

**AUGUSTA INDEPENDENT SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**



**MADDOX & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Augusta Independent School District  
Augusta, 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 Augusta Independent School District (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 8, budgetary comparison on pages 46 to 47, and pension and OPEB schedules on pages 48 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

**Maddox & Associates CPAs Inc.**

Fort Thomas, Kentucky

October 30, 2020



As management of the Augusta Independent School District we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements.

#### **ACCOMPLISHMENTS AND TRANSPARENCY**

- The District purchased 20 Chromebooks and two charging stations for elementary classrooms
- The District purchased 5 staff computers to replace aging devices
- The District replaced one Epsom Bright Link interactive white board for an elementary classroom
- The District renovated two board office restrooms and the conference room
- The District installed a new 38 camera school surveillance system with two monitors, 32, 16, and 8 channel hard drives and ten amp power supplies
- The District installed a new school phone system
- The District installed a new school intercom system
- The District installed a new media center in the gymnasium
- The District replaced gutters around the gymnasium
- The District installed a portable A/C unit in the school resource officer's office
- The District replaced HVAC ventilation diffusers throughout the 2008 addition

#### **FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of the District were less than the liabilities and deferred flows by \$331,477 at the close of the current fiscal year. The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$905,158. The District is required to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2020, the District had liabilities of \$1,623,213 for postemployment benefits, which has caused the deficit balance in the unrestricted net position.

The District's total net position decreased \$162,552 primarily due to postemployment benefit plan expense incurred during the fiscal year.

At the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$527,099, a decrease of \$120,855 from the prior year. Of this amount, \$507,365 is available for spending at the District's discretion (unassigned fund balance).

At the close of the current fiscal year, the unassigned fund balance was approximately 13% of total fund expenditures.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements. This report also included supplementary information intended to furnish additional detail to support the basic financial statements themselves.

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position.

The statement of activities presents information showing how the District 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

The governmental activities of the District include general government, police, fire, public works, and recreation.

The government-wide financial statements can be found on pages 9-11 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. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required to be established by State law. However, the District may establish other funds to help it control and manage money for particular purposes.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resource, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, and the debt service fund which are considered to be major funds.

The District adopts an annual appropriated budget for each of the major funds. A budgetary comparison schedule has been provided for each major fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 12-15 of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-45 of this report.

**OTHER INFORMATION**

In addition to the basic financial statements and notes to the financial statements, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 46-52 of this report.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 804,936	\$ 978,936
Capital assets	<u>3,977,349</u>	<u>4,276,526</u>
Total assets	<u>4,782,285</u>	<u>5,255,462</u>
Deferred outflows of resoucrs	<u>462,290</u>	<u>322,383</u>
Liabilities		
Current liabilities	226,605	607,981
Long-term liabilities	<u>5,010,591</u>	<u>4,922,341</u>
Total liabilities	<u>5,237,196</u>	<u>5,530,322</u>
Deferred inflows of resources	<u>338,856</u>	<u>1,039,322</u>
Net position		
Net investment in capital assets	632,349	596,823
Restricted	(58,668)	(95,164)
Unrestricted	<u>(905,158)</u>	<u>(664,211)</u>
Total net position	<u>\$ (331,477)</u>	<u>\$ (162,552)</u>

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**Change in Net Position**

	<u>2020</u>	<u>2019</u>
Revenues		
Local sources	\$ 674,915	\$ 692,575
State programs	2,991,807	1,813,528
Federal programs	<u>319,385</u>	<u>494,169</u>
Total revenues	<u>3,986,107</u>	<u>3,000,272</u>
Expenses		
Instruction	2,111,792	855,152
Student	253,811	231,545
Instruction staff	23,343	20,198
District administrative	345,338	330,940
School administrative	229,237	207,159
Business support	167,349	164,790
Plant operation and maintenance	612,480	558,070
Student transportation	112,735	95,227
Community services	43,443	39,818
Food service	148,384	194,181
Interest on long-term debt	<u>107,120</u>	<u>109,172</u>
Total expenses	<u>4,155,032</u>	<u>2,806,252</u>
Decrease in net position	(168,925)	194,020
Net position - beginning	<u>(162,552)</u>	<u>(356,572)</u>
Net position - ending	<u>\$ (331,477)</u>	<u>\$ (162,552)</u>

**Capital Assets**

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 37,566	\$ 40,082
Buildings and improvements	3,837,363	4,119,806
Technology equipment	15,505	15,505
Vehicles	39,132	43,917
General equipment	<u>47,783</u>	<u>57,216</u>
Total capital assets	<u>\$ 3,977,349</u>	<u>\$ 4,276,526</u>

**Long-Term Debt**

	<u>2020</u>	<u>2019</u>
General obligations bonds	\$ 3,345,000	\$ 3,650,000

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director of Finance, 307 Bracken Street, Augusta, KY 41002.

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 614,779	\$ 45,890	\$ 660,669
Receivables:			
Taxes	15,394		15,394
Accounts	5,471		5,471
Intergovernmental	70,899		70,899
Interfund	47,161		47,161
Inventories		5,342	5,342
Capital assets, net	3,945,954	31,395	3,977,349
<b>Total assets</b>	<b>4,699,658</b>	<b>82,627</b>	<b>4,782,285</b>
<b>Deferred Outflows</b>			
Debt refundings	73,362		73,362
Pension related	167,974	29,445	197,419
OPEB related	177,320	11,936	189,256
<b>Total deferred outflows</b>	<b>418,656</b>	<b>41,381</b>	<b>460,037</b>
<b>Liabilities</b>			
Accounts payable	10,283		10,283
Accrued salaries and benefits	146,276		146,276
Deferred revenue	22,885		22,885
Interfund payable	47,161		47,161
Noncurrent liabilities:			
Due within one year:			
Accrued interest payable	13,928		13,928
Accrued sick leave	5,218		5,218
Bonds payable	310,000		310,000
Capital leases	9,091		9,091
KSBIT payable	1,147		1,147
Due in more than one year:			
Bonds payable	3,035,000		3,035,000
Bond discount	(17,107)		(17,107)
Capital leases	30,101		30,101
Net pension liability	628,776	110,960	739,736
Net OPEB liability	849,872	26,625	876,497
<b>Total liabilities</b>	<b>5,092,631</b>	<b>137,585</b>	<b>5,230,216</b>

See accompanying notes to financial statements.

