

**ELLIOTT COUNTY  
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2021

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee for School District Audits

**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 Elliott County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Elliott County School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Elliott County School District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note A to the financial statements, the District adopted new accounting guidance, GASB 84 *Fiduciary Activities*, changing School Activity Funds from a fiduciary fund to a special revenue fund. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Elliott County School District basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Elliott County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Elliott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elliott County School District's internal control over financial reporting and compliance.

***White & Associates, PSC***

Richmond, Kentucky  
November 15, 2021

ELLIOTT COUNTY PUBLIC SCHOOL DISTRICT  
SANDY HOOK, KENTUCKY  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Year ended June 30, 2021

As management of the Elliott County 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, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning General Fund balance for the District was \$519,910 and ending with \$797,850.
- The district utilized KISTA financing to purchase 1 new bus.
- The district was able to give and 3% raise to all salaried staff.
- The General Fund had \$6.52 million in revenue, which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$6.37 million expenditures in General Fund. This does not include \$2.6 million in revenue and expenditures for On-Behalf payments.
- The school district consolidated and renamed schools. This allowed the district to utilize existing buildings to operate with one K-2 school (Elliott County Primary), one 3-5 school (Elliott County Intermediate), one 6-8 school (Elliott County Middle) and one 9-12 school (Elliott County High School). It resulted in one school closure (Isonville Elementary). This consolidation has benefited the district with both staffing and maintenance costs.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. There were no new building bonds issued in FY21.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

The government-wide financial statements can be found in the table of contents of this report.

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

The basic governmental fund financial statements can be found in the table of contents of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

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

**Table 1**  
**Net Position**  
**\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>
Current assets	0.64	1.08	0.33	0.30	0.97	1.38
Non-current assets	20.44	19.88	0.01	0.01	20.45	19.89
Total assets	21.08	20.96	0.34	0.31	21.42	21.27
Deferred outflows	1.29	1.53	0.04	0.04	1.33	1.57
Current liabilities	1.52	1.08			1.52	1.08
Non-current liabilities	14.27	13.87	0.17	0.18	14.44	14.05
Total liabilities	15.79	14.95	0.17	0.18	15.96	15.13
Deferred inflows	1.21	1.26	0.02	0.01	1.23	1.27
Net position:						
Invested in capital assets, net of debt	10.91	11.58	0.01	1.01	10.92	11.59
Restricted		0.16	0.18	0.15	0.18	0.31
Unrestricted (deficit)	(5.54)	(5.47)			(5.54)	(5.47)
Total net position	5.37	6.27	0.19	0.16	5.56	6.43

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020-2021</u>
Revenues:							
Charges for services	\$ 0.05	\$ 0.13	\$ 0.04	\$ 0.00	\$ 0.09	\$ 0.13	78%
Operating grants and contributions	1.55	4.93	0.70	0.59	2.25	5.52	146%
Capital grants and contributions	0.81	0.85			0.81	0.85	5%
General revenues	9.43	6.61	(0.05)	(0.04)	9.38	6.57	-30%
Total revenue	11.84	12.52	0.69	0.55	12.53	13.07	5%
Expenses:							
Instruction	\$ 6.80	\$ 7.53			\$ 6.80	\$ 7.53	11%
Student	0.12	0.19			0.12	0.19	58%
Instructional staff	0.23	0.23			0.23	0.23	0%
District administration	0.65	0.60			0.65	0.60	-8%
School administration	0.57	0.55			0.57	0.55	-4%
Business	0.37	0.40			0.37	0.40	8%
Plant operation & maintenance	1.10	1.02			1.10	1.02	-7%
Student transportation	0.62	0.54			0.62	0.54	-13%
Community services operations	0.20	0.23			0.20	0.23	15%
Food Service Operations	0.01		0.71	0.58	0.72	0.58	-19%
Building Improvements	0.02				-	-	100%
Depreciation/Amortization	0.74	0.66			0.74	0.66	-11%
Interest on long-term debt	0.26	0.27			0.26	0.27	4%
Total Expenses	\$ 11.69	\$ 12.22	\$ 0.71	\$ 0.58	\$ 12.40	\$ 12.80	3%
Change in net position	\$ 0.15	\$ 0.30	\$ (0.03)	\$ (0.03)	\$ 0.12	\$ 0.27	-150%



## DEBT

Debt decreased from 2020 by \$1,255,692.

**Table 4**  
**Outstanding Debt at Year-End**

	Government Activities	
	2020	2021
General Obligation Bonds	8,760,381	7,536,026
Capital Lease Obligations	777,572	768,751
KSBIT Obligations	119,727	97,211
Total Obligations	9,657,680	8,401,988

## CAPITAL ASSETS

At the end of fiscal 2021, the District had \$19.90 million invested in capital assets, including land, improvements, and construction in progress.

**Capital Assets at Year-End**  
**(Net of depreciation)**

	Governmental Activities		Business Type Activities		Totals	
	2020	2021	2020	2021	2020	2021
Land	452,007	452,008	-	-	452,007	452,008
Land and Improvements	27,837	19,952	-	-	27,837	19,952
Buildings & Improvements	19,264,748	18,789,210	-	-	19,264,748	18,789,210
Vehicles	630,898	566,412	-	-	630,898	566,412
General Equipment	68,700	57,231	12,190	10,294	80,890	67,525
<b>Totals</b>	<b>20,44,190</b>	<b>19,884,813</b>	<b>12,190</b>	<b>10,294</b>	<b>20,456,380</b>	<b>19,895,107</b>

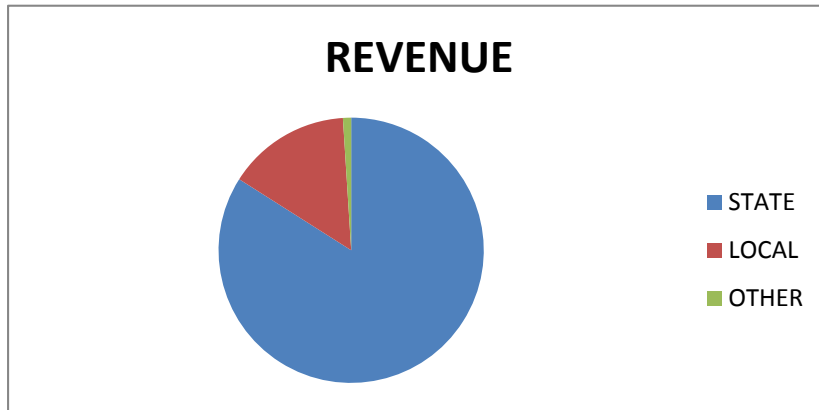
### Comments on Budget Comparisons

Actual revenues and expenditures for the General Fund contain \$2.6 million dollars in payments made on-behalf of the District by the State of Kentucky. Our District will remain conservative in future fund 1 budgets because of the current economic climate. We will utilize fund 2, ESSER grants to fund new instructional initiatives to compensate for learning loss due to Covid-19 and building improvements. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2021.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	1,368,902	11,808		115,569		1,315	3,627
State Revenue Sources	7,755,293	834,399	90,908	300,791		453,576	48,756
Federal Revenue Sources	14,135	1,397,676					544,132
Other	111,199						
Transfers	43,946	19,092				481,473	
<b>TOTALS</b>	<b>9,293,475</b>	<b>2,262,975</b>	<b>90,908</b>	<b>416,360</b>	<b>-</b>	<b>936,364</b>	<b>596,515</b>
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	5,407,824	1,826,342					
Student Support Services	153,534	42,382					
Instructional Staff Support Services	119,727	109,228					
District Admin Support	602,578						
School Admin Support	551,797						
Business Support Services	365,070	33,538					
Plant Operation & Management	965,877	58,293					
Student Transportation	637,608						
Food Service Operations							584,653
Community Services	35,724	194,393					
Debt Service	156,704					1,435,049	
Transfers	19,092		65,113	416,360			43,946
<b>TOTALS</b>	<b>9,015,535</b>	<b>2,264,176</b>	<b>65,113</b>	<b>416,360</b>	<b>-</b>	<b>1,435,049</b>	<b>628,599</b>
Excess / (Deficit)	277,940	(1,201)	25,795	-	-	(498,685)	(32,084)

### General Fund Revenue Chart 1

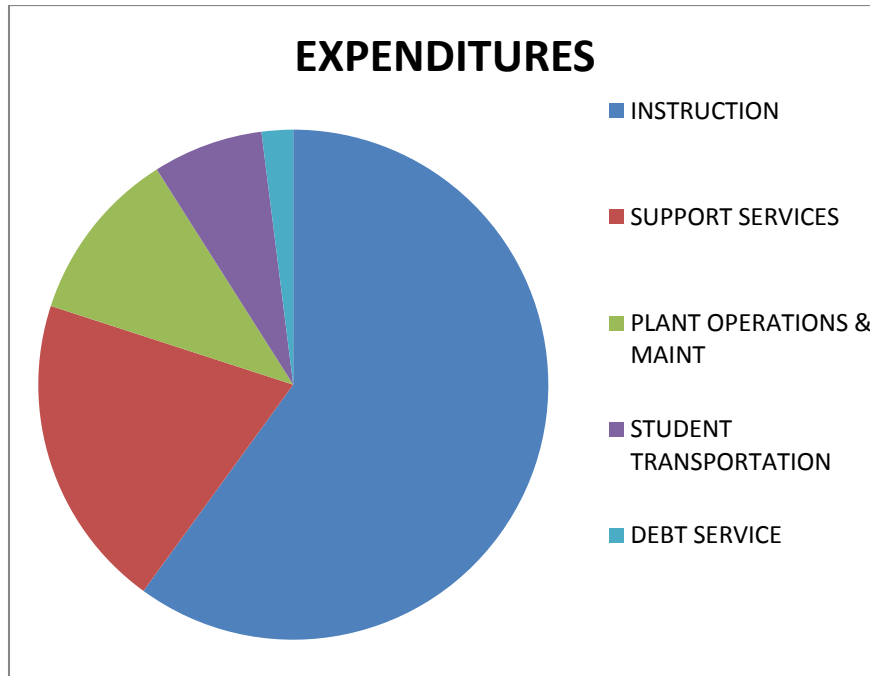
The majority of revenue was derived from state funding (84%), with local taxes making up 15% of total revenue.



