Walton-Verona Independent School District

Financial Statements
With Supplementary Information
Year Ended June 30, 2019
With Independent Auditors' Report

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2019

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BARNES DENNIG
Accounting • Tax • Business Insight

KENTUCKY OFFICE
2617 Legends Way
Crestview Hills, KY 41017
Main: 859.344.6400
Fax: 856.578.7522

Independent Auditors' Report

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Walton Verona Independent School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Walton-Verona Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 Walton-Verona Independent School District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 19 to the financial statements, an error related to amounts recognized as deferred outflows and inflows related to pension and other postemployment retirement benefit liabilities have been corrected. Accordingly, amounts for prior periods were restated and an adjustment has been made to net position at June 30, 2018 to correct the error. Our opinion is not modified with respect to this matter.

Independent Auditors' Report
(Continued)

Other Matters
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 3-7, 50-52, and 57-66 as listed in the table of contents 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 Walton-Verona 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 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, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Walton Verona 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Walton-Verona Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Walton Verona Independent School District's internal control over financial reporting and compliance

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2019

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

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was $8,758,748.
- The General Fund had $17,798,402 in revenue, excluding proceeds for capital leases, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was $16,948,572 in General Fund expenditures.

CURRENT ISSUES

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives continue to be to create students who grow and achieve academically, are college and/or career ready when they graduate, are involved in their community, and to provide the best return possible on the community's investment in education.

As our community continues to grow, so does our student enrollment. The total enrollment of the district was 1,000 students during the 1999-2000 school year, it increased to 1,715 students by the end of the 2018-19 school year, and as we enter the second month of school for 2019-20, we currently sit at 1,760 students – an increase of 76% in our student population over a twenty-year period. While we have continually been upgrading and expanding our facilities throughout this phase of rapid growth, creation of classroom space has once again become one of our primary challenges. As development of new housing within our district boundaries continues our goal is to match this growth with the addition of adequate and efficient instructional spaces.

Another concern continues to be the insufficient level of funding that we receive from the state. This funding has not kept up with the increases in operating expenses associated with numerous unfunded mandates, the rate of inflation, increased salaries, increasing retirement contributions, and reductions to or the elimination of areas of state support such as professional development for teachers, instructional resources for students, and funding for preschool.

The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. This is a direct result of legislators not making the necessary changes needed at the state level knowing that districts will have no other choice than to make up for their shortcomings by raising local property tax rates. In this climate of shrinking state support the Walton - Verona Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-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.

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The district-wide financial statements can be found on pages 8 and 9 of this report.

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

The basic governmental fund financial statements can be found on pages 10 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 47 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $10,886,721 as of June 30, 2019.

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

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Net Position for the periods ending June 30, 2019 and 2018

The following table presents a summary of net position for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Current assets	$ 7,948,021	$ 9,191,709
Noncurrent assets	39,079,261	33,246,276
Total assets	47,027,282	42,437,985
Total deferred outflows	2,277,106	2,736,426
Current liabilities	3,168,189	2,220,839
Noncurrent liabilities	33,969,166	32,433,220
Total liabilities	37,137,355	34,654,059
Total deferred inflows	1,215,842	683,686
Net position		
Investment in capital (net of debt)	14,936,605	11,309,693
Restricted	(6,749,857)	(3,926,019)
Unassigned	2,764,443	2,452,992
Total net position	$ 10,951,191	$ 9,836,666

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2019, net of inter-fund transfers and capital lease proceeds, were $17,798,402
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being $6,368,908 more than budget or approximately 55.7%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was $16,948,572, net of interfund transfers.
- General Fund actual expenditures exceeded budget expenditures by $3,059,922 in instruction. This is a result of the District recording "on behalf" payments made by the State.

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2019 and 2018.

	2019	2018
Revenues		
Program revenues		
Charges for services	$ 516,653	$ 502,212
Operating grants and contributions	1,627,100	1,436,595
Capital grants and contributions	-	418,200
Total program revenues	2,143,753	2,357,007
General revenues		
Taxes	7,869,363	7,243,055
Federal and state sources	5,355,366	13,565,716
Earnings on investments	201,883	72,551
Miscellaneous	(472,407)	1,849,589
Total general revenues	12,954,205	22,730,911
Total revenues	15,097,958	25,087,918
Expenses		
Instructional	4,865,868	15,172,555
Student support services	794,961	857,826
Instructional support	936,431	959,312
District administration	915,705	866,125
School administration	1,050,424	1,041,713
Business support	375,117	398,844
Plant operations	2,388,954	2,227,210
Student transportation	1,100,801	1,057,403
Other	91,247	-
Debt service	658,408	511,224
Food service	805,517	811,610
Total expenses	13,983,433	23,903,822
Excess of revenues over expenses	$ 1,114,525	$ 1,184,096

General Fund Revenue

The majority of General Fund revenue was derived from State SEEK Funds (35.7%) with state funding making up 59.4% of total revenue.

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 calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with $828,826 in contingency (5.0%). The beginning cash balance for the fiscal year is $8,758,748.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Dr. Matt Baker, Superintendent or to Mr. Kevin Ryan, Director of Finance at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – District Wide
Year Ended June 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and cash equivalents	$ 7,480,475	$ 213,424	$ 7,693,899
Accounts receivable	234,918	-	234,918
Inventories for consumption	-	19,204	19,204
Total current	7,715,393	232,628	7,948,021
Noncurrent:			
Land	1,076,853	-	1,076,853
Land improvements	1,265,747	-	1,265,747
General equipment	744,111	388,768	1,132,879
Buildings and improvements	41,732,443	146,981	41,879,424
Furniture and equipment	4,232,255	-	4,232,255
Less: accumulated depreciation	(17,297,007)	(485,918)	(17,782,925)
Total noncurrent	39,029,430	49,831	39,079,261
Total assets	46,744,823	282,459	47,027,282
Deferred outflows	2,214,652	62,454	2,277,106
Liabilities and Net Position			
Liabilities			
Current:			
Accrued interest	174,820	-	174,820
Current portion of bonds payable	1,330,000	-	1,330,000
Current portion of capital leases	84,567	-	84,567
Current portion of accrued sick leave	13,326	-	13,326
Accrued payroll and related expenses	261,244	-	261,244
Accounts payable	1,303,638	594	1,304,232
Unearned revenues	-	-	-
Total current	3,167,595	594	3,168,189
Noncurrent:			
Accrued sick leave	119,932	-	119,932
Capital leases	437,748	-	437,748
MIF net OPEB liability	5,674,877	179,913	5,854,790
CERS net pension liability	4,867,383	154,313	5,021,696
Bond obligations	22,535,000	-	22,535,000
Total noncurrent	33,634,940	334,226	33,969,166
Total liabilities	36,802,535	334,820	37,137,355
Deferred inflows	1,178,481	37,361	1,215,842
Net Position			
Invested in capital assets, net of related debt	14,886,774	49,831	14,936,605
Restricted	(6,672,758)	(77,099)	(6,749,857)
Unrestricted	2,764,443	-	2,764,443
Total net position	$ 10,978,459	$ (27,268)	$ 10,951,191