Augusta Independent School District  
Statement of Activities  
Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities	Total
			Operating	Capital			
<b>Governmental activities</b>							
Instruction	\$ 2,111,792	\$ 13,756	\$ 218,657		\$ (1,879,379)		\$ (1,879,379)
Support services:							
Student	253,811		23,458		(230,353)		(230,353)
Instruction staff	23,343		25,206		1,863		1,863
District administrative	345,338				(345,338)		(345,338)
School administrative	229,237				(229,237)		(229,237)
Business support	167,349				(167,349)		(167,349)
Plant operation and maintenance	612,480		99,704		(512,776)		(512,776)
Student transportation	112,735	1,772	48,551		(62,412)		(62,412)
Community services	43,443	765	20,000		(22,678)		(22,678)
Interest on long-term debt	107,120			58,681	(48,439)		(48,439)
<b>Total governmental activities</b>	<b>4,006,648</b>	<b>16,293</b>	<b>435,576</b>	<b>58,681</b>	<b>(3,496,098)</b>	<b>0</b>	<b>(3,496,098)</b>
<b>Business-type activities</b>							
Food service	139,864	12,499	156,180			28,815	28,815
<b>Total business-type activities</b>	<b>139,864</b>	<b>12,499</b>	<b>156,180</b>	<b>0</b>	<b>0</b>	<b>28,815</b>	<b>28,815</b>
<b>Total District</b>	<b>\$ 4,146,512</b>	<b>\$ 28,792</b>	<b>\$ 591,756</b>	<b>\$ 58,681</b>	<b>(3,496,098)</b>	<b>28,815</b>	<b>(3,467,283)</b>
<b>General Revenues</b>							
Property taxes					411,923		411,923
Motor vehicle taxes					31,913		31,913
Utilities tax					156,317		156,317
State and federal sources					2,660,755		2,660,755
Investment earnings					2,935		2,935
Other revenues					43,035		43,035
Funds transfer					0		0
<b>Total general revenues</b>					<b>3,306,878</b>	<b>0</b>	<b>3,306,878</b>
Change in net position					(189,220)	28,815	(160,405)
Net position - beginning					(95,250)	(67,302)	(162,552)
<b>Net position - end of year</b>					<b>\$ (284,470)</b>	<b>\$ (38,487)</b>	<b>\$ (322,957)</b>

See accompanying notes to financial statements.

**Deferred inflows**

Related to pensions	65,550	11,568	77,118
Related to OPEB	244,603	13,342	257,945
Total deferred inflows	310,153	24,910	335,063

**Net position**

Net investment in capital assets	600,954	31,395	632,349
Restricted	19,734	(69,882)	(50,148)
Unrestricted	(905,158)		(905,158)
Total net position	\$ (284,470)	\$ (38,487)	\$ (322,957)

See accompanying notes to financial statements.

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 609,980	\$	\$	\$ 4,799	\$ 614,779
Receivables:					
Taxes	15,394				15,394
Accounts	5,471				5,471
Intergovernmental	853	70,046			70,899
Interfund receivable	47,161				47,161
<b>Total assets</b>	<b>\$ 678,859</b>	<b>\$ 70,046</b>	<b>\$ 0</b>	<b>\$ 4,799</b>	<b>\$ 706,543</b>
<b>Liabilities</b>					
Accounts payable	\$ 10,283	\$	\$	\$	\$ 10,283
Accrued salaries and benefits	146,276				146,276
Deferred revenue		22,885			22,885
Interfund payable		47,161			47,161
<b>Total liabilities</b>	<b>156,559</b>	<b>70,046</b>	<b>0</b>	<b>0</b>	<b>226,605</b>
<b>Fund balances</b>					
Restricted	14,935			4,799	19,734
Unassigned	507,365				507,365
<b>Total fund balances</b>	<b>522,300</b>	<b>0</b>	<b>0</b>	<b>4,799</b>	<b>527,099</b>
<b>Total liabilities and fund balances</b>	<b>\$ 678,859</b>	<b>\$ 70,046</b>	<b>\$ 0</b>	<b>\$ 4,799</b>	<b>\$ 753,704</b>

See accompanying notes to financial statements.

Augusta Independent School District  
 Reconciliation of Balance Sheet – Governmental Funds to Statement of Net Position  
 June 30, 2020

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Total governmental fund balances		\$ 527,099
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$8,311,940, net of accumulated depreciation of \$4,365,986 used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,945,954
Deferred outflows and inflows of resources related to postretirement benefits (pension and OPEB) are applicable to future periods and, therefore, not reported in the funds.		
Deferred outflows - pension related	167,974	
Deferred outflows - OPEB related	177,320	
Deferred inflows - pension related	(65,550)	
Deferred inflows - OPEB related	<u>(244,603)</u>	
Total deferred outflow and inflow related to postretirement benefits		35,141
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable	(13,928)	
Compensated absences	(5,218)	
Bonds payable	(3,345,000)	
Capital leases	(39,192)	
KSBIT	(1,147)	
Net pension liability	(628,776)	
Net OPEB liability	<u>(849,872)</u>	
Total long-term liabilities		(4,883,133)
Governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		<u>90,469</u>
Net position of governmental activities		<u>\$ (284,470)</u>

See accompanying notes to financial statements.



Augusta Independent School District  
Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds  
Year Ended June 30, 2020

	General Fund	Special Revenue	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources:					
Taxes:					
Property	\$ 349,699	\$	\$	\$ 62,224	\$ 411,923
Motor vehicle	31,913				31,913
Utilities	156,317				156,317
Tuition	13,756				13,756
Transportation	1,772				1,772
Earnings on investments	2,935				2,935
Community service fees	765				765
Other local revenue	17,451	18,110		7,018	42,579
Intergovernmental - State	1,373,475	220,950		99,704	1,694,129
Intergovernmental - State on behalf	842,161		299,337		1,141,498
Intergovernmental - Indirect federal	6,607	312,778			319,385
<b>Total revenues</b>	<b>2,796,851</b>	<b>551,838</b>	<b>299,337</b>	<b>168,946</b>	<b>3,816,972</b>
<b>Expenditures</b>					
Instruction	1,625,330	426,586		5,406	2,057,322
Support services:					
Student	154,139	87,228			241,367
Instruction staff	23,343				23,343
District administrative	336,226				336,226
School administrative	222,258				222,258
Business support	167,349				167,349
Plant operation and maintenance	318,083			17,250	335,333
Student transportation	111,731				111,731
Community services		43,443			43,443
Debt service					
Principal			305,000		305,000
Interest			94,911		94,911
<b>Total expenditures</b>	<b>2,958,459</b>	<b>557,257</b>	<b>399,911</b>	<b>22,656</b>	<b>3,938,283</b>
Excess of revenues over (under) expenditures	(161,608)	(5,419)	(100,574)	146,290	(121,311)
<b>Other financing sources (uses)</b>					
Transfers in	61,281	5,313	100,574		167,168
Transfers out	(5,313)			(161,855)	(167,168)
Sale of assets	350	106			456
<b>Total other financing sources (uses)</b>	<b>56,318</b>	<b>5,419</b>	<b>100,574</b>	<b>(161,855)</b>	<b>456</b>
Net change in fund balances	(105,290)	0	0	(15,565)	(120,855)
Fund balances - beginning of year	627,590	0	0	20,364	647,954
Fund balances - end of year	\$ 522,300	\$ 0	\$ 0	\$ 4,799	\$ 527,099

See accompanying notes to financial statements.