### General Fund Expenditures Chart 2

The majority of revenue is spent on instructional expenditures; this consumes 60% of the budget. The instruction function included the SBDM expenditures for staff and supplies. Support services make up 20%, which includes services for students, instructional staff, district administration, school administration and business. Plant operations and management makes up 11%. Student transportation makes up 7%. Debt Service is 2%. Food Service operations and community services make up less than one percent.

See Chart on Next Page



### **Special Revenue Fund Revenue/Expenditures**

The majority of revenue was derived from Federal Sources (62 %) with the state revenue making up 37% and local source providing 1%. The function with the greatest expenditures is instruction at 81%.

### **Other Governmental Funds Revenue/Expenditures**

The main other governmental funds are capital outlay fund, and building fund (FSPK). State funding makes up the capital outlay and the building fund consists of state and local revenues. During the FY21 school year these funds were used to make bond payments on existing debt.

### **School Food Service Fund Revenue/Expenditures**

The revenue is received from local, state, and federal monies. The largest being federal which makes up 92% of the budget.

## **BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The beginning General fund balance for the fiscal year was \$519,910. The ending fund balance was \$797,850.

Elliott County Public Schools continued to receive the Read To Achieve grant. It has continued to provide support teachers in the implementation of instructional strategies to address the needs of students reading at

low levels at Elliott County Primary and Elliott County Intermediate. The Math Achievement grant provided funds for support teachers and the implementation of services that address the needs of students who are struggling with math. Its impact involved Elliott County Primary and Elliott County Intermediate.

Elliott County Public School District has seen success after implementing a consolidation plan and closing one school building. This plan has shown progress both financial and instructional benefits in the 2021 school year.

Questions regarding this report should be directed to the Superintendent Debbie Stephens or Kristen Salyers, Finance Officer at 606-738-8002 or by mail at Elliott County Board of Education, PO Box 767, Sandy Hook, KY 41171.

Elliott County School District  
**Statement of Net Position**  
June 30, 2021

	Primary Government		
	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 701,268	\$ 220,119	\$ 921,387
Receivables			
Taxes-current	41,593		41,593
Taxes-delinquent	90,470		90,470
Accounts	3,903	74,145	78,048
Intergovernmental-state			-
Intergovernmental-federal	236,280		236,280
Inventories		7,510	7,510
Capital assets:			
Land and construction in progress	452,007		452,007
Other capital assets, net of depreciation	19,432,806	10,294	19,443,100
Total capital assets	19,884,813	10,294	19,895,107
Total assets	20,958,327	312,068	21,270,395
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	636,822	25,308	662,130
Deferred outflows related to OPEB	827,326	18,529	845,855
Deferred savings from refunding bonds	66,688		66,688
Total deferred outflows of resources	1,530,836	43,837	1,574,673
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	22,489,163	355,905	22,845,068
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	4,920	1,698	6,618
Accrued interest payable	69,489		69,489
Unearned revenue	108,323		108,323
Long-term liabilities:			
Due within 1 year:			
Bond obligations	750,000		750,000
Capital lease obligations	122,032		122,032
KSBIT payable	23,201		23,201
Total due within 1 year	895,233	-	895,233
Due in more than 1 year:			
Bond obligations	6,786,026		6,786,026
Capital lease obligations	646,719		646,719
Sick leave	53,439		53,439
KSBIT payable	74,010		74,010
Net pension liability	3,388,068	134,648	3,522,716
Net OPEB liability	2,926,330	42,378	2,968,708
Total due in more than 1 year	13,874,592	177,026	14,051,618
Total liabilities	14,952,557	178,724	15,131,281
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	109,344	4,346	113,690
Deferred inflows related to OPEB	1,150,623	9,722	1,160,345
Total deferred inflows of resources	1,259,967	14,068	1,274,035
Net Investment in capital assets	11,580,036	10,294	11,590,330
Restricted for:			
Capital projects	26,003		26,003
Special revenue	136,418		136,418
Food services		152,819	152,819
Unrestricted (deficit)	(5,465,818)		(5,465,818)
Total net position	6,276,639	163,113	6,439,752
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	\$ 22,489,163	\$ 355,905	\$ 22,845,068

See the accompanying notes to the financial statements.

Elliott County School District  
Statement of Activities  
Year ended June 30, 2021

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
Instruction	\$ 7,516,732	\$ -	\$ (4,405,735)	\$ -	\$ (11,922,467)	\$ -	\$ (11,922,467)	
Support services								
Student	195,916	124,798	485,288		414,170		414,170	
Instructional staff	228,955		567,126		338,171		338,171	
District administration	602,578		1,492,597		890,019		890,019	
School administration	551,797		1,366,812		815,015		815,015	
Business	398,608		987,360		588,752		588,752	
Plant operation & maintenance	1,024,170	8,274	2,536,889	391,699	1,912,692		1,912,692	
Student transportation	537,506		1,331,413		793,907		793,907	
Community services operations	230,117		570,004		339,887		339,887	
Depreciation*	659,479				(659,479)		(659,479)	
Interest on long-term debt	270,193			453,576	183,383		183,383	
Total governmental activities	12,216,051	133,072	4,931,754	845,275	(6,305,950)		(6,305,950)	
Business-type activities:								
Food service operations	582,757	3,346	592,888			13,477	13,477	
Depreciation	1,896					(1,896)	(1,896)	
Total business-type activities	584,653	3,346	592,888	-	-	11,581	11,581	
Total primary government	\$ 12,800,704	\$ 136,418	\$ 5,524,642	\$ 845,275	(6,305,950)	11,581	(6,294,369)	
General revenues:								
Taxes:								
Property taxes					847,965		847,965	
Motor vehicle taxes					184,886		184,886	
Utility taxes					311,302		311,302	
State and formula grants					5,069,749		5,069,749	
Other local revenue					150,121		150,121	
Unrestricted investment earnings					2,307	281	2,588	
Transfers					43,946	(43,946)	-	
Total general revenues and transfers					6,610,276	(43,665)	6,566,611	
Change in net position					304,326	(32,084)	272,242	
Net Position - beginning					5,365,189	195,197	5,560,386	
Prior period adjustment					607,124		607,124	
Adjusted net position - beginning					5,972,313	195,197	6,167,510	
Net Position - ending					\$ 6,276,639	\$ 163,113	\$ 6,439,752	

\*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Elliott County School District  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2021

	<b>Governmental Funds</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 567,933	\$	\$ -	\$ 133,335	\$ 701,268
Interfund receivable	98,741				98,741
Receivables					
Taxes-current	41,593				41,593
Taxes-delinquent	90,470				90,470
Accounts	1,274			2,629	3,903
Intergovernmental-federal		236,280			236,280
Total assets	<u>800,011</u>	<u>236,280</u>	<u>-</u>	<u>135,964</u>	<u>1,172,255</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	2,161	874		1,885	4,920
Interfund payable		98,741			98,741
Unearned revenue		108,323			108,323
Total liabilities	<u>2,161</u>	<u>207,938</u>	<u>-</u>	<u>1,885</u>	<u>211,984</u>
<b>FUND BALANCE</b>					
Committed				108,076	108,076
Restricted		28,342		26,003	54,345
Unassigned	797,850				797,850
Total fund balance	<u>797,850</u>	<u>28,342</u>	<u>-</u>	<u>134,079</u>	<u>960,271</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 800,011</u>	<u>\$ 236,280</u>	<u>\$ -</u>	<u>\$ 135,964</u>	<u>\$ 1,172,255</u>

See the accompanying notes to the financial statements.