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide
Year Ended June 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Governmental Activities							
Instruction	$ 4,865,868	$ 139,655	$ 1,059,721	$ -	$ (3,666,492)	$ -	$ (3,666,492)
Support services:							
Student support services	794,961	-	-	-	(794,961)	-	(794,961)
Instruction staff support services	936,431	-	-	-	(936,431)	-	(936,431)
District administration	915,705	-	-	-	(915,705)	-	(915,705)
School administration	1,050,424	-	-	-	(1,050,424)	-	(1,050,424)
Business	375,117	-	-	-	(375,117)	-	(375,117)
Plant operation and maintenance	2,388,954	-	-	-	(2,388,954)	-	(2,388,954)
Student transportation	1,100,801	-	26,238	-	(1,074,563)	-	(1,074,563)
Facilities acquisition and construction	36,452	40,036	-	-	3,584	-	3,584
Community service activities	54,795	-	54,795	-	-	-	-
Interest on long-term debt	658,408	-	-	-	(658,408)	-	(658,408)
Total governmental activities	13,177,916	179,691	1,140,754	-	(11,857,471)	-	(11,857,471)
Business-type Activities							
Food service	805,517	336,962	486,346	-	-	17,791	17,791
Total business-type activities	805,517	336,962	486,346	-	-	17,791	17,791
Total school district	$ 13,983,433	$ 516,653	$ 1,627,100	$ -	(11,857,471)	17,791	(11,839,680)
			General Revenues				
			Taxes		7,869,363	-	7,869,363
			Investment earnings		180,217	21,666	201,883
			Federal and state sources		5,355,366	-	5,355,366
			Miscellaneous		(472,407)	-	(472,407)
			Total general revenues		12,932,539	21,666	12,954,205
			Change in net position		1,075,068	39,457	1,114,525
			Net position - beginning		10,621,525	(43,958)	10,577,567
			Net position adjustment (Note 19)		(718,134)	(22,767)	(740,901)
			Net position - ending		$ 10,978,459	$ (27,268)	$ 10,951,191

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Balance Sheet – Governmental Funds
As of June 30, 2019

	General Fund	Special Revenue Fund	Construction Fund	Non-major Governmental Funds	Total Governmental Funds
Assets					
Current:					
Cash (overdraft) and cash equivalents	$ 4,657,715	$ (32,029)	$ 2,854,789	$ -	$ 7,480,475
Accounts receivable	202,889	32,029	-	-	234,918
Total current	$ 4,860,604	$ -	$ 2,854,789	$ -	$ 7,715,393
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	$ 110,210	$ -	$ 1,193,428	$ -	$ 1,303,638
Accrued payroll and related expenses	261,244	-	-	-	261,244
Total current	371,454	-	1,193,428	-	1,564,882
Fund Balances					
Restricted:					
Capital projects	94,409	-	1,661,361	-	1,755,770
Committed:					
Sick Leave	66,629	-	-	-	66,629
Assigned	1,255,591	-	-	-	1,255,591
Unassigned	3,072,521	-	-	-	3,072,521
Total fund balances	4,489,150	-	1,661,361	-	6,150,511
Total liabilities and fund balances	$ 4,860,604	$ -	$ 2,854,789	$ -	$ 7,715,393

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2019

Total fund balance per fund financial statements		$ 6,150,511
Capital assets are used in governmental activities are not financials resources and therefore are not reported as assets in governmental funds		
Construction in progress	7,275,028	
Cost of capital assets	49,051,409	
Accumulated depreciation	(17,297,007)	
		39,029,430
Deferred outflows		
Bond refinancing	244,659	
Related to MIF	341,542	
MIF contributions made after the measurement date	311,599	
Related to CERS	874,746	
CERS contributions made after the measurement date	442,106	
		2,214,652
Deferred inflows related to CERS		
Related to CERS	(470,604)	
Related to OPEB	(707,877)	
		(1,178,481)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(23,865,000)	
Capital lease obligation	(522,315)	
Accrued interest on bonds	(174,820)	
Accrued KISBIT liability	-	
Net OPEB liability	(5,674,877)	
Net pension liability	(4,867,383)	
Accrued sick leave	(133,258)	
		(35,237,653)
Net position for governmental activities		$ 10,978,459

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Construction Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	$ 6,869,363	$ -	$ -	$ 1,000,000	$ 7,869,363
Earnings on investments	180,217	-	-	-	180,217
State sources	10,569,865	519,321	-	1,063,238	12,152,424
Federal sources	-	621,433	-	-	621,433
Other revenues	243,427	-	-	-	243,427
Total revenues	17,862,872	1,140,754	-	2,063,238	21,066,864
Expenditures					
Instruction	10,005,097	1,092,015	-	-	11,097,112
Support services					
Student	721,271	-	-	-	721,271
Instruction staff	936,431	-	-	-	936,431
District administration	911,558	-	-	-	911,558
School administration	1,030,133	-	-	-	1,030,133
Business	375,117	-	-	-	375,117
Plant operation and maintenance	1,463,701	-	-	-	1,463,701
Student transportation	1,420,155	26,238	-	-	1,446,393
Facilities acquisition and construction		-	6,635,284	2,500	6,637,784
Community service activities	-	54,795	-	-	54,795
Debt service					
Principal	69,696	-	-	1,320,000	1,389,696
Interest	15,413	-	-	620,882	636,295
Total expenditures	16,948,572	1,173,048	6,635,284	1,943,382	26,700,286
Excess (deficit) of revenues over expenditures	914,300	(32,294)	(6,635,284)	119,856	(5,633,422)
Other Financing Sources (Uses)					
Proceeds from bond sale and capital leases	474,963	-	2,995,000	-	3,469,963
Operating transfers in	-	32,294	1,202,568	1,673,228	2,908,090
Operating transfers out	(777,850)	-	-	(2,130,240)	(2,908,090)
Total other financing sources (uses)	(302,887)	32,294	4,197,568	(457,012)	3,469,963
Net change in fund balances	611,413	-	(2,437,716)	(337,156)	(2,163,459)
Fund balance, July 1, 2018	3,877,737	-	4,099,077	337,156	8,313,970
Fund balance, June 30, 2019	$ 4,489,150	$ -	$ 1,661,361	$ -	$ 6,150,511