Augusta Independent School District  
 Reconciliation of Statement of Revenues, Expenditures and Changes in  
 Fund Balances - Governmental Funds to Statement of Activities  
 Year Ended June 30, 2020

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Net change in fund balances - total governmental funds	\$ (120,855)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	0	
Depreciation expense	(282,346)	
Total capital asset activities	(282,346)	(282,346)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effects of bond issuance premiums with debt is first issued, whereas these amounts are deferred and amortized in statement of activities.

Principal paid on bonds	305,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, not reported as expenditures in the governmental funds.

Accrued interest payable	1,750	
Changes in pension liabilities and related deferred outflows and inflows	(86,694)	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(13,971)	
Amortization of bond premiums	7,896	
Total expense activities	(91,019)	(91,019)

Change in net position of governmental activities	\$ (189,220)
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See accompanying notes to financial statements.

	Food Service Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 45,890
Inventories for consumption	5,342
Capital assets, net	31,395
<b>Total assets</b>	<b>82,627</b>
<b>Deferred outflows</b>	
Pension related	29,445
OPEB related	11,936
<b>Total deferred outflows</b>	<b>41,381</b>
<b>Liabilities</b>	
Net pension liability	110,960
Net OPEB liability	26,625
<b>Total liabilities</b>	<b>137,585</b>
<b>Deferred inflows</b>	
Pension related	11,568
OPEB related	13,342
<b>Total deferred inflows</b>	<b>24,910</b>
<b>Net position</b>	
Net investment in capital assets	31,395
Unrestricted	(69,882)
<b>Total net position</b>	<b>\$ (38,487)</b>

See accompanying notes to financial statements.

Augusta Independent School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
Year Ended June 30, 2020

	Food Service Fund
<b>Operating revenues</b>	
Lunchroom sales	\$ 12,167
Miscellaneous	332
Total operating revenues	12,499
<b>Operating expenses</b>	
Salaries and wages	62,783
Employee benefits	(37,896)
Materials and supplies	91,332
Other operating expenses	6,814
Depreciation	16,831
Total operating expenses	139,864
Operating loss	(127,365)
<b>Nonoperating revenues</b>	
State operating grants	2,438
Federal grants	143,287
Donated commodities	10,455
Total nonoperating revenues	156,180
Change in net position	28,815
Net position - beginning of year	(67,302)
Net position - end of year	\$ (38,487)

See accompanying notes to financial statements.

	<u>Food Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from lunchroom sales and fees	\$ 12,499
Cash payments to employees for services	(77,156)
Cash payments to suppliers for goods and services	(77,430)
Cash payments for other operating expenses	(6,814)
Net cash used for operating activities	(148,901)
<b>Cash flows from noncapital financing activities</b>	
Government grants	145,725
Net cash provided by noncapital financing activities	145,725
Net decrease in cash and cash equivalents	(3,176)
Cash - beginning of year	49,066
Cash - end of year	\$ 45,890
<b>Reconciliation of operating loss to net cash used for operating activities</b>	
Operating loss	\$ (127,365)
<b>Adjustments to reconcile operating loss to net cash used for operating activities</b>	
Depreciation	16,831
Commodities received	10,455
Pension contributions in excess of pension expense	(38,821)
OPEB contributions in excess of OPEB expense	(13,448)
Change in inventory	3,447
Net cash used for operating activities	\$ (148,901)
<b>Noncash Activities</b>	
Donated commodities	\$ 10,455

See accompanying notes to financial statements.

Augusta Independent School District  
Statement of Net Position  
Fiduciary Funds  
June 30, 2020

	Trust Funds	Agency Funds
<b>Assets</b>		
Cash	\$ 40,186	\$ 56,818
Total assets	40,186	56,818
<b>Liabilities</b>		
Due to student groups		56,818
Total liabilities	0	56,818
<b>Net position</b>		
Held in trust	\$ 40,186	\$ 0
	40,186	0

See accompanying notes to financial statements.

Augusta Independent School District  
Statement of Changes in Net Position  
Fiduciary Funds  
Year Ended June 30, 2020

	Trust Funds
<b>Additions</b>	
Interest income	\$ 261
Total additions	261
<b>Deductions</b>	
Scholarships paid	4,000
Total deductions	4,000
Change in net position	(3,739)
Net position - beginning of year	43,925
Net position - end of year	\$ 40,186

See accompanying notes to financial statements.

## **NOTE 1: ACCOUNTING POLICIES**

### ***Reporting Entity***

The Augusta 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 education within the jurisdiction of Augusta Independent Board of Education (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by Section 2100 of the GASB 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 or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

The financial statements of the District include those 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:

**Augusta Independent Board of Education Finance Corporation** – In 1992 the Board resolved to authorize the establishment of the Augusta Independent Board of Education Finance Corporation (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 members of the Board also comprise the Corporation's Board of Directors.

### ***Basis of Presentation***

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

### **Government-Wide Financial Statements**

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 statement of net position presents the financial condition of the governmental and business-type activities of the District at year end. The 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.



## **NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

### **Government-Wide Financial Statements (Continued)**

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**

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the proprietary funds include personnel and other expenses related to water and sewer operations. All revenues not meeting these definitions are reported as nonoperating revenues and expenses.

### **Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are two categories of funds: governmental and proprietary.

### **Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or may not be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflow, liabilities, and deferred inflows is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District

*Special Revenue Fund* – The special revenue fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District

*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 used by Proprietary Funds).

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

*Capital Outlay Fund* – This Support Education Excellence in Kentucky (SEEK) fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified by the District’s facility plan.