Elliott County School District  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
June 30, 2021

<b>Fund balances-total governmental funds</b>	<b>\$ 960,271</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	19,884,813
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus	66,688
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest payable	(69,489)
Bond obligations	(7,536,026)
Capital lease obligations	(768,751)
KSBIT payable	(97,211)
Sick leave liability	(53,439)
Net pension liability	(3,388,068)
Net OPEB liability	(2,926,330)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows related to pensions	636,822
Deferred outflows related to OPEB	827,326
Deferred inflows related to pensions	(109,344)
Deferred inflows related to OPEB	(1,150,623)
<b>Net position of governmental activities</b>	<b>\$ <u>6,276,639</u></b>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year ended June 30, 2021

	<b>Governmental Funds</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>REVENUES</b>					
From local sources					
Taxes					
Property	\$ 732,396	\$ -	\$ -	\$ 115,569	\$ 847,965
Motor vehicle	184,886				184,886
Utilities	311,302				311,302
Earnings on investments	987	5	1,315		2,307
Student activities		1,013		123,785	124,798
Other local revenue	139,331	10,790			150,121
Intergovernmental - state	7,755,293	834,399	453,576	391,699	9,434,967
Intergovernmental - federal	14,135	1,397,676			1,411,811
Total revenues	<u>9,138,330</u>	<u>2,243,883</u>	<u>454,891</u>	<u>631,053</u>	<u>12,468,157</u>
<b>EXPENDITURES</b>					
Instruction	5,407,824	1,826,342		124,148	7,358,314
Support services					
Student	153,534	42,382			195,916
Instructional staff	119,727	109,228			228,955
District administration	602,578				602,578
School administration	551,797				551,797
Business	365,070	33,538			398,608
Plant operation & maintenance	965,877	58,293			1,024,170
Student transportation	637,608				637,608
Community services operations	35,724	194,393			230,117
Debt service	156,704		1,435,049		1,591,753
Total expenditures	<u>8,996,443</u>	<u>2,264,176</u>	<u>1,435,049</u>	<u>124,148</u>	<u>12,819,816</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	141,887	(20,293)	(980,158)	506,905	(351,659)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of equipment	8,274				8,274
Capital lease proceeds	102,925				102,925
Transfers in	43,946	19,092	481,473		544,511
Transfers (out)	(19,092)			(481,473)	(500,565)
Total other financing sources and (uses)	<u>136,053</u>	<u>19,092</u>	<u>481,473</u>	<u>(481,473)</u>	<u>155,145</u>
<b>NET CHANGE IN FUND BALANCES</b>	277,940	(1,201)	(498,685)	25,432	(196,514)
<b>FUND BALANCE-BEGINNING</b>	519,910	29,543	-	208	549,661
Prior period adjustment			498,685	108,439	607,124
<b>ADJUSTED FUND BALANCE-BEGINNING</b>	<u>519,910</u>	<u>29,543</u>	<u>498,685</u>	<u>108,647</u>	<u>1,156,785</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 797,850</u>	<u>\$ 28,342</u>	<u>\$ -</u>	<u>\$ 134,079</u>	<u>\$ 960,271</u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities**  
Year ended June 30, 2021

<b>Net change in fund balances-total governmental funds</b>	<b>\$ (196,514)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions less costs of benefits earned net employee contributions	(258,524)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.	
District OPEB contributions less costs of benefits earned net employee contributions	53,784
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	(559,377)
The premium paid for the sale of bonds is expensed under the current financial resources, but is the premium paid for the sale of bonds is capitalized and amortized over the life of the bonds in the statement of net position.	1,944
The discount on the sale of bonds is reported as an expenditure by current financial resources but it is deferred and amortized over the life of the bond on the statement of net position.	(2,589)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.	(19,120)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	1,233,821
Bond and capital lease proceeds are recognized as revenue of current financial resources in the fund financial statement but are increase of liabilities in the statement of net position.	
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest payable	4,579
KSBIT payable	22,516
Noncurrent sick leave payable	23,806
<b>Change in net position of governmental activities</b>	<b>\$ 304,326</b>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
Year ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 702,000	\$ 702,000	\$ 732,396	\$ 30,396
Motor vehicle	165,000	165,000	184,886	19,886
Unmined minerals	1,000	1,000	-	(1,000)
Utilities	295,000	295,000	311,302	16,302
Earnings on investments	15,000	15,000	987	(14,013)
Transportation	30,000	30,000	-	(30,000)
Other local revenue	86,026	86,026	139,331	53,305
Intergovernmental - state	5,381,253	5,079,564	* 5,137,275	57,711
Intergovernmental - federal	20,000	20,000	14,135	(5,865)
Total revenues	<u>6,695,279</u>	<u>6,393,590</u>	<u>6,520,312</u>	<u>126,722</u>
<b>EXPENDITURES</b>				
Instruction	3,856,748	3,555,059	* 3,356,296	198,763
Support services				
Student	145,267	145,267	153,534	(8,267)
Instructional staff	84,328	84,328	119,727	(35,399)
District administration	398,650	398,650	* 353,148	45,502
School administration	366,169	366,169	* 379,327	(13,158)
Business	237,476	237,476	365,070	(127,594)
Plant operation & maintenance	996,827	996,827	* 893,357	103,470
Student transportation	638,499	638,499	* 562,613	75,886
Community services operations	41,327	41,327	35,724	5,603
Debt service	212,423	212,423	156,704	55,719
Total expenditures	<u>6,977,714</u>	<u>6,676,025</u>	<u>6,375,500</u>	<u>300,525</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(282,435)	(282,435)	144,812	427,247
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment	2,500	2,500	8,274	5,774
Capital lease proceeds			100,000	100,000
Transfers in	89,791	89,791	43,946	(45,845)
Transfers (out)	(121,108)	(121,108)	(19,092)	102,016
Total other financing sources and (uses)	<u>(28,817)</u>	<u>(28,817)</u>	<u>133,128</u>	<u>161,945</u>
<b>NET CHANGE IN FUND BALANCES</b>	(311,252)	(311,252)	277,940	589,192
<b>FUND BALANCE-BEGINNING</b>	<u>527,548</u>	<u>527,548</u>	<u>519,910</u>	<u>(7,638)</u>
<b>FUND BALANCE-ENDING</b>	<u>\$ 216,296</u>	<u>\$ 216,296</u>	<u>\$ 797,850</u>	<u>\$ 581,554</u>

\* The on-behalf payments (please see the accompanying notes to the financial statements) were not budgeted, therefore, to better compare the actual to the budgeted amounts these amounts were deducted from both revenue and expenditures in the amount of \$2,618,018.

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**Special Revenue Fund**  
Year ended June 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 5	\$ 5
Student activities			1,013	1,013
Other local revenue	2,892	2,892	10,790	7,898
Intergovernmental - state	485,537	847,832	834,399	(13,433)
Intergovernmental - federal	991,505	2,720,571	1,397,676	(1,322,895)
Total revenues	1,479,934	3,571,295	2,243,883	(1,327,412)
EXPENDITURES				
Instruction	1,136,484	1,902,814	1,826,342	76,472
Support services				
Student	5,000	48,196	42,382	5,814
Instructional staff	131,168	113,318	109,228	4,090
Business	38,184	38,184	33,538	4,646
Plant operation & maintenance	10,000	9,685	58,293	(48,608)
Building improvements		1,300,000		1,300,000
Community services operations	178,190	178,190	194,393	(16,203)
Total expenditures	1,499,026	3,590,387	2,264,176	1,326,211
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,092)	(19,092)	(20,293)	(1,201)
OTHER FINANCING SOURCES (USES)				
Transfers in	19,092	19,092	19,092	-
Total other financing sources and (uses)	19,092	19,092	19,092	-
NET CHANGE IN FUND BALANCES	-	-	(1,201)	(1,201)
FUND BALANCE-BEGINNING	-	-	29,543	29,543
FUND BALANCE-ENDING	\$ -	\$ -	\$ 28,342	\$ 28,342

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Net Position**  
**Proprietary Fund**  
June 30, 2021

	<b>School Food Services</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 220,119
Receivables	74,145
Inventories	7,510
Capital assets:	
Other capital assets, net of depreciation	10,294
Total assets	<u>312,068</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	25,308
Deferred outflows related to OPEB	18,529
Total deferred outflows of resources	<u>43,837</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>355,905</u></u>
<b>LIABILITIES</b>	
Accounts payable	1,698
Net pension liability	134,648
Net OPEB liability	42,378
Total liabilities	<u>178,724</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	4,346
Deferred inflows related to OPEB	9,722
Total deferred inflows of resources	<u>14,068</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>192,792</u>
<b>NET POSITION</b>	
Net investment in capital assets	10,294
Restricted	152,819
Total net position	<u>163,113</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u><u>\$ 355,905</u></u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
Year ended June 30, 2021

	<b>School Food Services</b>
<b>OPERATING REVENUES</b>	
Lunchroom sales	\$ 3,346
Total operating revenues	<u>3,346</u>
<b>OPERATING EXPENSES</b>	
Depreciation	1,896
Food service operations	
Salaries and benefits	254,790
Operational	<u>327,967</u>
Total operating expenses	<u>584,653</u>
Operating income (loss)	(581,307)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal grants	544,132
State grants	48,756
Transfers	(43,946)
Earnings from investments	<u>281</u>
Total nonoperating revenues (expenses)	<u>549,223</u>
<b>CHANGE IN NET POSITION</b>	(32,084)
<b>NET POSITION-BEGINNING</b>	<u>195,197</u>
<b>NET POSITION-ENDING</b>	<u><u>\$ 163,113</u></u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Cash Flows**  
**Proprietary Fund**  
Year ended June 30, 2021

	<b>School Food Services</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 3,346
Payments to suppliers	(402,835)
Payments to employees	(254,790)
Net cash provided (used) by operating activities	<u>(654,279)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Operating grants and contributions	592,888
Transfers to other funds	(43,946)
Net cash provided (used) by noncapital financing activities	<u>548,942</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	281
Net cash provided (used) by investing activities	<u>281</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(105,056)
<b>CASH AND CASH EQUIVALENTS BALANCE-BEGINNING</b>	<u>325,175</u>
<b>CASH AND CASH EQUIVALENTS BALANCE-ENDING</b>	<u><u>220,119</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	(581,307)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,896
Changes in assets and liabilities:	
Receivables	(74,145)
Inventory	1,448
Deferrals assets	(1,494)
Deferrals liabilities	(10,679)
Pension liability	(1,518)
OPEB liability	9,822
Accounts payable and accrued expenses	1,698
Net cash provided (used) by operating activities	<u><u>\$ (654,279)</u></u>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the district received \$49,289 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$43,078 provided by state government.