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2019

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

Net change in total fund balances per fund financial statements		$ (2,163,459)
Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	(1,276,476)	
Retirement of capital assets	-	
Capital outlays	7,119,146	
		5,842,670
Bond proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increase long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position		
Bond principal paid		1,320,000
Proceeds from bond issue		(2,995,000)
Capital lease principal paid		69,696
Proceeds from capital leases		(566,545)
Amortization of bond refinancing		(34,224)
Deferred outflows related to pensions		(391,221)
Deferred outflows related to OPEB		(19,116)
Deferred inflows related to pensions		46,343
Deferred inflows related to OPEB		(562,557)
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.		528,481
Change in net position of governmental activities		$ 1,075,068

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Proprietary Funds
As of June 30, 2019

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	$ 213,424	$ 213,424
Inventories for consumption	19,204	19,204
Total current	232,628	232,628
Noncurrent		
General equipment	388,768	388,768
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	(485,918)	(485,918)
Total noncurrent	49,831	49,831
Total assets	282,459	282,459
Deferred outflows	62,454	62,454
Liabilities and Net Position		
Liabilities		
Current		
Accounts payable	594	594
Total current	594	594
Noncurrent		
MIF net OPEB liability	179,913	179,913
CERS net pension liability	154,313	154,313
Total noncurrent	334,226	334,226
Total liabilities	334,820	334,820
Deferred inflows	37,361	37,361
Net Position		
Invested in assets, net of debt	49,831	49,831
Restricted	(77,099)	(77,099)
Total net position	$ (27,268)	$ (27,268)

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2019**

	Food Service	Total
Operating revenues		
Lunchroom sales	$ 334,979	$ 334,979
Other operating revenues	1,983	1,983
Total operating revenues	336,962	336,962
Operating expenses		
Salaries and benefits	459,875	459,875
Contract services	15,142	15,142
Materials and supplies	319,617	319,617
Depreciation	9,686	9,686
Other operating expenses	1,197	1,197
Total operating expenses	805,517	805,517
Operating loss	(468,555)	(468,555)
Nonoperating revenues		
Federal grants	390,456	390,456
State grants	63,442	63,442
Donated commodities and other donations	32,448	32,448
Transfers	-	-
Interest income	21,666	21,666
Total nonoperating revenues	508,012	508,012
Change in net position	39,457	39,457
Total net position, July 1, 2018	(43,958)	(43,958)
Net position adjustment (Note 19)	(22,767)	(22,767)

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2019

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	$ 334,979	$ 334,979
Cash received from other activities	1,983	1,983
Cash payments to employees for services	(450,031)	(450,031)
Cash payments to suppliers for goods and services	(334,165)	(334,165)
Cash payments for other operating activities	(1,197)	(1,197)
Net cash used in operating activities	(448,431)	(448,431)
Cash flows from noncapital financing activities		
Non-operating revenues received	486,346	486,346
Net cash provided by noncapital financing activities	486,346	486,346
Cash flows from investing activities		
Interest on investments	21,666	21,666
Net cash provided by investing activities	21,666	21,666
Net increase in cash and cash equivalents	59,581	59,581
Cash and cash equivalents - beginning	153,843	153,843
Cash and cash equivalents - ending	$ 213,424	$ 213,424
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (468,555)	$ (468,555)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	9,686	9,686
Changes in assets and liabilities:		
Increase in deferred outflows	14,758	14,758
Increase in deferred inflows	15,942	15,942
Decrease in CERS net pension liability	(308)	(308)
Decrease in MIF net OPEB liability	(20,548)	(20,548)
Increase in accounts payable	594	594
Net cash used in operating activities	$ (448,431)	$ (448,431)
Schedule of non-cash transactions:		
Donated commodities received from federal government	$ 32,448	$ 32,448
On-behalf payments	$ 56,508	$ 56,508

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position
As of June 30, 2019

	School Activity Funds	Total
Assets		
Cash and cash equivalents	$ 295,117	$ 295,117
Total assets	$ 295,117	$ 295,117
Liabilities		
Due to student groups	$ 295,117	$ 295,117
Total liabilities	$ 295,117	$ 295,117

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Walton-Verona 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 the Walton-Verona Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. 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 Parent-Teacher Associations, etc.

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

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

Walton-Verona Independent School District Finance Corporation - The Board authorized the establishment of the Walton-Verona 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 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Walton-Verona Independent of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

(B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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 67. This is a major fund of the District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

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

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

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District. The District is committed to construction contracts in the amount of $2,854,789 for ongoing projects.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Fund (Enterprise Fund)

The School 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). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-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 Non-exchange 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 sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. 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 nonexchange transactions must also be available before they can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Taxes

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

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

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-wide statement of net position and in the respective funds.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

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 takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, 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 District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

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”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

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

NOTE 2 ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated 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 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks’ trust departments in the District’s name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Land	$ 1,076,853	$ -	$ -	$ 1,076,853
Construction in progress	713,641	6,561,387	-	7,275,028
Land improvements	1,225,802	39,945	-	1,265,747
Buildings and improvements	41,732,443	-	-	41,732,443
Technology equipment	2,034,608	-	-	2,034,608
Vehicles	1,733,955	463,692	-	2,197,647
General equipment	689,989	54,122	-	744,111
Totals at historical cost	49,207,290	7,119,146	-	56,326,437
Less: accumulated depreciation				
Land improvements	695,852	53,432	-	749,284
Buildings and improvements	11,549,458	1,061,319	-	12,610,777
Technology equipment	2,034,211	-	-	2,034,211
Vehicles	1,383,028	119,165	-	1,502,193
General equipment	357,982	42,560	-	400,542
Total accumulated depreciation	16,020,531	1,276,476	-	17,297,007
Governmental activities capital assets - net	$ 33,186,759	$ 5,842,670	$ -	$ 39,029,430
Business - Type Activities				
General equipment	$ 388,768	$ -	$ -	$ 388,768
Buildings and improvements	146,981	-	-	146,981
Totals at historical cost	535,749	-	-	535,749
Less: accumulated depreciation				
General equipment	357,399	6,177	-	363,576
Buildings and improvements	118,833	3,509	-	122,342
Total accumulated depreciation	476,232	9,686	-	485,918
Business - type activities capital assets - net	$ 59,517	$ (9,686)	$ -	$ 49,831

Depreciation expense by function for the fiscal year ended June 30, 2019 was as follows:

	Governmental	Business-Type
Instruction	$ 134,995	$ -
Student support services	73,690	-
District administration	4,147	-
School administration	20,291	-
Plant operation and maintenance	925,253	-
Food service	-	9,686
Student transportation	118,100	-
Total	$ 1,276,476	$ 9,686

NOTE 5 COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of equipment under capital leases expiring between 2019 and 2029. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. 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.

