

ROWAN COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

DRAFT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Rowan County School District
Morehead, Kentucky 40351

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Rowan County School District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the Rowan 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 6 through 9 and the Schedule of District's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability, Schedule of OPEB Contributions on pages 54 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rowan County School District's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual non-major 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 non-major 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 October 15, 2021, on our consideration of Rowan 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Ashland, Kentucky
October 15, 2021

DRAFT

**ROWAN COUNTY SCHOOL DISTRICT
MOREHEAD, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FOR THE YEAR ENDED JUNE 30, 2021**

As management of the Rowan County School District ("the 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 financial statements.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for all funds of the District, excluding agency funds, was approximately \$6,682,582 and the ending balance was approximately \$3,661,230, a decrease of approximately \$3,021,352 for the year, principally due to the completion of construction projects.
- The General Fund had \$28.7 million in revenue, which consisted primarily of the State program (SEEK), and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$28 million in General Fund expenditures.
- 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. The District's total debt decreased by approximately \$2.2 million during the current fiscal year.
- Net pension liabilities required to be recorded under GASB No. 68 decreased during the year due to changes in the assumptions used by the actuary to calculate the liability. Non-professional staff members are covered by the Kentucky County Employee Retirement System. Under this system, the District's share of the pension liability was \$15,324,801 as of June 30, 2020, which represents an increase of \$830,962 from the June 30, 2019 balance of \$14,493,839. The Kentucky Teachers Retirement System covers the District's professional staff members. The District's allocated pension liability as of June 30, 2020 was \$54,589,889, which represents an increase of \$1,939,015 from the June 30, 2019 balance of \$52,650,874. However, this pension liability is the responsibility of the Commonwealth of Kentucky.
- Net OPEB liabilities required to be recorded under GASB 75 increased during the year. There are two sources of OPEB liabilities with which the District has to contend. The Kentucky Teachers Retirement System (KTRS) Medical Insurance Plan and Life Insurance Plan covers the District's professional staff members. The District's allocated OPEB liability as of June 30, 2020 for KTRS Medical Insurance Plan was \$9,429,000 with the District's responsibility being \$5,235,000 and the Commonwealth of Kentucky's responsibility being \$4,194,000. This is an overall decrease of \$1,514,000 from the District's allocated OPEB liability of \$10,943,000 at June 30, 2019 for KTRS Medical Insurance Plan. The liability for the KTRS Life Insurance Plan is the responsibility of the Commonwealth of Kentucky and the District's allocated amount as of June 30, 2020 was \$127,000, which represents an increase of \$13,000 from the June 30, 2019 balance of \$114,000. Classified staff members are covered by the County Employee Retirement System Insurance Fund. Under this fund, the District's share of the OPEB liability was \$4,823,283 as of June 30, 2020, which represents an increase of \$1,357,783 from the June 30, 2019 balance of \$3,465,500.

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, deferred outflows, liabilities, and deferred inflows, 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 (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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 funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The primary proprietary fund is our food service operations. All other activities of the District are included in the governmental funds.

The basic fund financial statements can be found on pages 12 through 22 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. The notes to the financial statements can be found on pages 23 - 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by approximately \$2.1 million as of June 30, 2021.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt,

it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position for the period ending June 30, 2021 and 2020

	2021	2020
Current Assets	\$ 6,529,000	\$ 7,996,000
Noncurrent Assets	52,059,000	50,554,000
Total Assets	<u>58,588,000</u>	<u>58,550,000</u>
Deferred Outflows	5,876,000	5,577,000
Current Liabilities	4,351,000	4,394,000
Noncurrent Liabilities	58,787,000	59,608,000
Total Liabilities	<u>63,138,000</u>	<u>64,002,000</u>
Deferred Inflows	3,396,000	2,990,000
Net Position		
Net investment in capital assets	17,841,000	17,656,000
Restricted	(1,490,000)	1,514,000
Unrestricted Fund Balance	(18,421,000)	(22,035,000)
Total Net Position	<u>\$ (2,070,000)</u>	<u>\$ (2,865,000)</u>

The following table presents a summary of all governmental activities and business-type activities revenues and expenses for the fiscal year ended June 30, 2021, with comparison to 2020.

	2021	2020
Revenues:		
Local Revenue Sources	\$ 11,376,000	\$ 10,271,000
State Revenue Sources	12,253,000	13,299,000
Federal Revenue	7,629,000	5,405,000
Other Sources	-	-
Total Revenues	<u>31,258,000</u>	<u>28,975,000</u>
Expenses:		
Instruction	14,211,000	12,616,000
Student Support Services	1,404,000	1,239,000
Instructional Support	596,000	650,000
District Administration	1,407,000	1,574,000
School Administration	1,317,000	1,320,000
Business and Other Support Services	389,000	406,000
Plant Operations	4,143,000	4,353,000
Student Transportation	3,178,000	3,383,000
Community Services	346,000	348,000
Debt Service	1,126,000	1,116,000
Food Services	2,748,000	3,147,000
Day Care Fund	97,000	110,000
Community Ed Fund	-	1,000
Total Expenses	<u>30,962,000</u>	<u>30,263,000</u>
Revenues in Excess		
(Deficiency) of Expenses	<u>\$ 296,000</u>	<u>\$ (1,288,000)</u>

Governmental Funds Revenue

The majority of revenue was derived from state funding making up 57.4% and federal funding of 13.7% of total revenue. Local revenues make up 28.9% of total revenue (28.1% in 2020).