See the accompanying notes to the financial statements.



Elliott County School District  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
June 30, 2021

	<u><b>PRIVATE PURPOSE TRUST</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>107,348</u>
Total assets	<u><u>107,348</u></u>
<b>NET POSITION</b>	
Held in trust	<u>107,348</u>
Total net position	\$ <u><u>107,348</u></u>

See the accompanying notes to the financial statements.

Elliott County School District  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
Year ended June 30, 2021

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Earnings on investments	\$ 97
<b>Deductions</b>	
Benefits paid	<u>-</u>
<b>Change in net position</b>	97
<b>Net position, beginning</b>	<u>107,251</u>
<b>Net position, ending</b>	<u><u>\$ 107,348</u></u>

See accompanying notes to the financial statements.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended June 30, 2021

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Elliott County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Elliott County Board of Education (“District”). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Blended Component Unit

Elliott County Board of Education Finance Corporation

The Board authorized establishment of the Elliott County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Elliott County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

### I. Governmental Fund Types

#### (A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

#### (B) Special Revenue (Grant) Fund

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

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **(C) Special Revenue (District Activity) Fund**

The Special Revenue (District Activity) Fund accounts for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

### **(D) Special Revenue (Student Activity) Fund**

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

### **(E) Capital Project Funds**

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

#### **SEEK Capital Outlay Fund**

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

#### **Building (FSPK) Fund**

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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**

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

### **(F) Debt Service Fund**

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

## **II. Proprietary Funds (Enterprise Funds)**

### **Food Service Fund**

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

The District applies all GASB pronouncements to proprietary funds.

### III. Fiduciary Fund Types

#### Agency Funds

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "Accounting Procedures for Kentucky School Activity Funds," except for those accounted through the central office.

#### Private Purpose Trust

Private Purpose Trusts are maintained within MUNIS and account for revenues generated by trusts set up to benefit a specific location in Elliott County. An endowment was established February 1, 2010 by a grant of \$100,000 from the W. Paul and Lucille Caudill Little Foundation, Inc. to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. It was to be held in a separately managed fiduciary account permanently designated for the Adkins-Caudill Performing Arts Center. This is a major fund of the District.

The original principal received remains in the net position on the statement of net position and is restricted for the trust principal. The net appreciation on investments available for expenditures is included in the restricted spendable net position on the statement of net position. The District's policy is to spend only investment income for the purposes of the Trust.

The District has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the District classifies as restricted permanent nonspendable (a) the original value of the gift donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent nonspendable net position is classified as restricted permanent spendable net position until those amounts are appropriated for expenditure by the District in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the District considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the District

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- The investment policies of the District

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

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

### Cash and Cash Equivalents

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

### Prepaid Assets

Payments made that will benefit periods beyond June 30, 2021 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

### 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 government funds. These assets are reported in the government activities column of the government-wide financial Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

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

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<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
Food service equipment	10-12 years
Furniture and fixtures	7 years
Other	10 years

### Accrued Liabilities and Long-Term Obligations

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

### 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 the accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

### Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted	Legally restricted under legislation, bond authority, or grantor contract.
Committed	Commitments of future funds for specific purposes passed by the Board.
Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

### Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

position when an expense is incurred for which both restricted and unrestricted net position are available.

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$.413 per \$100 valuation of real property, \$.432 per \$100 valuation for business personal property and \$.565 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

### Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

### In-Kind

Local contributions, which include contributed services provided by individuals, private organizations, and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

### Contributions of Capital

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

### Inter-fund Receivables/Payables

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Interfund Transfers

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 financial statements.

### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

### Pensions

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

### Postemployment Benefits Other Than OPEBs (OPEB)

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Estimates

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

### Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. 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/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

### New Accounting Pronouncements

GASB Statement No. 84-In January, 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the reporting period beginning after December 15, 2019. The District previously reported the activity of the School Activity Fund as a fiduciary fund; however beginning July 1, 2020, such activity has been more appropriately reported in a special revenue fund and accordingly the newly established special revenue fund reports a restated beginning balance of \$108,439, which is equal to the restatement of net current assets and liabilities previously reported in the agency fund.

Effective in Future Years:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

GASB Statement No. 87-In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of the governments. This Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

GASB Statement No. 91-In May, 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92-In January, 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021.

GASB Statement No. 93-In March, 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. Removal of LIBOR as an appropriate benchmark is effective for reporting periods ending December 30, 2021, paragraphs regarding leases are effective for fiscal years beginning after June 15, 2021, and all other requirements are effective for reporting periods beginning after June 15, 2020.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97-In June, 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statement No. 14 and No. 84 and A Supersession of GASB Statement No. 31*. The objective of this Statement is (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Statement is effective at various times, with some provisions effective immediately, and other provisions effective for fiscal years or reporting periods beginning after June 15, 2021.

The impact of these pronouncements on the District's financial statement has not been determined

### **NOTE B – CASH AND CASH EQUIVALENTS**

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$1,028,735. The bank balance for the same time was \$1,233,785.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, Special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

### **NOTE C – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Land-nondepreciable	\$ 452,008	\$ -	\$ -	\$ 452,008
Construction in progress-nondepreciable	-	-	-	-
Land improvements	622,576	-	-	622,576
Buildings	29,766,383	-	-	29,766,383
Vehicles	2,370,853	100,102	187,026	2,283,929
General equipment	487,147	-	-	487,147
Total at historical cost	<u>\$ 33,698,965</u>	<u>\$ 100,102</u>	<u>\$ 187,026</u>	<u>\$ 33,612,041</u>
Less: Accumulated depreciation				
Land improvements	\$ 594,739	\$ 7,884	-	\$ 602,623
Buildings	10,501,635	475,538	-	10,977,173
Vehicles	1,739,955	164,589	187,026	1,717,517
General equipment	418,447	11,468	-	429,915
Total accumulated depreciation	<u>\$ 13,254,775</u>	<u>\$ 659,479</u>	<u>\$ 187,026</u>	<u>\$ 13,727,228</u>
<u>Governmental Activities</u>				
Capital Assets-net	<u>\$ 20,444,190</u>	<u>\$ (559,377)</u>	<u>\$ -</u>	<u>\$ 19,884,813</u>
<u>Business-Type Activities</u>	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2021</u>
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
General equipment	259,476	-	-	259,476
Total at historical cost	<u>\$ 422,193</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,193</u>
Less: Accumulated depreciation				
Buildings	\$ 162,717	\$ -	\$ -	\$ 162,717
General equipment	247,285	1,896	-	249,181
Total accumulated depreciation	<u>\$ 410,003</u>	<u>\$ 1,896</u>	<u>\$ -</u>	<u>\$ 411,899</u>
<u>Business-Type Activities</u>				
Capital Assets-net	<u>\$ 12,190</u>	<u>\$ (1,896)</u>	<u>\$ -</u>	<u>\$ 10,294</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

### NOTE D – DEBT OBLIGATIONS

#### Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Elliott County School District Finance Corporation.

The District, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court 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 original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2021 are summarized below:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Bond Issues	Original Amount	Maturity Date	Interest Rates	2020 Bonds			2021 Bonds	
				Outstanding	Additions	Retirements	Outstanding	
2012	4,500,000	8/1/2032	2.0-3.25%	\$ 3,750,000	\$ -	\$ 205,000	\$ 3,545,000	
2012R	2,020,000	9/1/2023	.5 - 2.125%	765,000	-	235,000	530,000	
2015	395,000	2/1/2035	3.8-4.65%	320,000	-	15,000	305,000	
2005	290,000	8/1/2026	4.125%	115,000	-	15,000	100,000	
2006	500,000	1/25/2021	QZAB	500,000	-	500,000	-	
2016R	2,185,000	11/1/2027	1-2%	1,705,000	-	210,000	1,495,000	
2014	1,205,000	5/1/1934	2.55-3.75	1,080,000	-	35,000	1,045,000	
2013	595,000	8/1/2033	2.25-3.75	545,000	-	10,000	535,000	
				8,780,000	-	1,225,000	7,555,000	
Add:	Premium			11,476	-	1,944	9,532	
Less:	Discount			(31,095)	-	(2,589)	(28,506)	
				\$ 8,760,381	\$ -	\$ 1,224,355	\$ 7,536,026	

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2021 for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC		
2022	\$ 365,326	\$ 384,674	\$ 120,986	\$ 75,718	\$ 750,000	\$ 196,704
2023	377,494	392,506	113,042	68,241	770,000	181,283
2024	295,801	384,199	105,616	59,598	680,000	165,215
2025	277,539	362,461	98,684	51,152	640,000	149,836
2026	285,010	369,990	90,916	42,728	655,000	133,644
2027-2031	1,676,296	1,083,704	315,918	112,011	2,760,000	427,930
2032-2035	973,954	326,046	52,232	14,628	1,300,000	66,860
	\$ 4,251,420	\$ 3,303,580	\$ 897,395	\$ 424,076	\$ 7,555,000	\$ 1,321,471