Future minimum lease payments under capital leases as of June 30, 2019, for each of the next five years and in the aggregate are as follows:

Year Ending June 30,	Capital Lease Payable
2019-2020	$ 88,306
2020-2021	77,023
2021-2022	76,575
2022-2023	76,559
2023-2024	73,410
Thereafter	220,006
Total minimum payments	611,879
Less amount representing interest	89,564
Present value of net minimum lease payments	$ 522,315

NOTE 6 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2019 this amount totaled approximately $133,258 for those employees with twenty-seven or more years of experience.

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

Issue Date	Proceeds	Rates
May 2008	$ 890,000	3.15%
November 2009	2,700,000	2.000% - 4.000%
October 2010	800,000	1.500% - 3.100%
March 2011	1,610,000	2.000% - 4.250%
March 2012	985,000	1.500% - 2.350%
April 2014	2,485,000	1.100% - 3.500%
March 2015	7,635,000	2.000% - 2.500%
April 2016	1,435,000	1.000% - 2.300%
April 2016	3,495,000	0.900% - 3.125%
June 2018	4,430,000	1.000% - 3.000%
March 2019	2,995,000	1.950% - 3.500%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Walton-Verona Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 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 has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2019 for debt service (principal and interest) are reported in Note 16.

NOTE 8 CONTINGENCIES

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

NOTE 9 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 are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE 10 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts 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. 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 ninety (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 member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 11 DEFICIT OPERATING/FUND BALANCES

The District does not currently have any funds with a negative fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Construction Fund	$ 2,437,716
Walton-Verona High School	26,310
Building Fund	337,156

NOTE 12 COBRA

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

NOTE 13 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2019, the District has paid its portion of the deficit in the trust. No contingent liability needs to be recorded in the District Wide Financial Statements.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue Fund	Matching	$ 32,294
General Fund	Construction Fund	Construction	745,556
Capital Outlay Fund	Debt Service Fund	Debt Service	155,632
Building Fund	Debt Service Fund	Debt Service	1,517,596
Building Fund	Construction Fund	Construction	457,012

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2019 total payments of $4,518,814 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	$ 4,194,653
Debt Service	267,653
Food Service	56,508
Total On-Behalf	$ 4,518,814

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2009, 2010R, 2011, 2012R, 2014, 2015, 2016, 2016-Ref, 2018, and 2019 Series

Fiscal Year	Walton - Verona School District			KY School Facilities Construction Commission			
	Principal	Interest	Total	Principal	Interest	Total	Total Requirements
2019-2020	$ 1,147,596	$ 624,251	$ 1,771,847	$ 182,404	$ 67,701	$ 250,105	$ 2,021,952
2020-2021	1,173,802	600,706	1,774,508	186,198	63,810	250,008	2,024,516
2021-2022	1,199,596	572,889	1,772,485	190,404	59,503	249,907	2,022,392
2022-2023	1,229,891	542,283	1,772,174	195,109	54,708	249,817	2,021,991
2023-2024	1,260,074	512,747	1,772,821	199,926	49,793	249,719	2,022,540
2024-2025	1,290,578	480,102	1,770,680	189,422	44,501	233,923	2,004,603
2025-2026	1,200,739	449,376	1,650,115	194,261	39,207	233,468	1,883,583
2026-2027	1,226,906	418,045	1,644,951	178,094	33,655	211,749	1,856,700
2027-2028	1,150,919	393,043	1,543,962	109,081	29,125	138,206	1,682,168
2028-2029	1,187,260	355,868	1,543,128	112,740	25,308	138,048	1,681,176
2029-2030	1,225,987	316,498	1,542,485	114,013	21,359	135,372	1,677,857
2030-2031	1,172,078	278,776	1,450,854	107,922	17,418	125,340	1,576,194
2031-2032	1,104,350	240,218	1,344,568	65,650	13,539	79,189	1,423,757
2032-2033	1,147,232	204,113	1,351,345	67,768	11,421	79,189	1,430,534
2033-2034	1,185,010	166,135	1,351,145	69,990	9,196	79,186	1,430,331
2034-2035	979,347	126,641	1,105,988	55,653	6,885	62,538	1,168,526
2035-2036	1,017,493	93,570	1,111,063	57,507	5,030	62,537	1,173,600
2036-2037	666,630	59,097	725,727	33,370	3,110	36,480	762,207
2037-2038	695,405	34,602	730,007	34,595	1,890	36,485	766,492
2038-2039	243,158	8,816	251,974	16,842	613	17,455	269,429
	$ 21,504,051	$ 6,477,776	$ 27,981,827	$ 2,360,949	$ 557,772	$ 2,918,721	$ 30,900,548

A summary of the changes in the principal of the outstanding bond obligations, capital leases, and sick leave for the District during the year ended June 30, 2019 is as follows:

Governmental Activities	Balance July 1, 2018	Additions	Payments	Balance June 30, 2019
Bond Obligations	$ 22,190,000	$ 2,995,000	$ 1,320,000	$ 23,865,000
Capital Leases	$ 25,466	$ 566,545	$ 69,696	$ 522,315
Sick Leave	$ 214,692	$ -	$ 81,434	$ 133,258

NOTE 17 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

Plan description

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

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and $10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2019, was $569,722, which consisted of $456,122 from the District and $113,600 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were $508,743 and $501,518, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

General information about the Teachers' Retirement System of the State of Kentucky

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—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/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 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.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. 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. The contribution requirement for TRS for the year ended June 30, 2019, was $1,264,841, which consisted of $261,070 from the District and $1,003,772 from the employees. Total contributions for the year ended June 30, 2018 and 2017 were $1,260,470 and $1,232,817, respectively. The contributions have been contributed in full for fiscal years 2019, 2018 and 2017.

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

Medical Insurance Plan

Plan description

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

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

NOTE 17 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% if credited to the Commonwealth, and 3.00% is contributed by the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	$ 5,021,822
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	32,267,909
	$ 37,289,731

The net pension liability for each plan was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of 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, 2018, the District's proportion was 0.082456% percent.