*Building Fund* - This Facility Support Program of Kentucky (FSPK) fund 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.

*Construction Fund* – This fund accounts for proceeds from sales of bonds and other revenues used by the district for authorized construction. This is a major fund of the District. The District is committed to construction contracts in the amount of approximately \$600,000 for ongoing projects as of June 30, 2019.

*Debt Service Fund* – This 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, as required by state law.

**Proprietary Fund Types (Enterprise Funds)**

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

**Fiduciary Fund Types (Agency Funds and Trust Funds)**

*Activity Fund* – This fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

*Trust Fund* – This fund is used to report trust arrangements under which principal and income benefit individuals.

**Measurement Focus and Basis of Accounting**

**Government-Wide, Proprietary, and Fiduciary Financial Statements** – The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the District are included on the balance sheet. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

**Fund Financial Statements** – Governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (e.g. revenues and other financing sources) and uses (e.g. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which government –wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the financial statements for governmental funds.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Cash and Cash Equivalents***

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

***Inventories***

Supplies and materials are charged to expenditures when purchased with the exception of proprietary funds, which record inventory at cost, determined on the first-in, first-out basis.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000 with the exception of computers and real property for which there is no threshold. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value to the asset or materially extend an asset’s life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
General equipment	7-10 years
Food service equipment	10-12 years

***Deferred Outflows of Resources – Pension, OPEB, and Debt Refunding***

The District reports decreases in net position that relates to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred outflows of resources reported in the financial statements include (1) deferred amount arising from the refunding of bonds, (2) deferred outflows of resources for contributions made to the District’s defined benefit pension plan between the measurement date of the plan net pension liabilities and the end of District’s fiscal year, and (3) deferred outflows of resources related to the changes between the expected and actual experiences for the plan and changes in actuarial assumptions. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The deferred outflows related to experience and assumption changes will be recognized in future periods.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources – Pension and OPEB***

The District reports increases in net position that relates to future periods as deferred inflows of resources in a separate section of its government-wide and proprietary fund statements of net position. The deferred inflows of resources reported in the financial statements arise from changes in the expected and actual experiences for the plan and for changes in assumptions. The deferred inflows related to these changes will be recognized in future periods.

***Net Pension Liability***

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

***Net OPEB Liability***

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

***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 past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and retirement incentives that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and capital lease obligations are not recognized as a liability on the governmental fund financial statements until due.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

***Net Position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component of net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of programs to enhance the security of persons and property.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balances***

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** - includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

**Restricted** - is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**Committed** - includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of District Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless District Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - amounts are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of District Council.

**Unassigned** - the residual classification for the general fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**NOTE 1: ACCOUNTING POLICIES (CONTINUED)**

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within restricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classifications could be used.

***Property Taxes***

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

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

***Revenues – Exchange and Non-exchange Transactions***

-Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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 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 the 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, for which the District must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

***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. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead.

**NOTE 1: 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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic 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 statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

***Budgetary Process***

Budgetary Basis of Accounting - The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and GAAP basis are: (1) revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); and (2) expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

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

***Subsequent Events***

The District has evaluated subsequent events for potential recognition and disclosure through October 30, 2016, the date the financial statements were available to be issued.

**NOTE 2: CASH AND CASH EQUIVALENTS**

At year end the carrying amounts of the District’s total cash and cash equivalents was \$757,673 which was covered by Federal Deposit Insurance Corporation (FDIC) insurance and by collateral agreements and collateral held by the pledging bank’s trust department in the District’s name.

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

	Book Balance	Bank Balance
General checking	\$ 660,669	\$ 693,197
Trust fund	40,186	\$ 40,186
School activity	56,818	56,818
	\$ 757,673	\$ 790,201

Breakdown per financial statements

Governmental funds	\$ 614,779
Proprietary fund	45,890
Fiduciary funds	97,004
	\$ 757,673

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned. The District maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2020, all of the District’s deposits are insured by the FDIC or covered by security pledges.

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**NOTE 3: CAPITAL ASSETS**

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

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
<b>Governmental activities</b>				
Land and improvements	\$ 94,405			\$ 94,405
Buildings and improvements	7,610,348			7,610,348
Technology equipment	176,993		20,275	156,718
Vehicles	216,876			216,876
General equipment	213,318		14,323	198,995
<b>Total at historical cost</b>	<b>8,311,940</b>	<b>-</b>	<b>34,598</b>	<b>8,277,342</b>
Less accumulated depreciation				
Land improvements	54,323	2,516		56,839
Buildings and improvements	3,508,698	270,339		3,779,037
Technology equipment	161,488		20,275	141,213
Vehicles	172,959	4,785		177,744
General equipment	186,172	4,706	14,323	176,555
<b>Total accumulated depreciation</b>	<b>4,083,640</b>	<b>282,346</b>	<b>34,598</b>	<b>4,331,388</b>
<b>Capital assets - net</b>	<b>\$ 4,228,300</b>	<b>\$ (282,346)</b>	<b>\$ -</b>	<b>\$ 3,945,954</b>
<b>Business-type activities</b>				
Buildings and improvements	\$ 427,600			\$ 427,600
Technology equipment	7,175		5,190	1,985
General equipment	88,332		3,814	84,518
<b>Total at historical cost</b>	<b>523,107</b>	<b>-</b>	<b>9,004</b>	<b>514,103</b>
Less accumulated depreciation				
Buildings and improvements	409,444	12,104		421,548
Technology equipment	7,175		5,190	1,985
General equipment	58,262	4,727	3,814	59,175
<b>Total accumulated depreciation</b>	<b>474,881</b>	<b>16,831</b>	<b>9,004</b>	<b>482,708</b>
<b>Capital assets - net</b>	<b>\$ 48,226</b>	<b>\$ (16,831)</b>	<b>\$ -</b>	<b>\$ 31,395</b>

Depreciation expense was allocated to governmental activities as follows:

Instruction	\$ 16,409
Student support services	2,358
District administration	480
Plant operation and maintenance	258,314
Student transportation	4,785
	<b>\$ 282,346</b>

**NOTE 4: LONG-TERM OBLIGATIONS**

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 by the Augusta Independent School District Financial Corporation.

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

Issue Date	Proceeds	Rates
2011	\$ 540,000	2.50% to 4.60%
2015	\$ 1,055,000	3.25%
2016	\$ 2,665,000	2.00% to 2.20%

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 sponsoring governmental entity to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into participation agreements with the Kentucky School Facilities 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.