### Accumulated Sick Leave

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. The activity during fiscal year 2021 for accumulated sick leave is as follows:

	2020 Outstanding Balance		2021 Outstanding Balance	
		Additions	Retirements	
Sick Leave	\$ 77,245	\$ -	\$ 23,806	\$ 53,439



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2021 for the worker's compensation and property and liability deficit are as follows:

<u>KSBIT Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2020 KSBIT Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2021 KSBIT Outstanding</u>
KSBIT	\$ 222,133	8/15/2024	2.0 - 3.25%	\$ 119,727	\$ -	\$ 22,516	\$ 97,211

The minimum payments are as follows:

Fiscal				
Year Ended	Local		Total	
June 30th	Principal	Interest	Payments	
2022	\$ 23,201	\$ 2,663	\$ 25,864	
2023	23,908	1,956	25,864	
2024	24,652	1,212	25,864	
2025	25,450	414	25,864	
Totals	\$ 97,211	\$ 6,245	\$ 103,456	

### Net Pension & OPEB Liability

The net pension liability is \$3,388,068 for governmental activities and \$134,648 for business-type activities for a total of \$3,522,716 as of June 30, 2021. (See Note G for additional information) The net OPEB liability is \$2,926,330 for governmental activities and \$42,378 for business-type activities for a total of \$2,968,708 as of June 30, 2021. (See Note H for additional information)

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>2020 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2021 Outstanding Balance</u>	<u>Amount Due in One Year</u>
Bonds, Net of Premium and Discount	\$ 8,760,381	\$ -	\$ 1,224,355	\$ 7,536,026	\$ 750,000
Capital Lease	777,572	102,925	111,746	768,751	122,032
Sick Leave	77,245	-	23,806	53,439	-
KSBIT	119,727	-	22,516	97,211	23,201
Net Pension Liability	3,195,604	327,112	-	3,522,716	-
Net OPEB Liability	2,869,045	99,663	-	2,968,708	-
<b>Totals</b>	<b>\$ 15,799,574</b>	<b>\$ 529,700</b>	<b>\$ 1,382,423</b>	<b>\$ 14,946,851</b>	<b>\$ 895,233</b>

## NOTE E – CAPITAL LEASE PAYABLE

The following is an analysis of the leased property under capital lease by class:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>KISTA Issue</b>	<b>Original Amount</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>2020 Lease Outstanding</b>	<b>Additions</b>	<b>Retirements</b>	<b>2021 Lease Outstanding</b>
Second Series 2015B	284,961	3/1/2025	2.0-2.5%	\$ 139,391	\$ -	\$ 28,959	\$ 110,432
2014	61,793	3/1/2024	2.0 - 2.625%	23,758	-	6,321	17,437
Series 2017	374,948	3/1/2027	2.55%	259,443	-	36,009	223,434
Series 2019	189,965	3/1/2029	3.000%	169,771	-	20,651	149,120
Series 2020	185,209	3/1/2030	2.0-2.5%	185,209	-	19,806	165,403
Series 2021	102,925	3/1/2031	1.250%	-	102,925	-	102,925
				<u>\$ 777,572</u>	<u>\$ 102,925</u>	<u>\$ 111,746</u>	<u>\$ 768,751</u>

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2021:

<b>Fiscal Year Ended June 30th</b>	<b>Local Principal</b>	<b>Interest</b>	<b>Total Payments</b>
2022	\$ 122,032	\$ 17,759	\$ 139,791
2023	120,929	15,060	135,989
2024	117,342	12,192	129,534
2025	114,545	9,353	123,898
2026	84,068	6,590	90,658
2027-2031	209,835	9,154	218,989
	<u>\$ 768,751</u>	<u>\$ 70,108</u>	<u>\$ 838,859</u>

Total minimum lease payments	\$ 838,859
Less: Amount representing interest	(70,108)

Present Value of Net Minimum Lease Payments	\$ 768,751
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### NOTE F – COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provided for the minimum future rental payments as of June 30, 2021 are as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Payment</b>
2022	\$ 8,417
2023	8,417
2024	7,577
2025	3,251
Total	<u>\$ 27,662</u>

Expenditures for equipment under operating leases for the year ended June 30, 2021 totaled \$8,417.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE G – RETIREMENT PLANS

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

#### **Teachers Retirement System Kentucky (TRS)**

##### *Retirement Annuity Trust*

##### **Plan description**

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

##### **Benefits provisions**

**For Members before July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 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 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**For Members On or After July 1, 2008:** Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

### Other Benefits

TRS provides disability benefits for vested members at the rate of 60% of the final average salary.

Cost of living increases are 1.5% 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 effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter.

For local school district 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.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2021 the District did not report a liability for the District's proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

### TRS

State's proportionate share of the TRS net pension liability associated with the District	\$ 19,361,261
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The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on 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, 2020, the District's proportion was 0.1366%.

### Actuarial Methods and Assumptions

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry age
Inflation Rate	3%
Single Equivalent Interest Rate	7.5%
Municipal Bond Index Rate	3.5%
Projected Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward of 1 year for females and 2 years for males. The actuarial assumptions used in the June 30, 2019 valuation 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 September 19, 2016. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

### Target Allocations

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.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	Long Term Expected Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	22.0	5.6
Fixed Income	15.0	---
Additional Categories	7.0	2.5
Real Estate	7.0	4.3
Private Equity	7.0	7.7
Cash	2.0	(0.5)
Total	100.0	

### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.50%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
State's proportionate share of net pension liability	\$ 24,932,683	\$ 19,361,261	\$ 14,977,253

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

### County Employees Retirement System

#### *Non-Hazardous*

#### Plan description

Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

### **Benefits provided**

Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

### **Contributions**

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2021, employers were required to contribute 24.06% of the member's salary. During the year ending June 30, 2021, the District contributed \$272,794 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 on an actuarial valuation as of that date. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. The District's proportion was 0.045929%.

### **CERS**

District's proportionate share of CERS net pension liability	\$	3,522,716
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For the year ended June 30, 2021, the District recognized pension expense of \$256,401 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 87,845	\$ -
Changes of assumptions	137,556	-
Net difference between projected and actual earnings on pension plan investments	152,698	64,546
Changes in proportion and differences between District contributions and proportionate share of contributions	27,005	49,144
District contributions subsequent to the measurement date	<u>257,026</u>	<u>-</u>
	<u>\$ 662,130</u>	<u>\$ 113,690</u>

The \$257,026 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	<b>Year Ended June 30,</b>
Year 1	\$ 115,393
Year 2	96,202
Year 3	44,415
Year 4	<u>35,404</u>
	<u>\$ 291,414</u>

### **Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability**

For financial reporting, the actuarial valuation as of June 30, 2020, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information as of June 30, 2020 were based on an actuarial valuation date June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using generally accepted accounting principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2019
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

### Target Asset Allocation

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the table below. The current long term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long-Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

### Discount rate

The projection of cash flows used to determine the discount rate of 6.25% 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 does not use a municipal bond rate.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

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

### Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate

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

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 4,344,276	\$ 3,522,716	\$ 2,842,434

### Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

### Payables to the pension plan

At June 30, 2021, there are no payables to CERS.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

#### TRS – General Information about the OPEB Plans

##### *Health Insurance Trust*

##### **Plan description**

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

##### **Benefits provided**

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

##### **Contributions**

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

At June 30, 2021, the District reported a liability of \$1,860,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was measured as of June 30,

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2020, and the total OPEB liability used to calculate 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 employers, actuarially determined. At June 30, 2020, the District's proportion was .073696%.

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

### MIF

District's proportionate share of TRS net OPEB liability	\$ 1,860,000
State's proportionate share of the TRS net OPEB liability associated with the District	<u>1,490,000</u>
	<u>\$ 3,350,000</u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 793,000
Changes of assumptions	113,000	-
Net difference between projected and actual earnings on pension plan investments	61,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	53,000	113,000
District contributions subsequent to the measurement date	<u>134,085</u>	<u>-</u>
	<u>\$ 361,085</u>	<u>\$ 906,000</u>

The \$134,085 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Year Ended June 30,
Year 1	\$ (146,000)
Year 2	(142,000)
Year 3	(142,000)
Year 4	(117,000)
Year 5	(97,000)
Thereafter	<u>(35,000)</u>
	<u>\$ (679,000)</u>

### Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	8%, net of OPEB plan investment expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	8.0%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Projected Salary Increases	3.5 - 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% for fiscal year 2020 decreasing to an ultimate rate of 5% by fiscal year 2029
MEHP Group	5.25% for fiscal year 2019 decreasing to an ultimate rate of 5% by fiscal year 2022
Medicare Part B Premiums	6.49% for fiscal year 2020 with an ultimate rate of 5% by 2031

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

### Target Allocations

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

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

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.40
Fixed Income	9.00	0.00
Real Estate	6.50	4.30
Private Equity	8.50	7.70
Additional Categories	17.00	2.50
Cash	1.00	(0.50)
Total	100.00	

### Discount Rate

The discount rate used to measure the TOL as of the measurement date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$7.44 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
  - Employee Contributions
  - Employer Contributions
  - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the actuarially determined contribution, as determined by the prior year's valuation and in accordance with the health trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years the following was assumed:
  - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
  - A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2019).