District-Wide Support Allocation

District-wide support services expenditures were Transportation 10.09%, Maintenance & Operations 13.15%, and Business Functions 1.24% (as compared to 11.18%, 14.38%, and 1.15% in 2020, respectively).

The total cost of all programs and services for governmental activities was \$28.7 million, compared with \$27.0 million in 2020. This is due to the negative pension expense in the current year.

The District's total revenues for the governmental activities for the fiscal year ended June 30, 2021 and 2020, net of inter-fund transfers and bond proceeds, was approximately \$29.0 million and \$26.1 million, respectively.

Comments on Budget Comparisons

After adjustments for contingency, the general fund budget compared to actual expenditures varied significantly from line item to line item with the ending actual balance being \$4 million greater than budget or approximately 14%. This is primarily due to not utilizing the contingency and property tax receipts being more than budgeted.

General fund revenue compared to budget varied from line item to line item more this year than in the past due in part to local property tax collection rates being greater than expected and greater than expected KTRS on-behalf payments.

Capital Assets

At the end of June 30, 2021, the District's investment in capital assets for its governmental and business-type activities was \$52 million, representing an increase of \$1.5 million, net of depreciation, from the prior year.

Debt Service

At year-end, the District had approximately \$34.8 million in outstanding debt, compared to \$37.0 million last year.

Budgetary Implications

In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with a contingency above the 2% requirement for FY 2021. The general fund cash balance for beginning the next fiscal year is approximately \$3 million. There was no significant Board action that impacts the finances for the new year.

Questions regarding this report should be directed to the Superintendent John Maxey or to his representative, Director of Financial Services Glen Teager or by mail at:

Rowan County School District
415 West Sun Street
Morehead, Kentucky 40351

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,655,728	\$ 5,502	\$ 3,661,230
Receivables (net of allowances for uncollectibles):			
Taxes	905,399	-	905,399
Other	249,533	-	249,533
Intergovernmental - state	1,082,512	69,265	1,151,777
Inventories	-	28,806	28,806
Other assets	532,452	-	532,452
Internal balances, net	107,212	(107,212)	-
Capital assets, net	51,669,506	389,669	52,059,175
Total assets	<u>58,202,342</u>	<u>386,030</u>	<u>58,588,372</u>
Deferred Outflows of Resources			
Deferred savings from refunding bonds	452,410	-	452,410
Deferred outflows - other post-employment benefits	2,664,688	323,009	2,987,697
Deferred outflows - pension	2,062,583	373,403	2,435,986
Total deferred outflows of resources	<u>5,179,681</u>	<u>696,412</u>	<u>5,876,093</u>
Liabilities			
Accounts payable	478,536	12,743	491,279
Accrued interest payable	235,086	-	235,086
Deferred revenue	592,522	-	592,522
Portion due or payable within one year:			
Accrued sick leave	416,315	-	416,315
Capital leases	255,818	-	255,818
Bond obligations	2,360,000	-	2,360,000
Portion due or payable after one year:			
Accrued sick leave	1,242,418	-	1,242,418
Net pension liability	13,291,535	2,033,266	15,324,801
Net OPEB liability	9,379,651	678,632	10,058,283
Capital leases	1,201,681	-	1,201,681
Bond obligations, net of discounts	30,959,878	-	30,959,878
Total liabilities	<u>60,413,440</u>	<u>2,724,641</u>	<u>63,138,081</u>
Deferred inflows of resources			
Deferred inflows - other post-employment benefits	3,012,623	140,416	3,153,039
Deferred inflows - pension	205,832	37,264	243,096
Total deferred inflows of resources	<u>3,218,455</u>	<u>177,680</u>	<u>3,396,135</u>
Net Position			
Net investment in capital assets	17,451,261	389,669	17,840,930
Restricted for:			
Capital projects	719,646	-	719,646
Other	-	(2,209,548)	(2,209,548)
Unrestricted	(18,420,779)	-	(18,420,779)
Total net position	<u>\$ (249,872)</u>	<u>\$ (1,819,879)</u>	<u>\$ (2,069,751)</u>