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2019, the District recognized pension expense of $390,852 related to CERS. The District also recognized a reduction of expense of $6,286,483 and a reduction of revenue of $6,286,483 for TRS support provided by the Commonwealth due to a change in assumptions. 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
Difference between expected and actual experience	$ 163,798	$ 73,509
Net difference between projected and actual earnings on pension plan investments	233,518	293,733
Changes of assumptions	490,778	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,384	118,281
District contributions subsequent to the measurement date	456,122	-
Total	$ 1,358,600	$ 485,523

$456,122 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	$ 358,806
2021	156,849
2022	(71,747)
2023	(26,953)
2024	-

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

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

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 adopted by the Board on November 19, 2016.

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

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	40.0%	4.20%		
US large cap			5.0%	4.50%
US mid cap			6.0%	4.50%
US small cap			6.5%	5.50%
International developed			12.5%	6.50%
Emerging markets			5.0%	7.25%
International Equity	22.0%	5.20%		
Global bonds			4.0%	3.00%
Global credit			2.0%	3.75%
Emerging market debt			5.0%	6.00%
Private equity	7.0%	6.30%	10.0%	6.50%
High yield			7.0%	5.50%
Iliquid private			10.0%	8.50%
Fixed income	15.0%	1.20%		
Additional categories	8.0%	3.30%	10.0%	7.00%
Real estate	6.0%	3.80%	5.0%	9.00%

Discount rate

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

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 6,321,953	$ 5,021,822	$ 3,932,539
KTRS	6.50%	7.50%	8.50%
District's proportionate share of 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.

NOTE 18 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

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

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

Medical Insurance Plan

Plan description

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

NOTE 18 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters 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.

General information about the County Employee Retirement System Non-Hazardous OPEB Plan

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.

Benefits provided

CERS provides 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. See note 17 for classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 17.

NOTE 18 OPEB PLANS (CONTINUED)

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

At June 30, 2019, the Walton-Verona Independent School District reported a liability of $5,854,937 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the District's proportion was 0.23 percent for TRS, which is a reduction of 0.01 percent from its proportion measured as of June 30, 2017, and 0.08 percent for CERS, which was the same as it's proportion measured as of June 30, 2017.

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 CERS net OPEB liability	$ 1,463,937
District's proportionate share of the TRS net OPEB liability	4,391,000
State's proportionate share of the net OPEB liability associated with the District	3,784,000
	$ 9,638,937

For the year ended June 30, 2019, the District recognized a reduction of OPEB expense of $480,106 and revenue of $194,269 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	$ -	$ 395,602
Net difference between projected and actual earnings on OPEB plan investments	-	118,837
Change of Assumptions	352,370	3,382
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	212,498
District contributions subsequent to the measurement date	321,477	-
Total	$ 673,847	$ 730,319

NOTE 18 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, $321,477 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:		
2020	$	(71,198)
2021		(71,198)
2022		(71,198)
2023		(43,613)
2024		(82,110)
Thereafter		(38,632)

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.	7.5%
Projected salary increases	3.50 - 7.20%, including inflation	4.00%, average
Inflation rate	3.00%	3.25%
Real Wage Growth	0.50%	
Wage Inflation	3.50%	
Healthcare cost trend rates		
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024	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	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.
Medicare Part B Premiums	0.00% for FY 2018 with an ultimate rate of 5.00% by 2030	
Municipal Bond Index Rate	3.89%	3.62%
Discount Rate	8.00%	5.85%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation	

For TRS, 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.

For CERS, mortality rates were based on RP-2000 Combined Mortality Table projected to 2013 with projection scale BB and set back one year for females.

NOTE 18 OPEB PLANS (CONTINUED)

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	4.6%
Fixed Income	9.0%	1.2%
Real Estate	5.5%	3.8%
Private Equity	6.5%	6.3%
Other Additional Categories	20.0%	3.3%
Cash (LIBOR)	1.0%	0.9%
Total	100.0%	

Discount rate

For TRS, 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.

For CERS, the discount rate used to measure the total OPEB liability was 5.85%. 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.

NOTE 18 OPEB PLANS (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 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
TRS			
Districts' net OPEB liability	$ 5,149,000	$ 4,391,000	$ 3,759,000

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
CERS			
Districts' net OPEB liability	$ 1,901,419	$ 1,463,937	$ 1,091,282

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Trend Rate	1% Increase
TRS			
Districts' net OPEB liability	$ 3,641,000	$ 4,391,000	$ 5,316,000

	1% Decrease	Current Trend Rate	1% Increase
CERS			
Districts' net OPEB liability	$ 1,089,915	$ 1,463,937	$ 1,904,800

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provided by 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.

NOTE 18 OPEB PLANS (CONTINUED)

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.

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

At June 30, 2019, the Walton-Verona Independent School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ -
State's proportionate share of the net OPEB liability associated with the District	65,000
	$ 65,000

For the year ended June 30, 2019, the District recognized OPEB expense of $-0- and revenue of $2,254 for support provided by the State.

Actuarial assumptions

The total OPEB liability in the June 30, 2018 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	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation

NOTE 18 OPEB PLANS (CONTINUED)

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

Asset Class*	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Large Cap Equity	40.0%	4.2%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other Additional Categories	6.0%	3.3%
Cash (LIBOR)	2.0%	0.9%
Total	100.0%	

** As the LIF investment policy is to change, the above reflects the pension allocation and returns that achieve the target 7.5% long-term rate of return*

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.

NOTE 18 OPEB PLANS (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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Districts' net OPEB liability	$ -	$ -	$ -

OPEB plan fiduciary net position

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

NOTE 19 CORRECTION OF AN ERROR

During the year ended June 30, 2019, amounts were corrected for deferred outflows and deferred inflows related to the net pension liability and the net OPEB liability that were overstated in prior years. The following shows the effect on the preceding period change in net position for the prior period adjustment as well as the cumulative effect on the change in net position as of the beginning of fiscal year 2019.