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

Year End June 30	Augusta Independent School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2021	\$ 34,625	\$ 64,312	\$ 53,527	\$ 245,688	\$ 398,152
2022	32,959	64,045	48,259	250,955	396,218
2023	31,012	68,518	42,733	256,482	398,745
2024	29,015	67,860	37,075	262,140	396,090
2025	26,598	70,828	31,282	254,718	383,426
2026	24,360	74,617	25,615	260,383	384,975
2027	21,978	78,322	19,811	261,138	381,249
2028	19,321	81,385	13,739	248,615	363,060
2029	16,476	69,576	7,692	35,424	129,168
2030	13,972	65,440	6,310	39,560	125,282
2031	11,569	69,203	4,747	40,791	126,310
2032	9,052	58,887	3,135	21,113	92,187
2033	7,150	58,188	2,438	21,812	89,588
2034	5,189	62,468	1,717	22,532	91,906
2035	3,170	61,725	973	23,275	89,143
2036	1,084	66,699	297	18,301	86,381
	\$ 287,530	\$ 1,082,073	\$ 299,350	\$ 2,262,927	\$ 3,931,880

**NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)**

Maturities of other debt, which consists of payments on KSBIT settlement and capital leases, is as follows:

Year End June 30	KSBIT	Capital Lease		Total
		Interest	Principal	
2021	\$ 1,147	\$ 1,964	\$ 9,091	\$ 12,202
2022		1,509	9,547	11,056
2023		1,030	10,026	11,056
2024		528	10,528	11,056
2025	\$ 1,147	\$ 5,031	\$ 39,192	\$ 45,370

Changes in long-term obligations are as follows:

	Balance			Amounts	
	July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Bonds payable	\$ 3,650,000		\$ (305,000)	\$ 3,345,000	\$ 310,000
Bond discount	(18,147)		1,040	(17,107)	(1,039)
Capital leases	47,850		(8,658)	39,192	9,091
KSBIT payable	2,293		(1,146)	1,147	1,147
Net pension liability	588,567	151,169		739,736	
Net OPEB liability	966,582		(83,105)	883,477	
	<u>\$ 5,237,145</u>	<u>\$ 0</u>	<u>\$ (313,764)</u>	<u>\$ 3,368,232</u>	<u>\$ 319,199</u>

**NOTE 5: PENSION 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 Teachers' Retirement System of the State of Kentucky (KTRS)**

***Plan description***

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

**NOTE 5: PENSION PLANS (CONTINUED)**

***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.

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

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

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

***Contributions***

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

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

**NOTE 5: PENSION PLANS (CONTINUED)**

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

***Plan description***

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

***Benefits provided***

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

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

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

**NOTE 5: PENSION PLANS (CONTINUED)**

***Contributions***

Required contributions by the employee are based on the tier:

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS 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:

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

District's proportionate share of the CERS net pension liability	\$	739,736
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>6,079,089</u>
<u>Total net pension liability associated with the District</u>	<u>\$</u>	<u>6,818,825</u>

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2019, the District's proportion was 0.008% percent.

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**NOTE 5: PENSION PLANS (CONTINUED)**

For the year ended June 30, 2020, the District recognized pension expense of \$114,917 related to CERS and \$491,649 related to KTRS. The Board also recognized revenue of \$491,649 for KTRS support provided by the Commonwealth. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 18,888	\$ 3,126	
Change of assumptions	74,870		
Change in investment experience	14,200	26,125	
Change in proportionate share of contributions	34,071	47,867	
	142,029	\$ 77,118	\$ 64,911
Subsequent contributions	55,390		
Total	\$ 197,419		

The contributions subsequent to the measurement date of \$55,390 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The net deferral of \$64,911 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2021	\$ 32,226
2022	18,671
2023	13,168
2024	846
	\$ 64,911

***Actuarial assumptions***

The total pension liability as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The Total pension liability was rolled-forward from the valuation date (June 30, 2018 to the plan's fiscal year ending June 30, 2019, using generally accepted accounting principles. was determined using the following actuarial assumptions, applied to all periods included in the measurement. The total pension liability was determine using these actuarial assumptions:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50% - 7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

**NOTE 5: PENSION PLANS (CONTINUED)**

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward for 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.

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

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

Asset Class	CERS		KTRS	
	Target Allocation	Long-term Expected Nominal Return	Target Allocation	Long-term Expected Nominal Return
US Equity	17.50%	4.73%	42.00%	4.40%
Non US Equity	17.50%	6.71%	20.00%	5.30%
Global Bonds	10.00%	3.00%	16.00%	1.50%
Credit Fixed	17.00%	4.59%		
Private Equity	10.00%	6.50%	6.00%	6.70%
Real Estate	5.00%	7.00%	5.00%	4.40%
Absolute Return	10.00%	5.00%		
Real Return	10.00%	5.00%	9.00%	3.60%
Cash	3.00%	1.50%	2.00%	0.08%
	<u>100.00%</u>		<u>100.00%</u>	



**NOTE 5: PENSION PLANS (CONTINUED)**

***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 KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

	<b>1% Decrease</b> <b>(5.25%)</b>	<b>Current</b> <b>Discount Rate</b> <b>(6.25%)</b>	<b>1% Increase</b> <b>(7.25%)</b>
District's proportionate share of the CERS net pension liability	\$ 925,199	\$ 739,736	\$ 285,153

***Pension plan fiduciary net position***

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

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General information about the Teachers’ Retirement System OPEB Plan**

***Plan description***

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined OPEB 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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

**Medical Insurance Plan**

***Plan description***

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

***Benefits Provided***

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

***Contributions***

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

**General information about the County Employee's Retirement System OPEB Plan**

***Plan description***

The District's employees are provided OPEB under provisions of Kentucky Revised Statutes. The Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Insurance Fund is included in a public available financial report that can be viewed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

***Benefits provided***

**Benefits provided**

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For health insurance purposes, employees are grouped into three tiers based on hire date:

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

**Contributions**

For the year ending June 30, 2020, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% for hazardous classifications. Participating employers were required to contribute at an actuarially determined rate. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

**Implicit Subsidy**

The fully-insured premiums KRS Pays for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retiree members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

**OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2020, the District reported a liability for its proportionate share of the net OPEB liability of \$177,497 related to CERS and \$699,000 related to KTRS.

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportionate share at June 30, 2019 was 0.007% related to CERS and 0.017% related to TRS.