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
Instruction	\$ 14,211,240	\$ -	\$ 6,353,057	\$ -	\$ (7,858,183)	\$ -	\$ (7,858,183)
Support services:							
Students	1,403,576	-	29,666	-	(1,373,910)	-	(1,373,910)
Instructional staff	595,640	-	107,213	-	(488,427)	-	(488,427)
District administration	1,406,718	-	600	-	(1,406,118)	-	(1,406,118)
School administration	1,317,151	-	2,402	-	(1,314,749)	-	(1,314,749)
Business and other support services	389,468	-	-	-	(389,468)	-	(389,468)
Operation and maintenance of plant	4,142,588	-	211,446	-	(3,931,142)	-	(3,931,142)
Student transportation	3,178,067	-	-	-	(3,178,067)	-	(3,178,067)
Community services	346,351	-	330,951	-	(15,400)	-	(15,400)
Interest expense	1,126,019	-	-	604,688	(521,331)	-	(521,331)
Total governmental activities	28,116,818	-	7,035,335	604,688	(20,476,795)	-	(20,476,795)
Business-type activities:							
Food service	2,747,934	6,398	2,252,329	-	-	(489,207)	(489,207)
Day Care Fund	96,538	23,298	-	-	-	(73,240)	(73,240)
Community Ed Fund	-	-	-	-	-	-	-
Total business-type activities	2,844,472	29,696	2,252,329	-	-	(562,447)	(562,447)
Total primary government	\$ 30,961,290	\$ 29,696	\$ 9,287,664	\$ 604,688	\$ (20,476,795)	\$ (562,447)	\$ (21,039,242)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 8,189,427	\$ -	\$ 8,189,427
Motor vehicle					760,021	-	760,021
Utilities					1,716,118	-	1,716,118
Revenue in lieu of taxes					65,603	-	65,603
Intergovernmental revenues:							
State					9,989,129	-	9,989,129
Investment earnings					440	-	440
Other local revenues					614,197	-	614,197
Total general revenues					21,334,935	-	21,334,935
Transfers					(47,740)	47,740	-
Total general revenues and transfers					21,287,195	47,740	21,334,935
Change in net position					810,400	(514,707)	295,693
Net position, June 30, 2020, as restated					(1,060,272)	(1,305,172)	(2,365,444)
Net position, June 30, 2021					\$ (249,872)	\$ (1,819,879)	\$ (2,069,751)

The accompanying notes to financial statements are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 2,906,799	\$ -	\$ 106,722	\$ 148,965	\$ 493,242	\$ 3,655,728
Receivables (net of allowances for uncollectibles):						
Taxes	905,399	-	-	-	-	905,399
Other	249,533	-	-	-	-	249,533
Intergovernmental - state	-	1,082,512	-	-	-	1,082,512
Interfund receivable	597,202	-	-	-	-	597,202
Total assets	<u>\$ 4,658,933</u>	<u>\$1,082,512</u>	<u>\$ 106,722</u>	<u>\$ 148,965</u>	<u>\$ 493,242</u>	<u>\$ 6,490,374</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 449,253	\$ -	\$ 29,283	\$ -	\$ -	\$ 478,536
Interfund payable	-	489,990	-	-	-	489,990
Unearned revenue	-	592,522	-	-	-	592,522
Total liabilities	<u>449,253</u>	<u>1,082,512</u>	<u>29,283</u>	<u>-</u>	<u>-</u>	<u>1,561,048</u>
Fund balances:						
Restricted	-	-	77,439	148,965	493,242	719,646
Committed	194,892	-	-	-	-	194,892
Unassigned	4,014,788	-	-	-	-	4,014,788
Total fund balances	<u>4,209,680</u>	<u>-</u>	<u>77,439</u>	<u>148,965</u>	<u>493,242</u>	<u>4,929,326</u>
Total liabilities and fund balances	<u>\$ 4,658,933</u>	<u>\$1,082,512</u>	<u>\$ 106,722</u>	<u>\$ 148,965</u>	<u>\$ 493,242</u>	<u>\$ 6,490,374</u>

The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2021

Fund balances—total governmental funds \$ 4,929,326

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds. 51,669,506

Savings from refunding bonds are not available to pay current
period expenditures and therefore are not reported in the funds. 452,410

Other long-term assets are not available to pay for current-period
expenditures and therefore are not reported in the governmental 532,452

Deferred outflows and inflows of resources related to pensions and
OPEB plans are applicable to future periods and, therefore, are not
reported in the governmental funds. 1,508,816

Some liabilities, including bonds, capital leases, and accrued sick
leave, are not due and payable in the current period and therefore,
are not reported in the governmental funds financial statements.

Net pension liability	(13,291,535)	
Net OPEB liability	(9,379,651)	
Bonds payable	(33,319,878)	
Capital leases payable	(1,457,499)	
Accrued interest payable	(235,086)	
Accrued sick leave	(1,658,733)	<u>(59,342,382)</u>

Net position of governmental activities \$ (249,872)