Based on these assumptions, the Health Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

The FNP projections are based upon the health trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MIF	1% Decrease	Current Discount Rate	1% Increase
	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	\$ 2,248,000	\$ 1,860,000	\$ 1,536,000

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

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,474,000	\$ 1,860,000	\$ 2,335,000

### ***Life Insurance Trust***

#### **Plan description and benefits provided**

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

#### **Contributions**

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

#### **Net OPEB Liability**

At June 30, 2021, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	45,000
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### Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2019
Single Equivalent Interest Rate	7.5%, net of OPEB plan expense, including price inflation
Municipal Bond Index Rate	2.2%
Investment Rate of Return	7.5%, net of OPEB plan investment expense, including inflation
Inflation Rate	3.0%
Real Wage Growth	0.5 %
Wage Inflation	3.5%
Projected Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward of 1 year for females and 2 years for males is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience studies for the system, which covered the 5 year period ending June 30, 2015. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

### Target Allocations

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	23.0	5.6
Fixed Income	18.0	---
Real Estate	6.0	4.3
Private Equity	5.0	7.7
Other Additional Categories	6.0	2.5
Cash	2.0	(0.5)
	100.0	

### Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions of the June 30, 2019, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.5%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position FNP was not projected to be depleted. The FNP projections are based upon the Life Insurance Trust's financial status on the valuation date, the indicated set of methods and assumptions, and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust actually will run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

### Revenue and Expenses

For the year ended June 30, 2021, the District recognized OPEB revenue in the amount of \$105,013 for support provided on-behalf of the State.

### CERS – General Information about the OPEB Plans

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Employees' Health Plan

#### **Plan description**

CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

#### **Benefits provided**

The Plan provides health insurance benefits to plan members.

*Contributions* - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

At June 30, 2021, the District reported a liability of \$1,108,708 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate 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 employers, actuarially determined. At June 30, 2020, the District's proportion was .045915%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$49,484. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 185,242	\$ 185,386
Changes of assumptions	192,850	1,173
Net difference between projected and actual earnings on pension plan investments	59,474	22,623
Changes in proportion and differences between District contributions and proportionate share of contributions	4,227	45,163
District contributions subsequent to the measurement date	42,977	-
	<u>\$ 484,770</u>	<u>\$ 254,345</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The \$42,977 (includes \$27,210 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	<b>Year Ended June 30,</b>
Year 1	\$ 49,573
Year 2	60,478
Year 3	39,613
Year 4	41,874
Year 5	<u>(4,090)</u>
	<u>\$ 187,448</u>

*Implicit Employer Subsidy-* The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired 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 employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

### **Changes of Benefit Terms**

None

### **Actuarial Methods and Assumptions to Determine the Total OPEB Liability (TOL) and the Net OPEB Liability (NOL)**

The total OPEB liability, net OPEB liability, and sensitivity information for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2020:

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.0%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 2.9% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Mortality Pre-retirement	PUB-2010 General Mortality table
Mortality Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and the "Health Insurer Fee", which occurred in December of 2019 are reflected in the June 30, 2020 GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2020. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of the TOL and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

### **Discount rate**

Single discount rates of 5.34% were used to measure the TOL as of June 30, 2020. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return of each major asset class are summarized in the CAFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, GRS may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

The following table presents the NOL calculated using the discount rate of 5.34%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate.

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 1,424,364	\$ 1,108,708	\$ 849,449

### Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution

The following actuarial assumptions were used in performing the actuarially determined contributions effective for fiscal year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

## NOTES TO THE FINANCIAL STATEMENTS (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 the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

### Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.34%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 858,417	\$ 1,108,708	\$ 1,412,441

### OPEB plan fiduciary net position

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

### NOTE I – PRIVATE PURPOSE TRUST

The District received an endowment from the W. Paul and Lucille Caudill Little Foundation, Inc. in the amount of \$100,000 to provide \$5,000 in operating costs per year to the Adkins-Caudill Performing Arts Center. The \$100,000 is the corpus and earnings of \$7,348.

### NOTE J – COMMITMENTS

The District has a committed fund balance for Special Revenue Activity Fund for student activities of \$108,076 as of June 30, 2021.

### NOTE K – CONTINGENCIES

The District receives funding from Federal, State and Local governmental agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction the funds provided are being spent as intended and the grantors' intent to continue their program.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE L - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2021.

### NOTE M – INSURANCE AND RELATED ACTIVITIES

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

### NOTE N – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

### NOTE O – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

<u>Fund</u>		<u>Change in Net Position</u>
		<u>Net Change in Fund Balance</u>
School Food Service	\$	(32,084)
Special Revenue		(1,201)
Student Activity		(363)
Debt Service	\$	(498,685)

### NOTE P – COBRA

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

### NOTE Q – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Debt Service	Capital Outlay	Debt Service	Debt Payments	\$ 65,113
Debt Service	Building Fund	Debt Service	Debt Payments	416,360
Operations	Food Service	General Fund	Indirect Costs	43,946
Special Rev	General Fund	Special Revenue	KETS Matching	\$ 19,092



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE R – ON-BEHALF PAYMENTS

For fiscal year 2021, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 and 75)	\$ 1,507,837
Health Insurance	1,137,479
Life Insurance	1,737
Administrative Fee	14,118
HRA/Dental/Vision	46,900
Federal Reimbursement	(123,296)
Technology	76,320
SFCC Debt Service Payments	<u>453,576</u>
Total	\$ <u>3,114,671</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

### NOTE S – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>	<u>Restricted Fund Balance/ Net Position</u>	<u>Purpose</u>
Special Revenue Fund	\$ 28,342	District Activities
Private Purpose Trust	107,348	Scholarships
Proprietary	152,819	School Food Services
Capital Outlay	25,795	SFCC Requirement
FSPK Fund	\$ 208	FSPK

### NOTE T – PRIOR PERIOD ADJUSTMENT

The District funded a Qualified Zone Academy Bond in 2006 that accumulated earnings until the bonds maturity of \$500,000. The initial payment and accrual of earnings from prior periods not reported is adjusted in the amount of \$498,685.

The School Activity funds were previously reported as a fiduciary fund. Those funds now are being reported as a special revenue fund with the implementation of GASB 84 in the amount of \$108,439.

### NOTE U – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2021, the date of the audit report.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CERS and TRS**  
For the Year ended June 30, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2019)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>						
Districts' proportion of the net pension liability	0.045929%	0.04544%	0.04711%	0.04938%	0.052870%	0.05000%
District's proportionate share of the net pension liability	\$ 3,522,716	\$ 3,195,604	\$ 2,868,899	\$ 2,890,188	\$ 2,603,284	\$ 2,189,804
State's proportionate share of the net pension liability associated with the District		-	-	-	-	-
Total	\$ <u>3,522,716</u>	\$ <u>3,195,604</u>	\$ <u>2,868,899</u>	\$ <u>2,890,188</u>	\$ <u>2,603,284</u>	\$ <u>2,189,804</u>
District's covered-employee payroll	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416	\$ 1,187,072
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	299.43%	264.72%	247.31%	247.81%	219.98%	184.47%
Plan fiduciary net position as a percentage of the total pension liability	47.81	50.54%	53.54%	53.30%	59.00%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>						
Districts' proportion of the net pension liability	0.01366%	0.013%	0.140%	0.146%	0.145%	0.145%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District		18,260,871	18,281,526	39,335,714	42,776,336	33,760,088
Total	\$ <u>-</u>	\$ <u>18,260,871</u>	\$ <u>18,281,526</u>	\$ <u>39,335,714</u>	\$ <u>42,776,336</u>	\$ <u>33,760,088</u>
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809	\$ 4,696,553
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**CERS and TRS**

For the Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):</b>						
Contractually required contribution	\$ 257,026	\$ 263,669	\$ 254,210	\$ 217,667	\$ 229,969	\$ 201,659
Contributions in relation to the contractually required contributions	<u>257,026</u>	<u>263,669</u>	<u>254,210</u>	<u>217,667</u>	<u>229,969</u>	<u>201,659</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,081,559	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293	\$ 1,183,416
District's contributions as a percentage of it's covered-employee payroll	23.76%	22.41%	21.06%	18.76%	19.72%	17.04%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):</b>						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,794,550	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121	\$ 4,765,809
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS**  
For the year ended June 30, 2021

**Teachers Retirement System (TRS)**

**Retirement Annuity Trust**

**Changes of Benefit Terms**

None.

**Changes of assumptions**

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

**Actuarial Methods and Assumptions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation.

**County Employee Retirement System (CERS)**

**Non-Hazardous**

**Changes of Benefit Terms**

None.

**Changes of assumptions**

None.