	As Previously Reported	Prior Period Adjustment	As restated
Deferred outflows, as of June 30, 2018	$ 2,597,031	$ (861,301)	$ 1,735,730
Deferred inflows, as of June 30, 2018	804,086	(120,400)	683,686
Cumulative effect of the change on net position as of July 1, 2018	$ (3,185,118)	$ (740,901)	$ (3,926,019)

NOTE 20 SUBSEQUENT EVENTS

Subsequent events were considered through November 12, 2019, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2019

	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Non-major Government Funds
Assets				
Current:				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Total current	$ -	$ -	$ -	$ -
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Total current	-	-	-	-
Fund Balances:				
Invested in assets, net of debt	-	-	-	-
Restricted:				
Capital projects	-	-	-	-
Unrestricted	-	-	-	-
Total fund balances	-	-	-	-
Total liabilities and fund balances	$ -	$ -	$ -	$ -

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds Year Ended June 30, 2019

	Capital Outlay Fund	Debt Service Fund	Building Fund	Total Non-major Government Funds
Revenues				
Taxes	$ -	$ -	$ 1,000,000	$ 1,000,000
State sources	155,632	267,654	639,952	1,063,238
Total revenues	155,632	267,654	1,639,952	2,063,238
Expenditures				
Facility acquisition and construction	-	-	2,500	2,500
Debt service:				
Principal	-	1,320,000	-	1,320,000
Interest	-	620,882	-	620,882
Total expenditures	-	1,940,882	2,500	1,943,382
Excess (deficit) of revenues over expenditures	155,632	(1,673,228)	1,637,452	119,856
Other Financing Sources (Uses)				
Operating transfers in	-	1,673,228	-	1,673,228
Operating transfers out	(155,632)	-	(1,974,608)	(2,130,240)
Total other financing sources(uses)	(155,632)	1,673,228	(1,974,608)	(457,012)
Net change in fund balance	-	-	(337,156)	(337,156)
Fund balance, July 1, 2018	-	-	337,156	337,156
Fund balance, June 30, 2019	$ -	$ -	$ -	$ -

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ 5,458,000	$ 5,458,000	$ 6,869,363	$ 1,411,363
Earnings on investments	20,573	20,573	180,217	159,644
State sources	5,815,500	5,815,500	10,569,865	4,754,365
Other revenues	135,421	135,421	243,427	108,006
Total revenues	11,429,494	11,429,494	17,862,872	6,433,378
Expenditures				
Instruction	7,349,050	7,348,050	10,005,097	2,657,047
Student support services	600,376	600,376	721,271	120,895
Instruction staff support services	698,494	699,494	936,431	236,937
District administration	1,630,398	1,630,398	911,558	(718,840)
School administration	707,222	707,222	1,030,133	322,911
Business	216,167	216,167	375,117	158,950
Plant operation and maintenance	1,608,326	1,608,326	1,463,701	(144,625)
Student transportation	993,507	993,507	1,420,155	426,648
Debt service	85,110	85,110	85,109	(1)
Total expenditures	13,888,650	13,888,650	16,948,572	3,059,922
Excess (deficit) of revenues over expenditures	(2,459,156)	(2,459,156)	914,300	3,373,456
Other financing sources (uses)				
Operating transfers out	-	-	(777,850)	(777,850)
Total other financing sources (uses)	-	-	(302,887)	(302,887)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(2,459,156)	(2,459,156)	611,413	3,070,569
Fund balance, July 1, 2018	2,459,156	2,459,156	3,877,737	1,418,581
Fund balance, June 30, 2019	$ -	$ -	$ 4,489,150	$ 4,489,150

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
State sources	$ 414,774	$ 465,630	$ 519,321	$ 53,691
Federal sources	552,971	621,433	621,433	-
Total revenues	967,745	1,087,063	1,140,754	53,691
Expenditures				
Instruction	938,767	1,034,998	1,092,015	57,017
Student transportation	28,978	29,564	26,238	(3,326)
Community services	-	54,795	54,795	-
Total expenditures	967,745	1,119,357	1,173,048	53,691
Excess (deficit) of revenues over expenditures	-	(32,294)	(32,294)	-
Other Financing Sources (Uses)				
Operating transfers in	-	32,294	32,294	-
Total other financing sources (uses)	-	32,294	32,294	-
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
Fund balance, July 1, 2018	-	-	-	-
Fund balance, June 30, 2019	$ -	$ -	$ -	$ -

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ -	$ -	$ -	$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	-	-	-	-
Expenditures				
Facilities acquisition and construction	$ -	$ 4,123,671	$ 6,635,284	$ 2,511,613
Total expenditures	-	4,123,671	6,635,284	2,511,613
Excess (deficit) of revenues over expenditures	-	(4,123,671)	(6,635,284)	(2,511,613)
Other Financing Sources (Uses)				
Proceeds from sale of bonds and capital leases	-	2,921,104	2,995,000	73,896
Operating transfers in	-	1,385,017	1,202,568	(182,449)
Total other financing sources (uses)	-	4,306,121	4,197,568	(108,553)
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	182,450	(2,437,716)	(2,620,166)
Fund balance, July 1, 2018	-	-	4,099,077	4,099,077
Fund balance, June 30, 2019	$ -	$ 182,450	$ 1,661,361	$ 1,478,911

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2019

	Issue of 2008R	Issue of 2009	Issue of 2010R	Issue of 2011	Issue of 2012R
Cash at July 1, 2018	$ -	$ -	$ -	$ -	$ -
Receipts:					
Transfers and miscellaneous deposits	131,536	202,533	66,180	112,569	103,907
Disbursements:					
Bonds paid	35,000	135,000	105,000	70,000	95,000
Interest coupons	551	64,242	13,210	44,481	11,208
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	35,551	199,242	118,210	114,481	106,208
Excess of disbursements over receipts	95,985	3,291	(52,030)	(1,912)	(2,301)
Cash at June 30, 2019	95,985	3,291	(52,030)	(1,912)	(2,301)
Fund balance at June 30, 2019	$ 95,985	$ 3,291	$ (52,030)	$ (1,912)	$ (2,301)

	Issue of 2015	Issue of 2016	Issue of 2016R	Issue of 2018	Total
Cash at July 1, 2018	$ -	$ -	$ -	$ -	$ -
Receipts:					
Transfers and miscellaneous deposits	135,940	246,087	115,246	41,696	1,259,601
Disbursements:					
Bonds paid	625,000	30,000	130,000	30,000	1,320,000
Interest coupons	136,070	97,014	26,575	158,076	620,882
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	761,070	127,014	156,575	188,076	1,940,882
Excess of disbursements over receipts	(625,130)	119,073	(41,329)	(146,380)	(681,281)
Cash at June 30, 2019	(625,130)	119,073	(41,329)	(146,380)	(681,281)
Fund balance at June 30, 2019	$ (625,130)	$ 119,073	$ (41,329)	$ (146,380)	$ (681,281)