The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes -						
Property	\$ 6,998,531	\$ -	\$ -	\$ -	\$ 1,190,896	\$ 8,189,427
Motor vehicles	760,021	-	-	-	-	760,021
Utilities	1,716,118	-	-	-	-	1,716,118
Revenue in lieu of taxes	65,603	-	-	-	-	65,603
Interest income	440	-	-	-	-	440
Other local revenues	255,478	94,649	-	-	264,070	614,197
Intergovernmental - State	18,630,954	1,841,109	-	604,688	1,478,316	22,555,067
Intergovernmental - Indirect federal	-	5,085,093	-	-	-	5,085,093
Intergovernmental - Direct federal	291,104	-	-	-	-	291,104
Total revenues	<u>28,718,249</u>	<u>7,020,851</u>	<u>-</u>	<u>604,688</u>	<u>2,933,282</u>	<u>39,277,070</u>
Expenditures:						
Current:						
Instruction	17,011,959	6,353,057	-	-	63,423	23,428,439
Support services:						
Students	1,065,219	29,666	-	-	206,599	1,301,484
Instructional staff	482,182	107,213	-	-	-	589,395
District administration	1,151,902	600	-	-	-	1,152,502
School administration	1,271,298	2,402	-	-	-	1,273,700
Business and other support services	354,500	-	-	-	-	354,500
Operation and maintenance of plant	3,478,156	211,446	-	-	-	3,689,602
Student transportation	2,923,064	46,648	-	-	-	2,969,712
Community services	-	330,951	-	-	-	330,951
Facilities acquisition and construction	-	-	2,906,279	-	-	2,906,279
Debt service	302,756	-	-	3,312,090	500	3,615,346
Total expenditures	<u>28,041,036</u>	<u>7,081,983</u>	<u>2,906,279</u>	<u>3,312,090</u>	<u>270,522</u>	<u>41,611,910</u>
Excess (deficiency) of revenues over expenditures	<u>677,213</u>	<u>(61,132)</u>	<u>(2,906,279)</u>	<u>(2,707,402)</u>	<u>2,662,760</u>	<u>(2,334,840)</u>
Other financing sources (uses):						
Bond and capital lease proceeds	341,200	-	-	-	-	341,200
Transfers in	-	61,132	-	2,856,367	-	2,917,499
Transfers out	(112,833)	-	-	-	(2,852,406)	(2,965,239)
Total other financing sources and uses	<u>228,367</u>	<u>61,132</u>	<u>-</u>	<u>2,856,367</u>	<u>(2,852,406)</u>	<u>293,460</u>
Net change in fund balances	905,580	-	(2,906,279)	148,965	(189,646)	(2,041,380)
Fund balances, June 30, 2020	<u>3,304,100</u>	<u>-</u>	<u>2,983,718</u>	<u>-</u>	<u>682,888</u>	<u>6,970,706</u>
Fund balances, June 30, 2021	<u>\$ 4,209,680</u>	<u>\$ -</u>	<u>\$ 77,439</u>	<u>\$ 148,965</u>	<u>\$ 493,242</u>	<u>\$ 4,929,326</u>

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances—total governmental funds \$(2,041,380)

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

Capital outlay	3,237,788	
Depreciation expense	<u>(1,774,778)</u>	1,463,010

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Capital lease and bond proceeds		(341,200)
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Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		(156,274)
Amortization of deferred savings from refunding bonds		(66,680)
Other assets		532,452
Amortization of bond discounts and premiums		3,962
Accrued interest payable		3,276

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

KTRS nonemployer support revenue	(10,302,112)	
KTRS pension expense	10,661,058	
CERS pension and OPEB expense	<u>(1,494,481)</u>	(1,135,535)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.

2,548,769

Change in net position of governmental activities		<u>\$ 810,400</u>
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The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,078	\$ -	\$ 1,424	\$ 5,502
Accounts receivable	69,265	-	-	69,265
Inventories	28,806	-	-	28,806
Total current assets	<u>102,149</u>	<u>-</u>	<u>1,424</u>	<u>103,573</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	389,669	-	-	389,669
Total noncurrent assets	<u>389,669</u>	<u>-</u>	<u>-</u>	<u>389,669</u>
Total assets	<u>491,818</u>	<u>-</u>	<u>1,424</u>	<u>493,242</u>
Deferred Outflows of Resources				
Deferred outflows - other post-employment benefits	298,659	24,350	-	323,009
Deferred outflows - pension	345,254	28,149	-	373,403
Total deferred outflows of resources	<u>643,913</u>	<u>52,499</u>	<u>-</u>	<u>696,412</u>
Total assets and deferred outflows	<u>\$ 1,135,731</u>	<u>\$ 52,499</u>	<u>\$ 1,424</u>	<u>\$ 1,189,654</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 12,743	\$ -	\$ -	\$ 12,743
Interfund payable	89,406	17,806	-	107,212
Total current liabilities	<u>102,149</u>	<u>17,806</u>	<u>-</u>	<u>119,955</u>
Noncurrent liabilities:				
Net OPEB liability	628,495	50,137	-	678,632
Net pension liability	1,930,987	102,279	-	2,033,266
Total noncurrent liabilities	<u>2,559,482</u>	<u>152,416</u>	<u>-</u>	<u>2,711,898</u>
Total liabilities	<u>2,661,631</u>	<u>170,222</u>	<u>-</u>	<u>2,831,853</u>
Deferred Inflows of Resources				
Deferred inflows - other post-employment benefits	129,831	10,585	-	140,416
Deferred inflows - pension	34,454	2,810	-	37,264
Total deferred inflows of resources	<u>164,285</u>	<u>13,395</u>	<u>-</u>	<u>177,680</u>
Net Position				
Invested in capital assets	389,669	-	-	389,669
Restricted	(2,079,854)	(131,118)	1,424	(2,209,548)
Total net position	<u>(1,690,185)</u>	<u>(131,118)</u>	<u>1,424</u>	<u>(1,819,879)</u>
Total liabilities and net position	<u>\$ 1,135,731</u>	<u>\$ 52,499</u>	<u>\$ 1,424</u>	<u>\$ 1,189,654</u>