**Actuarial Methods and Assumptions**

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS**  
For the year ended June 30, 2021

Based on the June 30, 2018 actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>MEDICAL INSURANCE PLAN</b>				
District's proportion of the collective net OPEB liability (asset)	0.073696%	0.07191%	0.07273%	0.07764%
District's proportionate share of the collective net OPEB liability (asset)	\$ 1,860,000	\$ 2,105,000	\$ 2,523,000	\$ 2,768,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	1,490,000	1,700,000	2,175,000	2,261,000
Total	\$ 3,350,000	\$ 3,805,000	\$ 4,698,000	\$ 5,029,000
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	39.90%	45.58%	53.69%	56.57%
Plan fiduciary net position as a percentage of the total OPEB liability	39.10%	32.60%	25.50%	21.20%
<b>LIFE INSURANCE PLAN</b>				
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	45,000	39,000	37,000	30,000
Total	\$ 39,000	\$ 39,000	\$ 37,000	\$ 30,000
District's covered-employee payroll	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100	\$ 4,893,121
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.60%	73.40%	75.00%	80.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS**  
**MEDICAL AND LIFE INSURANCE PLANS**  
**TEACHERS' RETIREMENT SYSTEM**  
Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>MEDICAL INSURANCE PLAN</b>				
Contractually required contribution	\$ 134,085	\$ 184,072	\$ 124,807	\$ 129,547
Contributions in relation to the contractually required contribution	<u>134,085</u>	<u>184,072</u>	<u>124,807</u>	<u>129,547</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,794,550	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100
District's contributions as a percentage of it's covered-employee payroll	2.80%	3.95%	2.70%	2.76%
<b>LIFE INSURANCE PLAN</b>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 4,794,550	\$ 4,662,184	\$ 4,618,680	\$ 4,699,100
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2021

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>HEALTH INSURANCE PLAN</b>				
District's proportion of the collective net OPEB liability (asset)	0.045915%	0.04543%	0.04712%	0.04938%
District's proportionate share of the collective net OPEB liability (asset)	\$ 1,108,708	\$ 764,045	\$ 836,571	\$ 992,647
State's proportionate share of the collective net OPEE liability (asset) associated with the District	-	-	-	-
Total	\$ <u>1,108,708</u>	\$ <u>764,045</u>	\$ <u>836,571</u>	\$ <u>992,647</u>
District's covered-employee payroll	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030	\$ 1,166,293
District's proportionate share of the collective net OPEE liability (asset) as a percentage of its covered-employee payroll	94.24%	63.29%	72.12%	85.11%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	13.00%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30



ELLIOTT COUNTY SCHOOL DISTRICT  
**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN**  
**COUNTY EMPLOYEE RETIREMENT SYSTEM**  
Year ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>HEALTH INSURANCE PLAN</b>				
Contractually required contribution	\$ 42,977	\$ 32,580	\$ 26,201	\$ 22,867
Contributions in relation to the contractually	<u>42,977</u>	<u>32,580</u>	<u>26,201</u>	<u>22,867</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 1,081,559	\$ 1,176,458	\$ 1,207,174	\$ 1,160,030
District's contributions as a percentage of it's covered-employee payroll	3.97%	2.77%	2.17%	1.97%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**  
For the year ended June 30, 2021

**Teachers Retirement System (TRS)**

**Health Insurance Trust**

**Changes of Benefit Terms**

None.

**Changes of Assumptions**

None.

**Actuarial Methods and Assumptions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.4% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate subsidy is recognized).

**Life Insurance Trust**

**Changes of Benefit Terms**

None.

**Changes of Assumptions**

None.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**  
For the year ended June 30, 2021

**Actuarial Methods and Assumptions**

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2017 valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.45%, including wage inflation
Discount Rate	7.5%

**County Employee Retirement System (CERS)**

**Employees' Health Plan**

**Changes of Benefit Terms**

None.

**Changes of Assumptions**

The discount rate used to calculate the total OPEB liability decreased from 5.68% to 5.34%. The assumed in future health care costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. Also, the June 30, 2020 GASB No. 75 actuarial information reflects the anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee", which occurred in December of 2019. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**  
For the year ended June 30, 2021

**Actuarial Methods and Assumptions**

The actuarially determined contribution rates effective for fiscal year ending 2020 are calculated based on the June 30, 2018 valuation report. The actuarial methods and assumptions used to calculate these contribution rates are as follow.

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.3%
Salary Increases	3.3 to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 7% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 12 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over period of 10 years.
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Elliott County School District  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
June 30, 2021

	Other Governmental Funds				
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Construction Fund	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 107,332	\$ 25,795	\$ 208	\$ -	\$ 133,335
Accounts receivable, accounts	2,629				2,629
Total assets	<u>109,961</u>	<u>25,795</u>	<u>208</u>	<u>-</u>	<u>135,964</u>
<b>Liabilities</b>					
Accounts payable	<u>1,885</u>				<u>1,885</u>
Total liabilities	<u>1,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885</u>
<b>Fund Balances</b>					
Committed	108,076				108,076
Restricted		25,795	208		26,003
Total fund balances	<u>108,076</u>	<u>25,795</u>	<u>208</u>	<u>-</u>	<u>134,079</u>
Total liabilities & fund balance:	<u>\$ 109,961</u>	<u>\$ 25,795</u>	<u>\$ 208</u>	<u>\$ -</u>	<u>\$ 135,964</u>

Elliott County School District  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds**  
Year ended June 30, 2021

	<b>Other Governmental Funds</b>				
	<b>Special Revenue Student Activity</b>	<b>Capital Outlay</b>	<b>FSPK Fund</b>	<b>Construction Fund</b>	<b>Total</b>
<b>Revenues</b>					
Taxes					
Property	\$ -	\$ -	\$ 115,569	\$ -	\$ 115,569
Intergovernmental - state		90,908	300,791		391,699
Student activities	123,785				123,785
Total revenues	<u>123,785</u>	<u>90,908</u>	<u>416,360</u>	<u>-</u>	<u>631,053</u>
<b>Expenditures</b>					
Instruction	124,148				124,148
Total expenditures	<u>124,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,148</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(363)</u>	<u>90,908</u>	<u>416,360</u>	<u>-</u>	<u>506,905</u>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in (out)		(65,113)	(416,360)		(481,473)
Total other financing sources (uses)	<u>-</u>	<u>(65,113)</u>	<u>(416,360)</u>	<u>-</u>	<u>(481,473)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(363)</u>	<u>25,795</u>	<u>-</u>	<u>-</u>	<u>25,432</u>
<b>Fund Balance Beginning</b>	<u>-</u>	<u>-</u>	<u>208</u>		<u>208</u>
Prior period adjustment	108,439				108,439
<b>Restated, Fund Balance Beginning</b>	<u>108,439</u>	<u>-</u>	<u>208</u>	<u>-</u>	<u>108,647</u>
<b>Fund Balance Ending</b>	<u>\$ 108,076</u>	<u>\$ 25,795</u>	<u>\$ 208</u>	<u>\$ -</u>	<u>\$ 134,079</u>

Elliott County School District  
**Combining Balance Sheet - School Activity and Private Purpose Trust**  
June 30, 2021

	<b>SCHOOL ACTIVITY FUNDS</b>					
	<b>ELLIOTT CO. HIGH SCHOOL</b>	<b>ELLIOTT CO. MIDDLE SCHOOL</b>	<b>ELLIOTT CO. ELEMENTARY</b>	<b>ELLIOTT CO. INTERMEDIATE</b>	<b>PRIVATE PURPOSE TRUST</b>	<b>TOTAL</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 64,172	\$ 3,673	\$ 8,687	\$ 30,800	\$ 107,348	\$ 214,680
Accounts receivable	2,629					2,629
Total assets	<u>66,801</u>	<u>3,673</u>	<u>8,687</u>	<u>30,800</u>	<u>107,348</u>	<u>217,309</u>
<b>LIABILITIES</b>						
Accounts payable	1,885					1,885
Total liabilities	<u>1,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885</u>
<b>FUND BALANCE</b>						
Trust activity					107,348	107,348
School activities	64,916	3,673	8,687	30,800		108,076
	<u>64,916</u>	<u>3,673</u>	<u>8,687</u>	<u>30,800</u>	<u>107,348</u>	<u>215,424</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 66,801</u>	<u>\$ 3,673</u>	<u>\$ 8,687</u>	<u>\$ 30,800</u>	<u>\$ 107,348</u>	<u>\$ 217,309</u>

Elliott County School District  
**Combining Statement of Revenues, Expenses and Changes in Fund Balance-School Activity and Private Purpose Trust**  
Year ended June 30, 2021

	<b>SCHOOL ACTIVITY FUNDS</b>					
	<b>ELLIOTT CO. HIGH SCHOOL</b>	<b>ELLIOTT CO. MIDDLE SCHOOL</b>	<b>ELLIOTT CO. ELEMENTARY</b>	<b>ELLIOTT CO. INTERMEDIATE</b>	<b>PRIVATE PURPOSE TRUST</b>	<b>TOTAL</b>
<b>Revenues</b>						
Student/trust revenues	\$ 108,792	\$ 4,296	\$ 1,136	\$ 9,561	\$ 97	\$ 123,882
<b>Expenditures</b>						
Student/trust activities	112,613	623	2,565	8,347		124,148
<b>Excess (Deficit) of Revenues Over Expenses</b>	(3,821)	3,673	(1,429)	1,214	97	(266)
<b>Fund Balance-Beginning</b>	<u>68,737</u>	<u>-</u>	<u>10,116</u>	<u>29,586</u>	<u>107,251</u>	<u>215,690</u>
<b>Fund Balance-Ending</b>	<u>\$ 64,916</u>	<u>\$ 3,673</u>	<u>\$ 8,687</u>	<u>\$ 30,800</u>	<u>\$ 107,348</u>	<u>\$ 215,424</u>