District's proportionate share of the KTRS net OPEB liability	\$ 669,000
District's proportionate share of the CERS net OPEB liability	177,497
<u>Total net pension liability associated with the District</u>	<u>\$ 846,497</u>

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,400. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 222,555	
Change of assumptions	71,523	351	
Change in investment experience	4,169	9,053	
Change in proportionate share of contributions	59,493	25,986	
	<u>135,185</u>	<u>\$ 257,945</u>	<u>\$ (122,760)</u>
Subsequent contributions	54,071		
Total	<u>\$ 189,256</u>		

The contributions subsequent to the measurement date of \$54,071 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The net deferral of \$(122,760) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2021	\$ (23,019)
2022	(23,019)
2023	(19,512)
2024	(24,304)
2025	(21,931)
Thereafter	(10,975)
	<u>\$ (122,760)</u>

***Actuarial assumptions***

The total OPEB liability, net OPEB liability, and sensitivity as of June 30, 2019 were based on an actuarial valuation date of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's fiscal year ending June 30, 2019, using generally accepted accounting principles.

The KRS Board of Trustee adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2010". The total OPEB liability as of June 30, 2019 was determined using these updated assumptions.

The actuarial assumptions are:

	CERS	KTRS
Inflation	2.30%	3.00%
Projected salary increases	3.05%	3.50% - 7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

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

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	100.00%	3.89%

***Discount rate***

The projection of cash flows used to determine the discount rate of 5.68% for non-hazardous and 5.69% for hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit study will not be paid out of KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's CAFR.

**NOTE 7: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.68% for non-hazardous and 5.69% for hazardous as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate :

	<u>1% Decrease</u> <u>7.00%</u>	<u>Current</u> <u>Discount Rate</u> <u>8.00%</u>	<u>1% Increase</u> <u>9.00%</u>
District's proportionate share of the KTRS net OPEB liability	\$ 829,000	\$ 669,000	\$ 591,000
		<u>Current</u> <u>Discount Rate</u> <u>5.68%</u>	<u>1% Increase</u> <u>6.68%</u>
District's proportionate share of the CERS net OPEB liability	\$ 237,773	\$ 177,497	\$ 127,833
<b>Total</b>	<b>\$ 1,066,773</b>	<b>\$ 846,497</b>	<b>\$ 718,833</b>

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the KTRS net OPEB liability	\$ 569,000	\$ 669,000	\$ 859,000
District's proportionate share of the CERS net OPEB liability	132,005	177,497	232,661
<b>Total</b>	<b>\$ 701,005</b>	<b>\$ 846,497</b>	<b>\$1,091,661</b>

**OPEB plan fiduciary net position**

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

**NOTE 8: CONTINGENCIES**

***Grants***

The District receives funding from federal and state agencies in the form of grants. 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 their programs.

***Litigation***

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

**NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss can be reasonably estimated.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2019 will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded insurance coverage amounts in any of the past three fiscal years.

**NOTE 10: FUND TRANSFERS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 5,313
Capital Fund	General	Expenditures	25,303
Building Fund	General	Expenditures	35,978
Building Fund	Debt Service	Debt Service	100,574
			\$ 167,168

**NOTE 11: ON-BEHALF PAYMENTS**

For the year ended June 30, 2020 payments of \$1,141,498 were made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 842,161
Debt service	299,337
	\$ 1,141,498
Type	
Retirement	\$ 491,639
Health insurance less federal reimbursement	277,132
Life insurance	543
Administrative fee	4,508
HRA/Dental/Vision insurance	23,625
Technology	44,715
Debt service	299,336
	\$ 1,141,498



Augusta Independent School District  
 Budget Comparison Schedule  
 General Fund  
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
<b>Revenues</b>				
Local sources	\$ 589,766	\$ 581,929	\$ 574,608	\$ (7,321)
State programs	2,206,024	2,177,132	2,215,636	38,504
Federal programs	9,800	10,500	6,607	(3,893)
<b>Total revenues</b>	<b>2,805,590</b>	<b>2,769,561</b>	<b>2,796,851</b>	<b>27,290</b>
<b>Expenditures</b>				
Instruction	1,607,102	1,622,328	1,625,330	(3,002)
Support services:				
Student	144,570	175,414	154,139	21,275
Instruction staff	16,720	27,958	23,343	4,615
District administrative	343,516	330,204	336,226	(6,022)
School administrative	232,111	227,878	222,258	5,620
Business support	146,720	169,625	167,349	2,276
Plant operation and maintenance	288,345	306,018	318,083	(12,065)
Student transportation	112,580	120,699	111,731	8,968
Other (contingency)	469,704	477,904		477,904
<b>Total expenditures</b>	<b>3,361,368</b>	<b>3,458,028</b>	<b>2,958,459</b>	<b>499,569</b>
Excess (deficiency) of revenues over expenditures	(555,778)	(688,467)	(161,608)	526,859
<b>Other financing sources (uses)</b>				
Transfer in		65,553	61,281	(4,272)
Transfers out	(5,026)	(5,026)	(5,313)	(287)
Sale of assets		350	350	0
<b>Total other financing sources (uses)</b>	<b>(5,026)</b>	<b>60,877</b>	<b>56,318</b>	<b>(4,559)</b>
Net change in fund balances	(560,804)	(627,590)	(105,290)	522,300
Budgetary fund balance - beginning of year	560,804	627,590	627,590	-
<b>Budgetary fund balance - end of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 522,300</b>	<b>\$ 522,300</b>

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances</b>
	<b>Original</b>	<b>Final</b>		<b>Final to Actual</b>
<b>Revenues</b>				
Local sources	\$ 14,530	\$ 14,530	\$ 18,110	\$ 3,580
State programs	227,636	227,636	220,950	(6,686)
Federal programs	324,404	324,404	312,778	(11,626)
<b>Total revenues</b>	<b>566,570</b>	<b>566,570</b>	<b>551,838</b>	<b>(14,732)</b>
<b>Expenditures</b>				
Instruction	545,302	545,302	426,586	118,716
Support services:				
Student	141,188	141,188	87,228	53,960
Community services	88,636	88,636	43,443	45,193
<b>Total expenditures</b>	<b>775,126</b>	<b>775,126</b>	<b>557,257</b>	<b>217,869</b>
Excess (deficiency) of revenues over expenditures	(208,556)	(208,556)	(5,419)	203,137
<b>Other financing sources (uses)</b>				
Transfer in	5,026	5,026	5,313	287
Sale of assets	(27)	(27)	106	133
<b>Total other financing sources (uses)</b>	<b>4,999</b>	<b>4,999</b>	<b>5,419</b>	<b>420</b>
Net change in fund balances	(203,557)	(203,557)	-	203,557
Budgetary fund balance - beginning of year	-	-	-	-
<b>Budgetary fund balance - end of year</b>	<b>\$ (203,557)</b>	<b>\$ (203,557)</b>	<b>\$ -</b>	<b>\$ 203,557</b>