The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
Operating revenues:				
Lunchroom sales	\$ 6,398	\$ -	\$ -	\$ 6,398
Other operating revenues	-	23,298	-	23,298
Total operating revenues	<u>6,398</u>	<u>23,298</u>	<u>-</u>	<u>29,696</u>
Operating expenses:				
Salaries and wages	714,123	54,538	-	768,661
Employee benefits	1,222,481	40,667	-	1,263,148
Materials and supplies	775,171	957	-	776,128
Depreciation	25,914	-	-	25,914
Other operating expenses	10,245	376	-	10,621
Total operating expenses	<u>2,747,934</u>	<u>96,538</u>	<u>-</u>	<u>2,844,472</u>
Operating income (loss)	<u>(2,741,536)</u>	<u>(73,240)</u>	<u>-</u>	<u>(2,814,776)</u>
Nonoperating revenues :				
Federal grants	1,320,215	-	-	1,320,215
On-behalf payments	758,275	-	-	758,275
Donated commodities	169,873	-	-	169,873
State grants	3,966	-	-	3,966
Total nonoperating revenue	<u>2,252,329</u>	<u>-</u>	<u>-</u>	<u>2,252,329</u>
Income (loss) before transfers	<u>(489,207)</u>	<u>(73,240)</u>	<u>-</u>	<u>(562,447)</u>
Transfers in	<u>47,740</u>	<u>-</u>	<u>-</u>	<u>47,740</u>
Change in net position	(441,467)	(73,240)	-	(514,707)
Net position, June 30, 2020	<u>(1,248,718)</u>	<u>(57,878)</u>	<u>1,424</u>	<u>(1,305,172)</u>
Net position, June 30, 2021	<u><u>\$ (1,690,185)</u></u>	<u><u>\$ (131,118)</u></u>	<u><u>\$ 1,424</u></u>	<u><u>\$ (1,819,879)</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund	Day Care Fund	Community Education Fund	Total Proprietary Funds
Cash flows from operating activities:				
Cash received from:				
Lunchroom sales and fees charged	\$ 6,398	\$ 23,298	\$ -	\$ 29,696
Cash paid to/for:				
Payments to suppliers and providers of goods and services	310,432	(957)	-	309,475
Payments to employees	(1,684,743)	(54,049)	-	(1,738,792)
Other payments	(10,245)	(376)	-	(10,621)
Net cash used for operating activities	<u>(1,378,158)</u>	<u>(32,084)</u>	<u>-</u>	<u>(1,410,242)</u>
Cash flows from noncapital financing activities:				
Transfers from general fund	47,740	-	-	47,740
Government grants	<u>1,254,916</u>	<u>-</u>	<u>-</u>	<u>1,254,916</u>
Net cash provided by noncapital and related financing activities	<u>1,302,656</u>	<u>-</u>	<u>-</u>	<u>1,302,656</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	<u>(67,967)</u>	<u>-</u>	<u>-</u>	<u>(67,967)</u>
Net cash used for capital and related financing activities	<u>(67,967)</u>	<u>-</u>	<u>-</u>	<u>(67,967)</u>
Cash flows from investing activities:				
Interest received on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(143,469)	(32,084)	-	(175,553)
Cash and cash equivalents, June 30, 2020	<u>147,547</u>	<u>32,084</u>	<u>1,424</u>	<u>181,055</u>
Cash and cash equivalents, June 30, 2021	<u><u>\$ 4,078</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,424</u></u>	<u><u>\$ 5,502</u></u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (2,741,536)	\$ (73,240)	\$ -	\$ (2,814,776)
Adjustments to reconcile operating income (loss) to net cash used for operating activities:				
Depreciation	25,914	-	-	25,914
Donated commodities	169,873	-	-	169,873
On-behalf payments	758,275	-	-	758,275
Net pension and OPEB expense	251,861	23,350	-	275,211
Change in assets and liabilities:				
Inventory	54,271	-	-	54,271
Accounts payable and interfund payables	<u>103,184</u>	<u>17,806</u>	<u>-</u>	<u>120,990</u>
Net cash used for operating activities	<u><u>\$ (1,378,158)</u></u>	<u><u>\$ (32,084)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,410,242)</u></u>
Non-cash items:				
Donated commodities	\$ 169,873	\$ -	\$ -	\$ 169,873
On-behalf payments	758,275	-	-	758,275