Elliott County School District  
**Statement of Revenues, Expenses, and Changes in Fund Balance - Elliott County High School**  
Year ended June 30, 2021

	<b>FUND BALANCE BEGINNING</b>	<b>REVENUES</b>	<b>EXPENSES</b>	<b>TRANSFERS</b>	<b>FUND BALANCE ENDING</b>
GENERAL FUND	\$ 3,631	\$ 37,742	\$ 35,917	\$ (80)	\$ 5,376
SENIOR CLASS FUNDS	8	1,036	1,044	-	-
HS SCIENCE	5	-	-	-	5
ARCHERY	5,836	3,958	3,036	-	6,758
ELEMENTARY BASKETBALL	1,744	-	1,186	-	558
FBLA/LEADERSHIP CLASS	87	-	-	-	87
ENVIRONMENTAL CLUB	344	-	-	-	344
ANNUAL	402	-	-	-	402
SOCCER	520	-	-	-	520
FCA	1,671	573	1,291	-	953
AP GEOGRAPHY	663	-	-	-	663
PEP CLUB	176	-	-	-	176
ELEMENTARY CHEERLEADING	627	-	-	-	627
DUNGEONS AND DRAGONS CLUB	221	-	-	-	221
LIONS/CUBS CLUB	235	-	-	-	235
STARTUP/CHANGE FUND	-	2,400	2,400	-	-
GENERAL II	150	-	-	-	150
FACULTY VENDING	767	213	554	-	426
DRAMA CLUB	97	-	-	-	97
BETA	2,908	900	614	-	3,194
BAND	6,900	240	858	-	6,282
JR BETA	1,090	-	1,090	-	-
FRESHMAN ACCOUNT	471	-	-	-	471
FCCLA	3,425	91	-	-	3,516
FFA	1,908	2,562	2,978	-	1,492
GREENHOUSE	-	9,659	4,795	80	4,944
INDUSTRIAL ARTS	184	-	-	-	184
WELDING	31	-	-	-	31
ATHLETIC	4,538	10,814	10,306	(80)	4,966
7TH & 8TH ATHLETIC	1,274	2,062	2,785	-	551
HS ATHLETIC GIRLS	3,805	7,667	8,123	-	3,349
CROSS COUNTRY	271	-	268	-	3
TRACK	16	-	15	-	1
HS CHEERLEADING	8,384	4,184	4,976	-	7,592
7/8 CHEERLEADING	2	-	1	-	1
VOLLEYBALL	636	-	11	-	625
BASEBALL	3,561	12,188	14,252	80	1,577
SOFTBALL	4	6,353	5,601	-	756
GOLF 08-09	1	3,600	3,526	-	75
ROTC	3,206	700	1,681	-	2,225
LIBRARY	112	-	-	-	112
YEARBOOK ADS	2,626	-	-	-	2,626
ACADEMIC TEAM	194	700	700	-	194
JUNIOR CLASS (PROM)	3,901	1,150	2,500	-	2,551
7TH/8TH GRADE ACCOUNT	2,105	-	2,105	-	-
<b>TOTALS</b>	<b>\$ 68,737</b>	<b>\$ 108,792</b>	<b>\$ 112,613</b>	<b>\$ -</b>	<b>\$ 64,916</b>

ELLIOTT COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2021

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Passed Through to Subrecipients</b>	<b>Program or Award Amount</b>	<b>Expenditures</b>
US Department of Agriculture					
Passed Through State Department of Education					
<b>National School Lunch Program</b>	10.555				
Fiscal Year 21		7750002 21	\$ -	\$ N/A	\$ 64
<b>Summer Food Service Program for Children</b>	10.559				
Fiscal Year 20		7690024 20	-	N/A	6,169
Fiscal Year 21		7690024 21	-	N/A	32,747
Fiscal Year 20		7740023 20	-	N/A	60,112
Fiscal Year 21		7740023 21	-	N/A	319,410
Child Nutrition Cluster Subtotal					<u>418,502</u>
<b>State Administrative Grant for Nutrition</b>	10.560				
Fiscal Year 20		7700001 20	-	N/A	2,197
<b>Fresh Fruits &amp; Vegetables</b>	10.582				
Fiscal Year 21		7720012 21	-	N/A	3,782
Passed Through State Department of Agriculture					
<b>Food Donation-Commodities</b>	10.565				
Fiscal Year 21		510.4950	-	N/A	49,289
Total US Department of Agriculture					<u>473,770</u>
US Department of Education					
Passed Through State Department of Education					
<b>Title I Grants to Local Educational Agencies</b>	84.010A				
Fiscal Year 21		3100002 21	-	509,865	456,657
* <b>Special Education Grants to States</b>	84.027A				
Fiscal Year 21		3810002 21	-	299,750	251,108
* <b>Special Education-Preschool Grants</b>	84.173A				
Fiscal Year 21		3800002 21	-	19,657	19,657
Special Education Cluster Subtotal					<u>270,765</u>
<b>Title IV Part A</b>	84.424A				
Fiscal Year 21		3420002 21	-	36,576	36,576
<b>Perkins</b>	84.048				
Fiscal Year 19		3710002 19	-	566	566
Fiscal Year 20		3710002 20	-	1,194	1,194
Fiscal Year 21		3710002 21	-	15,308	15,308
<b>Teacher Quality</b>	84.367A				
Fiscal Year 21		3230002 21	-	59,945	59,945
<b>Rural Education</b>	84.358				
Fiscal Year 21		3140002 21	-	18,680	18,680
* <b>CARES Act Educational Stabilization Fund-COVID-19</b>	84.425D				
Fiscal Year 21		4000002 21	-	1,707,062	182,886
Fiscal Year 21		4000002 21	-	388,828	274,972
* <b>CARES Act Educational Stabilization Fund GEER-COVID-19</b>	84.425C				
Fiscal Year 20		4000002 21	-	66,700	50,107
					<u>507,965</u>
Total US Department of Education					<u>1,367,656</u>
US Department of Defense					
Passed directly from the US Department of the Army					
<b>ROTC</b>	12.000				
Fiscal Year 21		504E	-	N/A	26,237
Total US Department of Defense					<u>26,237</u>
US Department of the Treasury					
Passed Through State Department of Education					
<b>Coronavirus Relief Fund-COVID-19</b>	21.019				
Fiscal Year 21		2100038960	-	301,689	301,689
Total US Department of the Treasury					<u>301,689</u>
Total Expenditure of Federal Awards					<u>\$ 2,169,352</u>
* Major programs					

See the accompanying notes to the schedule of expenditures of federal awards.

ELLIOTT COUNTY SCHOOL DISTRICT  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2021

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Elliott County School District under the programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Elliott County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$49,289.

**NOTE D – INDIRECT COST RATE**

The Elliott County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee for School District Audits

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 and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elliott County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Elliott County School District's basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Elliott County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Elliott County School District in a separate letter dated November 15, 2021.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*White & Associates, PSC*

Richmond, KY

November 15, 2021

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

To the Board of Education of the Elliott County School District  
Sandy Hook, KY  
And the State Committee for School District Audits

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

We have audited Elliott County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Elliott County School District's major federal programs for the year ended June 30, 2021. Elliott County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Elliott County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Elliott County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Elliott County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control over Compliance**

Management of Elliott County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Elliott County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Elliott County School District's internal control over compliance.

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

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

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

*White & Associates, PSC*

Richmond, KY

November 15, 2021

ELLIOTT COUNTY SCHOOL DISTRICT  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2021

**SUMMARY OF AUDITOR'S RESULTS**

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that is required to be reported as described in the Uniform Guidance?	No
Major Programs	Educational Stabilization Fund [CFDA 84.425D & 84.425C] Special Education Cluster [CFDA 84.027A & 84.173A]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

**FINDINGS - FINANCIAL STATEMENT AUDIT**

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

No findings at the major federal award programs level.



ELLIOTT COUNTY SCHOOL DISTRICT  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the year ended June 30, 2021

There were no prior year audit findings.

## MANAGEMENT LETTER POINTS

Elliott County School District  
Sandy Hook, Kentucky

In planning and performing our audit of the financial statements of the Elliott County School District for the year ended June 30, 2021, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2021. This letter does not affect our report dated November 15, 2021, on the financial statements of the Elliott County School District. The conditions observed are as follows:

### ELLIOTT COUNTY MIDDLE SCHOOL

#### 1-21

Statement of Condition: Instances of checks written not having two signatures (#0102, 0103).

Recommendation for Correction: The principal (or appointed designee) and school treasurer should ensure all checks written have two signatures; one of which shall be that of the principal (or appointed designee) and the other being the school treasurer.

Management Response to the Recommendation:

#### 2-21

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation:

### ELLIOTT COUNTY ELEMENTARY

No conditions

ELLIOTT COUNTY INTERMEDIATE

No conditions

ELLIOTT COUNTY HIGH SCHOOL

3-21

Statement of Condition: Monthly Financial Reports were not being submitted to the superintendent or finance officer at the close of each month (Oct, Dec, Jan).

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15<sup>th</sup> of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation:

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

All prior year conditions have been implemented and corrected. Ms. Debbie Stephens, Superintendent is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

*White & Associates, PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 15, 2021