Augusta Independent School District  
Schedule of District's Share of the Net Pension Liability and Contributions - KTRS  
Year Ended June 30, 2020

**Schedule of District's Proportionate Share of the Net Pension Liability - KTRS**

As of June 30,	2020	2019	2018	2017	2016	2015
Measurement period as of June 30,	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0105%	0.0445%	0.0422%	0.0437%	0.0435%	0.0429%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability		\$ 5,824,015	\$ 11,389,956	\$ 12,893,317	\$ 10,113,739	\$ 8,823,040
District's covered payroll	\$ 254,682	\$ 1,508,489	\$ 1,410,300	\$ 1,438,279	\$ 1,377,477	\$ 1,341,022
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	59.30%	39.83%	35.22%	42.49%	45.59%

**Schedule of District's Contributions - KTRS**

As of June 30,	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 72,627	\$ 42,895	\$ 45,929	\$ 42,421	\$ 36,050	\$ 19,148	\$ 21,922
Actual contribution	72,627	42,895	45,929	42,421	36,050	19,148	21,922
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 376,309	\$ 264,458	\$ 317,192	\$ 304,098	\$ 290,260	\$ 150,181	\$ 159,550
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Augusta Independent School District  
Schedule of District's Share of the Net Pension Liability and Contributions - CERS  
Year Ended June 30, 2020

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

As of June 30, Measurement period as of June 30,	2020 <u>2019</u>	2019 <u>2018</u>	2018 <u>2017</u>	2017 <u>2016</u>	2016 <u>2015</u>	2015 <u>2014</u>
District's proportion of the net pension liability	0.0105%	0.0097%	0.0186%	0.0124%	0.0170%	0.0142%
District's proportionate share of the net pension liability	\$ 739,736	\$ 588,567	\$ 694,319	\$ 609,574	\$ 546,927	\$ 462,000
District's covered payroll	\$ 259,545	\$ 254,682	\$ 294,831	\$ 295,330	\$ 263,520	\$ 326,847
District's proportionate share of the net pension liability as a percentage of its covered payroll	285.01%	231.10%	235.50%	206.40%	207.55%	141.35%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

**Schedule of District's Contributions - CERS**

As of June 30,	2020 <u>2020</u>	2019 <u>2019</u>	2018 <u>2018</u>	2017 <u>2017</u>	2016 <u>2016</u>	2015 <u>2015</u>	2014 <u>2014</u>
Contractually required contribution	\$ 55,390	\$ 42,098	\$ 36,878	\$ 41,130	\$ 36,680	\$ 33,601	\$ 44,910
Actual contribution	<u>55,390</u>	<u>42,098</u>	<u>36,878</u>	<u>41,130</u>	<u>36,680</u>	<u>33,601</u>	<u>44,910</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 286,996	\$ 259,543	\$ 254,682	\$ 294,834	\$ 295,330	\$ 263,520	\$ 326,847
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

Augusta Independent School District  
Schedule of District's Share of the Net OPEB Liability and Contributions – KTRS  
Medical Fund  
Year Ended June 30, 2020

**Schedule of District's Proportionate Share of the Net OPEB Liability - KTRS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2019	2018	2017
District's proportion of the net OPEB liability	0.0239%	0.0229%	0.0222%
District's proportionate share of the net OPEB liability	\$ 699,000	\$ 795,000	\$ 793,000
State's proportionate share of the net OPEB liability	\$ 565,000	\$ 685,000	\$ 647,000
District's covered payroll	\$ 1,387,066	\$ 1,360,133	\$ 1,387,066
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	50.39%	58.45%	57.17%
Plan fiduciary net position as a percentage of the total OPEB liability	32.58%	25.54%	21.18%

**Schedule of District's Contributions - KTRS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 42,094	\$ 41,612	\$ 40,804	\$ 38,086
Actual contribution	<u>42,094</u>	<u>41,612</u>	<u>40,804</u>	<u>38,086</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,403,133	\$ 1,387,066	\$ 1,360,133	\$ 1,269,533
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%	3.00%

Augusta Independent School District  
Schedule of District's Share of the Net OPEB Liability and Contributions – KTRS  
Life Insurance Fund  
Year Ended June 30, 2020

**Schedule of District's Proportionate Share of the Net OPEB Liability - KTRS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2019	2018	2017
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability	\$ 13,000	\$ 12,000	\$ 9,000
District's covered payroll	\$ 1,387,066	\$ 1,360,133	\$ 1,269,533
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	74.97%	79.99%

**Schedule of District's Contributions - KTRS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Actual contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,403,133	\$ 1,387,066	\$ 1,360,133	\$ 1,269,533
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

Augusta Independent School District  
Schedule of District's Share of the Net OPEB Liability and Contributions – CERS  
Year Ended June 30, 2020

**Schedule of District's Proportionate Share of the Net OPEB Liability - CERS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement period as of June 30,	2019	2018	2017
District's proportion of the net OPEB liability	0.0081%	0.0097%	0.0119%
District's proportionate share of the net OPEB liability	\$ 177,497	\$ 171,582	\$ 238,467
District's covered payroll	\$ 259,543	\$ 254,682	\$ 294,834
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	68.39%	67.37%	80.88%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

**Schedule of District's Contributions - CERS**

As of June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 13,661	\$ 13,652	\$ 11,970	\$ 13,945
Actual contribution	<u>13,661</u>	<u>13,652</u>	<u>11,970</u>	<u>13,945</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 286,996	\$ 259,543	\$ 254,682	\$ 294,834
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%

Augusta Independent School District  
Change of Benefits and Assumptions – Pensions  
Year Ended June 30, 2020

**KTRS**

<b>Change of Benefits</b>	2020	2019
	no change	no change
<b>Change of Assumptions</b>	2020	2019
Valuation date	6/30/2018	6/30/2017
Actuarial cost method	Entry age	Entry age
Investment rate of return	7.50%	7.50%
Salary increase reate	3.50% - 7.30%	3.50% - 7.30%
Inflation rate	3.00%	3.00%
Municipal bond index	3.50%	3.89%
Single equivalent investment rate	7.50%	7.50%