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	Trust Funds
Assets	
Cash and cash equivalents	\$ 66,511
Accounts receivable	-
Total assets	<u>66,511</u>
Liabilities	
Accounts payable	-
Due to students	-
Total liabilities	<u>-</u>
Net position held in trust	<u><u>\$ 66,511</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Trust Funds</u>
Additions -	
Contributions/donations	\$ 31,823
Deductions -	
Scholarships	<u>9,765</u>
Change in net position	22,058
Net position, June 30, 2020	<u>44,453</u>
Net position, June 30, 2021	<u><u>\$ 66,511</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes -				
Property	\$ 5,656,000	\$ 5,656,000	\$ 6,998,531	\$ 1,342,531
Motor vehicles	600,000	600,000	760,021	160,021
Utilities	1,600,000	1,600,000	1,716,118	116,118
Revenue in lieu of taxes	75,000	75,000	65,603	(9,397)
Interest income	125,000	125,000	440	(124,560)
Other local revenues	144,500	144,500	255,478	110,978
Intergovernmental - State	16,499,014	16,499,014	18,630,954	2,131,940
Intergovernmental - Direct federal	550,000	550,000	291,104	(258,896)
Total revenues	<u>25,249,514</u>	<u>25,249,514</u>	<u>28,718,249</u>	<u>3,468,735</u>
Expenditures:				
Current:				
Instruction	15,386,802	15,386,802	17,011,959	(1,625,157)
Support services:				
Students	1,118,566	1,118,566	1,065,219	53,347
Instructional staff	470,839	470,839	482,182	(11,343)
District administration	1,082,888	1,082,888	1,151,902	(69,014)
School administration	1,233,789	1,233,789	1,271,298	(37,509)
Business and other support services	219,639	219,639	354,500	(134,861)
Operation and maintenance of plant	3,118,875	3,118,875	3,478,156	(359,281)
Student transportation	2,892,375	2,892,375	2,923,064	(30,689)
Debt service	500,000	500,000	302,756	197,244
Contingency	2,269,214	2,269,214	-	2,269,214
Total expenditures	<u>28,292,987</u>	<u>28,292,987</u>	<u>28,041,036</u>	<u>251,951</u>
Excess (deficiency) of revenues over expenditures	<u>(3,043,473)</u>	<u>(3,043,473)</u>	<u>677,213</u>	<u>3,720,686</u>
Other financing sources (uses):				
Bond and capital lease proceeds	-	-	341,200	341,200
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>(112,833)</u>	<u>(37,833)</u>
Total other financing sources and uses	<u>(75,000)</u>	<u>(75,000)</u>	<u>228,367</u>	<u>303,367</u>
Net change in fund balances	<u>(3,118,473)</u>	<u>(3,118,473)</u>	<u>905,580</u>	<u>4,024,053</u>
Fund balances, June 30, 2020	<u>3,118,473</u>	<u>3,118,473</u>	<u>3,304,100</u>	<u>185,627</u>
Fund balances, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,209,680</u>	<u>\$ 4,209,680</u>

The accompanying notes to financial statements
are an integral part of this statement.

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Interest income	\$ -	\$ -	\$ -	\$ -
Other local revenues	10,000	10,000	94,649	84,649
Intergovernmental - State	1,967,470	1,967,470	1,841,109	(126,361)
Intergovernmental - Indirect federal	6,132,989	6,132,989	5,085,093	(1,047,896)
Intergovernmental - Direct federal	-	-	-	-
Total revenues	<u>8,110,459</u>	<u>8,110,459</u>	<u>7,020,851</u>	<u>(1,089,608)</u>
Expenditures:				
Current:				
Instruction	7,405,373	7,399,567	6,353,057	1,046,510
Support services:				
Students	55,075	55,075	29,666	25,409
Instructional staff	114,412	108,269	107,213	1,056
District administration	600	600	600	-
School administration	-	-	2,402	(2,402.00)
Business and other support services	-	-	-	-
Operation and maintenance of plant	241,000	241,000	211,446	29,554
Student transportation	50,000	50,000	46,648	3,352
Community services	330,948	330,948	330,951	(3)
Total expenditures	<u>8,197,408</u>	<u>8,185,459</u>	<u>7,081,983</u>	<u>1,103,476</u>
Excess (deficiency) of revenues over expenditures	<u>(86,949)</u>	<u>(75,000)</u>	<u>(61,132)</u>	<u>13,868</u>
Other financing sources (uses):				
Transfers in	75,000	75,000	61,132	(13,868)
Transfers out	-	-	-	-
Total other financing sources and uses	<u>75,000</u>	<u>75,000</u>	<u>61,132</u>	<u>(13,868)</u>
Net change in fund balances	(11,949)	-	-	-
Fund balances, June 30, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ (11,949)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

(1) REPORTING ENTITY

The Rowan 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 Rowan County School District (“District”). The District receives funding from local, state and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Board, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Rowan County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, 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. Copies of this organization’s financial statements may be obtained from the District’s Finance Office at 121 E. Second Street, Morehead, Kentucky 40351.

Rowan County Board of Education Finance Corporation - In a prior year, the Board of Education resolved to authorize the establishment of the Rowan County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors. Copies of component unit reports may be obtained from the District’s Finance office.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF FUNDS

Basis of Presentation

The accounting policies of the Rowan County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements provide information about the primary government (the “District”). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions, except where allowable for certain grant programs. 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, including internally dedicated resources and all taxes, are reported as general revenues, 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 provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and 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 position. 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. 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 a major fund of the District.
- B. The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - 1. The Special Revenue Fund 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.
 - 2. The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of

activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by the Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the State as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; 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 Fund Types (Enterprise Fund)

- A. The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
- B. The Community Ed Fund is used to account for fee-based classes. This is listed as a major fund due to the nature of the activity.
- C. The Day Care Fund is used to account for day care activities. This is listed as a major fund due to the nature of the activity.

III. Fiduciary Fund Type (Private Purpose Trust Funds)

- A. The Trust Fund is a scholarship fund. The principal and interest earned may be used for scholarships to Rowan County High School students.

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2021 to finance the General Fund operations were \$.559 per \$100 valuation for real property, \$.559 per \$100 valuation for business personal property, and \$.490 per \$100 valuation for motor vehicles. In addition, the District assessed a nickel levy in the amount of \$.055 per \$100 valuation for construction purposes only. The assessed value of property upon which the levy for the 2021 fiscal year was based, was \$1,333,920,486

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 telegraphic communications services, cablevision services, electric power, water, and gas.

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 District also receives commodities from USDA. The amounts of such services and commodities are recorded in the accompanying financial statements at their estimated fair market values.