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2019

	Fund Balance June 30, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Agriculture	$ 1,040	$ 1,823	$ 2,863	$ -
Business fund	2,241	406	2,128	519
Reading	4,622	730	-	5,352
English	3,645	9,047	11,231	1,461
AP classes	129	-	4	125
Health	381	196	-	577
Family & con science	375	3,339	3,565	149
Math	2,278	1,642	3,919	1
Physical education	884	1,275	2,158	1
Wellness center	783	-	299	484
Science fund	4,008	2,358	2,790	3,576
Social studies	62	-	-	62
Spanish	3,596	3,483	3,649	3,430
Spanish club	180	52	88	144
Special education	14	263	276	1
Technology	2,214	283	614	1,883
Robotics/Lego Club	494	-	-	494
Band	1,783	8,324	10,107	-
Band trip	460	6,077	4,889	1,648
Choral music	-	7,376	7,105	271
General music	34	-	34	-
Cashbox	-	3,200	3,200	-
Athletics	14,909	157,366	161,546	10,729
Boys golf	-	6,348	6,348	-
Girls golf	509	2,917	3,425	1
Volleyball	653	8,224	5,451	3,426
Athletic boosters	12,511	38,665	47,433	3,743
Intramural Volleyball	4,031	2,160	4,258	1,933
Intramural Basketball	-	2,075	1,650	425
Girls soccer	2,254	12,927	7,226	7,955
Boys soccer	2,077	4,338	4,687	1,728
Baseball	1,223	6,903	7,328	798
Track	2,980	12,801	14,872	909
Softball	1,082	1,969	3,050	1
Cross country	783	7,511	7,086	1,208
Wrestling	2,054	5,388	7,442	-
Tennis	1,494	3,045	2,458	2,081
Football	3,863	16,195	17,594	2,464
Bass Fishing	2,091	-	1,828	263
Varsity cheer	12,965	24,368	28,993	8,340
Exercise equipment	649	-	-	649
Girls basketball	1,905	27,652	27,202	2,355
FCA	105	436	426	115
Tournament account	1,138	25	225	938
Basketball	9,229	16,735	19,319	6,645
Art Club	223	-	91	132
Art fund	-	3,916	3,824	92

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2019

	Fund Balance June 30, 2018	Receipts	Disbursements	Fund Balance June 30, 2019
Beta club	$ 5,586	$ 1,997	$ 558	$ 7,025
Advisory Board	6	-	-	6
FBLA	719	4,886	5,605	-
FFA	11,024	14,738	19,179	6,583
FCCLA	1,456	8,997	9,223	1,230
Academic Team	-	35	35	-
Y club	620	13,360	12,949	1,031
Wake up Walton	1,757	2,650	2,725	1,682
Drama	4,273	7,486	5,687	6,072
Theatre	1,126	2,412	2,572	966
G.L.O.W.	75	-	-	75
Bowling club	1	-	-	1
Junior class	7,277	6,930	8,121	6,086
Project prom	992	3,113	2,794	1,311
Senior class 2017/2018	-	10,887	10,887	-
Yearbook	14,632	8,703	4,879	18,456
Concession fund	15	1,065	980	100
School Climate fund	1,258	1,329	274	2,313
HS student council	260	-	251	9
General fund	3,365	7,877	6,984	4,258
Guidance fund	-	1,918	1,103	815
Library fines	251	-	-	251
Media	3	-	-	3
N.K.O.A.	286	350	598	38
Emergency assistance	718	-	-	718
Parking permit	1,142	1,598	880	1,860
Quest program	319	1,901	2,220	-
Technology club	-	5,217	-	5,217
Spanish Summer TRII	-	3,239	3,239	-
Textbooks	6,324	16,330	22,654	-
Workbooks	1,801	1,624	280	3,145
2017-2018 HS fees	1,628	55,735	54,334	3,029
APEX	19	-	-	19
Rhoda Humphrey memorial	-	1,000	1,000	-
Cappie Stephenson	1,363	-	600	763
Evan Ryan scholarship - CD	34,122	-	-	34,122
Kendall Smith scholarship - CD	10,645	-	-	10,645
Max Gjerde Memorial	-	1,000	1,000	-
Hunter Donovan Me	-	746	500	246
W. Hayes scholarship	-	-	-	-
Kendal Smith scholarship	2,076	1,521	1,000	2,597
Les Stephens scholarship	1,000	1,000	1,000	1,000
Evan Ryan memorial fund	1,000	500	1,500	-
Club scholarship	65	-	-	65
	$ 225,155	$ 601,982	$ 628,292	$ 198,845

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2019

	Walton-Verona Middle School	Walton-Verona Elementary School	Total
Fund balance at July 1, 2018	$ 55,095	$ 26,732	$ 81,827
Add: receipts	228,644	73,717	302,361
Less: disbursements	(225,153)	(62,763)	(287,916)
Fund balance at June 30, 2019	$ 58,586	$ 37,686	$ 96,272

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – TRS

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability	0%	0%	0%	0%	0%	*	*	*	*	*
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	32,267,909	67,912,869	72,445,775	55,139,445	45,246,643	*	*	*	*	*
Total	$ 32,267,909	$ 67,912,869	$ 72,445,775	$ 55,139,445	$ 45,246,643	*	*	*	*	*
District's covered-employee payroll	$ 7,752,761	$ 7,678,128	$ 7,318,884	$ 6,937,804	$ 6,892,833	$ 6,621,340	$ 6,334,890	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	59.27%	39.83%	35.22%	42.49%	45.59%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation , the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 261,070	$ 263,854	$ 245,799	$ 224,296	$ 161,896	$ 109,295	$ 72,600	$ 38,260	*	*
Contributions in relation to the contractually required contribution									*	*
Contributions in relation to the contractually required contribution	(261,070)	(263,854)	(245,799)	(224,296)	(161,896)	(109,295)	(72,600)	(38,260)	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	*	*
District's covered-employee payroll	$ 7,806,779	$ 7,752,761	$ 7,678,128	$ 7,318,884	$ 6,937,804	$ 6,892,833	$ 6,621,340	$ 6,334,890	*	*
Contributions as a percentage of of covered-employee payroll	3.34%	3.40%	3.20%	3.06%	2.33%	1.59%	1.10%	0.60%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

