 Publication

Condition: District did not publish a copy of the budget in a newspaper.

Criteria: Publication of Budget of school systems – KRS 1424.250

Cause: The District inadvertently missed the publishing of the Budget.

Effect: Noncompliance with Kentucky Revised Statutes.

Recommendation: District should publish the Budget in the local newspaper.

Views of Responsible Officials and Planned Corrective Actions:

The District notes that guidance from KDE to meet this requirement has not been adequate; however, this oversight will be corrected in the future.

2020-002 Single Salary Schedule

Condition: Two Job classifications were not on the approved salary schedule

Criteria: Observance of approved single salary schedule – KRS 157.320(12), KRS 157.50(3), and 702 KAR 3:070

Cause: Two employees job classifications were inadvertently not placed on the approved salary schedule

Effect: Noncompliance with Kentucky Revised Statutes and underpayment of employees.

Recommendation: District personnel should ensure pay rates are updated and match the approved salary schedule.

Views of Responsible Officials and Planned Corrective Actions:

Two instances were identified where the staff payments were not included on the board approved salary schedule. District staff will conduct a full review of individual compensation to insure that compliance is met going forward.

Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

Financial Statement Findings

No findings in the prior year.

Federal Award Findings and Questioned Costs

No findings in the prior year.

SUMMERS, MCCRARY & SPARKS, P.S.C.

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1961-1992

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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2020, and the related notes to the financial statements, which collectively comprise the Bardstown Independent School District's basic financial statements, and have issued our report thereon dated November 13, 2020.

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) as a basis for designing 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 Bardstown Independent School 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 Bardstown Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests disclosed two instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as items 2020-0001 and 2020-0002

We noted certain matters that we reported to management for the District in a separate letter dated November 13, 2020.

District's Response to Finding

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

In addition, the item mentioned above was an instance of noncompliance with specific state statutes or regulations identified in the *Kentucky Public School District's Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

Purpose of this Report

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

Summers, McCrary & Sparks, PSC

Lexington, KY
November 11, 2020

SUMMERS, McCRARY & SPARKS, P.S.C.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

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 Bardstown Independent School District's major federal programs for the year ended June 30, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. 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 Bardstown Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of 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, 2020.

Report on Internal Control over Compliance

Management of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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.

Summers, McCrary & Sparks, PSC

Lexington, KY
November 13, 2020

SUMMERS, MCCRARY & SPARKS, P.S.C.

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1961-1992

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

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 13, 2020 on the financial statements of the Bardstown Independent School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
November 13, 2020

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2020**

SCHOOL ACTIVITY FUNDS

BARDSTOWN INDEPENDENT HIGH SCHOOL

Comment: During our testing of receipts, we noted several instances of deposits being made more than a week after remittance of funds. We recommend the bookkeeper review the "Receipts" section of the Redbook, which states "At a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than \$100."

Response: Bardstown High School will utilize additional office staff to deposit monies turned in by staff while not relying on the bookkeeper alone. BHS Principal and bookkeeper will work together to ensure that staff depositing money makes sure that the deposit is accurate before turning it in so that there is no delay to the deposit there after.

Comment: During our testing of receipts, we noted several instances of ticket forms not being completed correctly. We recommend the bookkeeper review the "Ticket Sales" section of the Redbook, which states "The person in charge of sales requests one or more rolls of tickets (more than one color if there are to be different adult and student ticket prices) from the ticket controller. The first ticket from each roll is attached to the Requisition and Report of Ticket Sales (Form F-SA-1) as the tickets are picked up."

Response: Bardstown High School has recently moved away from traditional ticket sales. We are now using an electronic ticketless admission system from an outside vendor. "GoFan", the ticketless system, allows for pre-purchased tickets with no money handling. We are not taking cash currently at gates. At the end of each event, the BHS bookkeeper receives a printout of the number of electronic tickets sold along with the total money collected. This is much easier to tabulate as well as safer with the electronic deposits.

Comment: During our testing, we noted an instance of a fundraiser approval form not having an indication of approval or non approval of the fundraiser. We recommend the bookkeeper review the "Fundraisers" Section of the Redbook, which gives guidance on how to correctly fill out the Fundraiser Approval Form (F-SA-2A)

Response: The Fundraiser Approval Form was not returned to the schools following the approval by the Superintendent/Board. In the future, this form will be returned to the school with district level approval form completed with signature and date.

BARDSTOWN ELEMENTARY SCHOOL

Comment: During our testing of receipts, we found 2 instances of Multiple Receipt Forms not having dates indicating when the amounts were remitted or deposited by the bookkeeper. We recommend the bookkeeper review the "Receipts" section of the Redbook, which gives guidance on correctly completing the Multiple Receipt Form

Response: Bookkeeper will insure that all multiple receipt forms are dated on the date received from the sponsor. All dated deposit slips will accompany multiple receipt forms.

BARDSTOWN EARLY CHILDHOOD

Comment: During our testing, we noted several instances of fundraiser approval forms not having an indication of approval or non approval of the fundraiser. We recommend the bookkeeper review the "Fundraisers" Section of the Redbook, which gives guidance on how to correctly fill out the Fundraiser Approval Form (F-SA-2A)

Response: The Fundraiser Approval Form was not returned to the schools following the approval by the Superintendent/Board. In the future, this form will be returned to the school with district level approval form completed with signature and date.

BARDSTOWN PRIMARY

Comment: During our testing, we noted an instance of a fundraiser approval form not having an indication of approval or non approval of the fundraiser. We recommend the bookkeeper review the "Fundraisers" Section of the Redbook, which gives guidance on how to correctly fill out the Fundraiser Approval Form (F-SA-2A)

Response: The Fundraiser Approval Form was not returned to the schools following the approval by the Superintendent/Board. In the future, this form will be returned to the school with district level approval form completed with signature and date.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
JUNE 30, 2020**

STATUS OF PRIOR YEAR COMMENTS

BOARD

Nothing Noted.

SCHOOL ACTIVITY FUNDS

BARDSTOWN INDEPENDENT HIGH SCHOOL

BARDSTOWN INDEPENDENT ELEMENTARY SCHOOL

Nothing noted.

BARDSTOWN ELEMENTARY

Nothing noted.