Cash and Cash Equivalents

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

Inventories

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting. Inventories are stated at the lower of cost or market, on the first-in, first-out basis.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported 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 five thousand dollars (\$5,000) 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 capitalized.

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

<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

Interfund Balances

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

Budgetary Process

The District is required by state law to adopt annual budgets. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 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.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, all 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.

Fund Balance Reserves

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint;
- Assigned fund balance-amounts the District intends to use for a specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

When restricted, committed, assigned and unassigned resources are available for use, it is the District's policy to use restricted, committed and assigned resources first, then unassigned resources as they are needed.

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Net Position

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Interfund Activity

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

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

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

Deferred Inflows and Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate 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 then. 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 that time.

Pension

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by plans. 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.

Recent Accounting Pronouncements

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the District beginning with its year ending June 30, 2021. The District adopted GASB No. 84 effective July 1, 2020. See Note (16) for the effect of this adoption on beginning net position.

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the District beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the District beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (“GASB 92”). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the District’s financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the District beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

(3) ESTIMATES

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

(4) CASH AND CASH EQUIVALENTS

The funds of the District must be deposited and invested under the terms of a contract. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

At year-end, the bank balance of the District’s cash and cash equivalents totaled \$4,347,476. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

The cash deposits held at financial institutions can be categorized according to three levels of risk, as follows:

- Category 1 Deposits, which are insured or collateralized with securities, held by the District or by its agent in the District’s name.
- Category 2 Deposits, which are collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.
- Category 3 Deposits, which are not collateralized or insured.

Based on these three levels of risk, the District’s uninsured cash deposits are classified as Category 2.

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) Fund, Education Building Fund, Special Revenue (Grant) Funds, Bond and Interest Redemption Fund, School Food Service Funds, and School Activity Funds.

(5) CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital Assets, Not Depreciated:				
Land	\$ 2,862,270	\$ -	\$ -	\$ 2,862,270
Construction in progress	4,398,758	2,906,279	(6,973,136)	331,901
Capital Assets, Depreciated:				
Land improvements	1,008,972	-	-	1,008,972
Buildings and improvements	62,215,121	6,973,136	-	69,188,257
Technology equipment	3,530,507	-	-	3,530,507
General equipment	659,353	-	-	659,353
Vehicles	6,672,323	331,509	(59,899)	6,943,933
Totals	<u>81,347,304</u>	<u>10,210,924</u>	<u>(7,033,035)</u>	<u>84,525,193</u>
Less: accumulated depreciation				
Land improvements	1,015,542	3,948	-	1,019,490
Buildings and improvements	21,235,611	1,273,470	-	22,509,081
Technology equipment	3,188,633	142,767	-	3,331,400
General equipment	940,984	183,354	-	1,124,338
Vehicles	4,760,038	171,239	(59,899)	4,871,378
Total accumulated depreciation	<u>31,140,808</u>	<u>1,774,778</u>	<u>(59,899)</u>	<u>32,855,687</u>
Governmental Activities Capital Assets - Net	<u>\$ 50,206,496</u>	<u>\$ 8,436,146</u>	<u>\$ (6,973,136)</u>	<u>\$ 51,669,506</u>
Business-Type Activities				
Food service equipment	\$ 884,099	\$ 67,967	\$ -	\$ 952,066
Food service technology	8,868	-	-	8,868
	<u>892,967</u>	<u>67,967</u>	<u>-</u>	<u>960,934</u>
Less: accumulated depreciation				
Food service equipment	536,789	25,914	-	562,703
Food service technology	8,562	-	-	8,562
	<u>545,351</u>	<u>25,914</u>	<u>-</u>	<u>571,265</u>
Business-Type Activities Capital Assets - Net	<u>\$ 347,616</u>	<u>\$ 42,053</u>	<u>\$ -</u>	<u>\$ 389,669</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,222,998
District administration	222,868
Plant operation & maintenance	157,673
Student transportation	171,239
	<u>\$ 1,774,778</u>

(6) LONG-TERM OBLIGATIONS

A summary of activity in bond obligations and other long-term debt is as follows:

<u>Description</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 35,665,000	\$ -	\$ 2,280,000	\$ 33,385,000	\$ 2,360,000
Premium (Discount) on bonds	(61,160)	-	3,962	(65,122)	-
KISTA Loans with interest rates ranging from .95% to 3.3%	1,334,661	341,200	218,362	1,457,499	255,818
Net Pension Liability	14,493,839	830,962	-	15,324,801	-
Net OPEB Liability	9,519,500	538,783	-	10,058,283	-
Accumulated unpaid sick leave benefits	1,502,459	156,274	-	1,658,733	416,315
	<u>\$ 62,454,299</u>	<u>\$ 1,867,219</u>	<u>\$ 2,502,324</u>	<u>\$ 61,819,194</u>	<u>\$ 3,032,133</u>

Bonds

The amount shown in the accompanying financial statements as debt obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Rowan County School District Finance Corporation, with original amounts of issues totaling \$47,760,000.