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

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of net pension liability	0.082456%	0.084560%	0.087272%	0.084117%	0.083182%	*	*	*	*	*
District's proportionate share of the net pension liability	$ 5,021,822	$ 4,949,557	$ 4,296,938	$ 3,616,625	$ 2,699,000	*	*	*	*	*
Total net pension liability	$ 6,090,304,793	$ 5,853,307,482	$ 4,923,618,237	$ 4,299,525,565	$ 3,244,377,000	*	*	*	*	*
District's covered-employee payroll	$ 2,073,945	$ 2,086,221	$ 2,087,822	$ 1,959,068	$ 1,908,316	$ 1,885,004	$ 1,870,439	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	242.1%	237.2%	205.8%	184.6%	141.4%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	53.54%	53.30%	55.50%	59.97%	66.80%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2009: A new benefit tire for members who first participate on or after September 1, 2008 was introduced which included the following changes:
1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 456,122	$ 397,774	$ 389,706	$ 356,183	$ 346,167	$ 360,481	$ 368,519	$ 354,669	*	*
Contributions in relation to the contractually required contribution	(456,122)	(397,774)	(389,706)	(356,183)	(346,167)	(360,481)	(368,519)	(354,669)	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	*	*
District's covered-employee payroll	$ 2,123,467	$ 2,073,945	$ 2,086,221	$ 2,087,822	$ 1,959,068	$ 1,908,316	$ 1,885,004	$ 1,870,439	*	*
Contributions as a percentage of of covered-employee payroll	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%	19.55%	18.96%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District’s Proportionate Share of the Net OPEB Liability – LIF

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0%	0%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ -	$ -	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	65,000	52,000	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 65,000	$ 52,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 7,752,761	$ 7,678,128	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	74.97%	79.99%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution raets reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.50%
Real wage growth	0.50%
Wage inflation	4.00%
Salary increases, including wage inflation	4.00% - 8.10%
Discount rate	7.50%

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ -	$ -	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 7,806,779	$ 7,752,761	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	0.00%	0.00%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.126550%	0.343819%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ 4,391,000	$ 4,717,000	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	$ 3,784,000	$ 3,853,000	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 8,175,000	$ 8,570,000	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 7,752,761	$ 7,678,128	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	56.6%	61.4%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	25.54%	21.18%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 225,425	$ 324,039	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(225,425)	(324,039)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 7,806,779	$ 7,752,761	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	2.89%	4.18%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contributions rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and older	5.75% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B premiums	0% for FY 2018 with an ultimate rate of 5.00% by 2030
Under age 65 claims	the current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective trust OPEB liability	0.082453%	0.084560%	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	$ 1,463,937	$ 1,699,945	*	*	*	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	$ -	$ -	*	*	*	*	*	*	*	*
Total net OPEB liability	$ 1,463,937	$ 1,699,945	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 2,073,945	$ 2,086,221	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	70.6%	81.5%	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.40%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions:

1. The assumed investment return was changed from 7.50% to 6.25%.
2. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.
3. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.
4. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018: Updated healthcare trend rates were implemented.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	$ 96,052	$ 97,382	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(96,052)	(97,382)	*	*	*	*	*	*	*	*
Contribution deficiency	-	-	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 2,123,467	$ 2,073,945	*	*	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.52%	4.70%	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2019
U.S. Department of Education			
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 18	$ 318,030
Special Education_Preschool Grants	84.173	3800002 18	24,378
Total Special Education Cluster			342,408
Title I Grants to Local Educational Agencies	84.010	3100002 18	183,283
Career and technical Education -Basic Grants to States	84.048	3710002 18	32,029
Title II Improving Teacher Quality State Grants	84.367	3230002 18	43,713
Title IV-Part A Student Support and Academic Enrichment Grant	84.424	3420002 17	10,000
Title IV-Part A Student Support and Academic Enrichment Grant	84.424	3420002 18	10,000
Total U.S. Department of Education			621,433
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	7750002 18	60,935
National School Lunch Program	10.555	7750002 19	244,278
School Breakfast Program	10.553	7760005 18	17,370
School Breakfast Program	10.553	7760005 19	67,873
Passed through Kentucky Department of Agriculture			
National School Lunch Program - Food Donation	10.555	059-0203	32,448
Total Child Nutrition Cluster			422,904
Total U.S. Department of Agriculture			422,904
			$ 1,044,337

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Walton Verona Independent School District under programs of the federal government for the year ended June 30, 2019, and is reported on the accrual basis of accounting. 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*. Because the schedule presents only a selected portion of the operations of Walton Verona 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

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2019, the District reported food commodities expended in the amount of $32,448.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2019.

BARNES DENNIG
Accounting • Tax • Business Insight

KENTUCKY OFFICE
2617 Legends Way
Crestview Hills, KY 41017
Main: 859.344.6400
Fax: 856.578.7522

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

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Walton Verona Independent School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Walton Verona Independent School District's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Walton Verona Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Walton Verona Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Walton Verona 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 Walton Verona 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management of the District in pages 75-76.

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

(Continued)

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

BARNES DENNIG
Accounting • Tax • Business Insight

KENTUCKY OFFICE
2617 Legends Way
Crestview Hills, KY 41017
Main: 859.344.6400
Fax: 856.578.7522

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

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

We have audited Walton Verona 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 Walton Verona Independent School District's major federal programs for the year ended June 30, 2019. Walton Verona Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Walton Verona 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). 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 Walton Verona 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 Walton Verona Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Walton Verona 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, 2019.

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

(Continued)

Report on Internal Control Over Compliance

Management of Walton Verona 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 Walton Verona 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 Walton Verona Independent School District's internal control over compliance.

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

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 12, 2019

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______	Yes	X	None noted
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______	Yes	X	None noted

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
10.555/10.553	Child Nutrition Cluster (Food Service)

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?	X	Yes	______	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
For the Year Ended June 30, 2019

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2019, 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.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2019 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 12, 2019, on the financial statements of the Walton-Verona Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

2019-01: Documentation of Employee pay not agreeing to timecard.

Criteria – Controls should be in place to ensure documentation is retained when employees are paid different than their timecard.

Condition – During audit testing, it was noted that an individual was paid for time that did not agree to their time as entered on the timecard.

Effect – Proper documentation surrounding payroll were not retained.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that controls be implemented and followed for processing of hourly employees' payroll to ensure documentation is retained regarding employee hours paid when not agreeing to the timecard.

Board Response – A new timecard reconciliation process has been implemented to ensure that discrepancies with timecards are addressed prior to payment of the employee.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable

Walton-Verona Middle School

No matters are reportable

Walton-Verona Elementary School

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
(Continued)
Year Ended June 30, 2019

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable

Walton-Verona Middle School

No matters are reportable

Walton-Verona Elementary School

No matters are reportable