**CERS**

<b>Change of Benefits</b>	2020	2019
	no change	no change
<b>Change of Assumptions</b>	2020	2019
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%



Augusta Independent School District  
Change of Benefits and Assumptions – OPEB  
Year Ended June 30, 2020

**KTRS**

<b>Change of Benefits</b>	2020	2019
	no change	no change
<b>Change of Assumptions</b>	2020	2019
Valuation date	6/30/2018	6/30/2017
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	30 years, closed
Investment rate of return	7.50%	7.50%
Salary increase reate	3.50% - 7.30%	3.50% - 7.20%
Inflation rate	3.00%	3.00%
Municipal bond index	3.50%	3.89%
Single equivalent investment rate	7.50%	7.50%

**CERS**

<b>Change of Benefits</b>	2020	2019
	no change	no change
<b>Change of Assumptions</b>	2020	2019
Valuation date	6/30/2017	6/30/2016
Experience study	7/1/08-6/30/13	7/1/08-6/30/13
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of pay	Level percent of pay
Remaining amortization period	26 years, closed	27 years, closed
Payroll growth rate	2.00%	4.00%
Asset valuation method	20% of difference	20% of difference
Salary increase rate - non-hazardous	3.30% - 11.55%	4.00%
Salary increase rate - hazardous	3.05% - 18.55%	4.00%
Inflation	2.30%	3.25%
Investment rate of return	6.25%	7.50%

Augusta Independent School District  
Combining Statement of Assets, Liabilities and Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2020

	Capital Outlay Fund	Building Fund	District Activity Fund	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$	\$ 73	\$4,726	\$ 4,799
Total assets	<u>\$ 0</u>	<u>\$ 73</u>	<u>\$4,726</u>	<u>\$ 4,799</u>
<b>Liabilities:</b>				
Total liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund balances:</b>				
Restricted	<u>0</u>	<u>73</u>	<u>4,726</u>	<u>4,799</u>
Total fund balances	<u>0</u>	<u>73</u>	<u>4,726</u>	<u>4,799</u>
Total liabilities and fund balances	<u>\$ 0</u>	<u>\$ 73</u>	<u>\$4,726</u>	<u>\$ 4,799</u>

Augusta Independent School District  
Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2020

	Capital Outlay Fund	Building Fund	District Activity Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes:				
Property	\$	\$ 62,224	\$	\$ 62,224
Other local revenue			7,018	7,018
Intergovernmental - State	25,303	74,401		99,704
<b>Total revenues</b>	<b>25,303</b>	<b>136,625</b>	<b>7,018</b>	<b>168,946</b>
<b>Expenditures</b>				
Instruction			5,406	5,406
Support services:				
Plant operation and maintenance		17,250		17,250
<b>Total expenditures</b>	<b>0</b>	<b>17,250</b>	<b>5,406</b>	<b>22,656</b>
Excess of revenues over (under) expenditures	25,303	119,375	1,612	146,290
<b>Other financing sources (uses)</b>				
Transfers out	(25,303)	(136,552)		(161,855)
<b>Total other financing sources (uses)</b>	<b>(25,303)</b>	<b>(136,552)</b>	<b>0</b>	<b>(161,855)</b>
Net change in fund balances		(17,177)	1,612	(15,565)
Fund balances - beginning of year		17,250	3,114	20,364
<b>Fund balances - end of year</b>	<b>\$ 0</b>	<b>\$ 73</b>	<b>\$ 4,726</b>	<b>\$ 4,799</b>

Augusta Independent School District  
Statement of Receipts, Disbursements, and Fund Balance  
School Activity Fund  
Year Ended June 30, 2020

	Cash			Cash
	July 1, 2019	Receipts	Disbursements	June 30, 2020
Student enhancement	\$ 5,555	\$ 6,665	\$ 6,712	\$ 5,508
Faculty enhancement	5,271	13,511	13,777	5,005
Drama club	1,678	1,423	906	2,195
Beta club	24	180	194	10
Blessing box/helping hand	437			437
Gifted and talented	186			186
FCCLA	1,396	1,723	1,622	1,497
FBLA	487	1,307	872	922
Champions	4,147	1,055	1,700	3,502
Film fest	776			776
Band	38	5,287	4,495	830
Athletics	11,877	86,764	88,993	9,648
Robotics	367	1,128	528	967
Class of 2025	521	551		1,072
Class of 2024	1,027	2,921	1,343	2,605
Class of 2029	114			114
Class of 2028	70			70
Class of 2027	338			338
Class of 2026	518			518
Class of 2023	2,609	555	50	3,114
Class of 2022	4,786	1,814	1,112	5,488
Class of 2021	4,103	5,629	3,854	5,878
Class of 2020	8,934	6,114	14,442	606
Class of 2030	40			40
Class of 2019	1,836		1,836	0
Class of 2031	32			32
Library	1,716	2,282	2,382	1,616
Yearbook/newspaper	3,035	627	1,197	2,465
Senior trip deposit	0	3,150	3,050	100
Sources of strength	0	933		933
Gracie account	13			13
Special education fund	88			88
Fitness center	38			38
Senior scholarship	207			207
Due to student groups	<u>\$ 62,264</u>	<u>\$ 143,619</u>	<u>\$ 149,065</u>	<u>\$ 56,818</u>

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

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Augusta Independent School District  
Augusta, 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 Augusta Independent School District (District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. 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 certain matters that we reported to management of the District in a separate letter dated October 30, 2020

**Purpose of this Report**

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

*Maddox & Associates CPAs Inc.*

Fort Thomas, Kentucky

October 30, 2020

No prior year audit findings reported.

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Augusta Independent School District  
Augusta, Kentucky

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

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated October 30, 2020 contains our report on the District's internal control. This letter does not affect our report dated October 30, 2020 on the financial statements of the District.

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

*Maddox & Associates CPAs Inc.*



### **Current Year Comments**

#### **Activity Funds**

In our testing of activity funds disbursements, we noted several instances in which the recipient of athletic fund payments did not sign the receipt.

#### ***District's Response***

New staff were not aware of the specific requirements of Kentucky Red Book procedures regarding disbursements. Staff will be trained on the appropriate requirements and required documentation.

### **Prior Year Comments**

#### **Central Office**

The two comments from the prior year were reviewed and corrected.

#### **Activity Funds**

The comment from the prior year was reviewed and corrected.