The General Fund, including utility taxes, the Facility Support Program Fund and the SEEK Capital Outlay Fund are obligated to make lease payments. The lease agreements provide, among other things, (1) for rentals sufficient to satisfy debt service requirements on bonds issued by the Rowan County School District Finance Corporation, and Kentucky School Facility Construction Commission (KSFCC) to construct school facilities and (2) the District with the option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt. The original amount of present outstanding issues, the issue dates, and interest rates are summarized below:

<u>ORIGINAL ISSUE</u>	<u>ISSUER</u>	<u>AMOUNT</u>	<u>INTEREST RATES</u>
Issue of 2009R	Rowan County School District Finance Corporation & KSFCC	\$ 9,945,000	3.50% to 4.25%

Issue of 2011R	Rowan County School District Finance Corporation & KSFCC	5,915,000	1.00% to 2.75%
Issue of 2014R	Rowan County School District Finance Corporation	3,775,000	2.00% to 3.25%
Issue of 2015	Rowan County School District Finance Corporation & KSFCC	4,285,000	1.00% to 3.75%
Issue of 2015R	Rowan County School District Finance Corporation & KSFCC	1,525,000	2.00% to 2.75%
Issue of 2016	Rowan County School District Finance Corporation	5,145,000	2.35% to 3.25%
Issue of 2018R	Rowan County School District Finance Corporation & KSFCC	10,535,000	2.00% to 3.00%
Issue of 2019	Rowan County School District Finance Corporation & KSFCC	6,635,000	2.00% to 3.00%

Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent.

The bonds may be called prior to maturity dates at redemption premiums specified in each issue.

In connection with the bond issues, the District entered into a participation agreement with the Kentucky School Facilities Construction Commission, whereby the Commission has agreed to provide amounts on an annual basis (reflected in the following table) toward the payment of principal and interest requirements on the bonds. The agreement is in effect for a period of two years. The obligation of the Commission to make said payments shall automatically renew every two years, unless the Commission provides the District notice of its intention not to participate within sixty days prior to the expiration of the two year period.

Assuming no issues are called prior to scheduled maturity, the minimum obligations of the funds at June 30, 2021, for debt service, (principal and interest) are as shown below:

Year	Kentucky School Facilities Construction Commission		Rowan County School District		Total
	Principal	Interest	Principal	Interest	
2022	\$ 509,265	\$ 95,381	\$ 1,850,735	\$ 866,096	\$ 3,321,477
2023	521,319	82,605	1,923,681	802,041	3,329,646
2024	463,482	70,193	1,991,518	740,546	3,265,739
2025	282,008	60,778	2,057,992	684,128	3,084,906
2026	289,142	53,233	2,130,858	623,637	3,096,870
2027-2031	843,586	188,177	10,051,414	2,193,255	13,276,432
2032-2036	616,899	86,291	7,468,101	1,009,103	9,180,394
2037-2040	206,544	15,264	2,178,456	165,936	2,566,200
	<u>\$ 3,732,245</u>	<u>\$ 651,922</u>	<u>\$ 29,652,755</u>	<u>\$ 7,084,742</u>	<u>\$ 41,121,664</u>

The advance refunding bonds issued on February 21, 2018 resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$708,080. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2029 using the straight-line method. Additionally, the District reduced its total debt

service payments over the following 12 years by \$870,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$745,000.

Future minimum debt service on notes payable to KISTA, at June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 255,818	\$ 32,791	\$ 288,609
2023	202,492	27,207	229,699
2024	202,654	22,402	225,056
2025	167,115	17,431	184,546
2026	164,079	13,544	177,623
2027-2031	465,341	21,039	486,380
	<u>\$ 1,457,499</u>	<u>\$ 134,414</u>	<u>\$ 1,591,913</u>

Net Pension Liability

The net pension liability is \$13,291,535 and \$2,033,266 for governmental activities and business-type activities, respectively, at June 30, 2021. See Note 7 for more detailed information.

Net OPEB Liability

The net OPEB liability is \$9,379,651 and \$678,632 for governmental activities and business-type activities, respectively, at June 30, 2021. See Note 8 for more detailed information.

(7) RETIREMENT PLANS

Kentucky Teachers Retirement System

Plan description: Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

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

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

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

calculation. Effective July 1, 2008, the KTRS has been amended to change the benefit structure for members hired on or after that date.

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

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

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

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. University employers contribute 15.865% of salaries of members. For local school district and regional cooperative members 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 KTRS

At June 30, 2021, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net Pension liability	\$ -
Commonwealth's proportionate share of the Net Pension liability associated with the District	<u>54,589,889</u>
	<u>\$ 54,589,889</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. 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 Commonwealth as determined by the actuary. At June 30, 2020, the District's proportion was 0.3852%.

For the year ended June 30, 2021, the District recognized pension expense of \$10,008,546 and revenue of \$10,008,546 for support provided by the State.

Actuarial Methods and Assumptions: The total pension liability was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	24.4 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.50%
Municipal Bond Index Rate	2.19%
Inflation	3.0%
Salary Increase	3.5-7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Post-retirement Benefit Increases	1.50% annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - 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.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	40.0%	4.6%
International Equity	22.0%	5.6%
Fixed Income	15.0%	0.0%
Other Additional Categories*	7.0%	2.5%
Real Estate	7.0%	4.3%
Private Equity	7.0%	7.7%
Cash	2.0%	-0.5%
Total	<u>100.0%</u>	

**Includes Hedge Funds, High Yield and Non-US Developed Bonds.*

Discount Rate: The discount rate used to measure the total pension liability as of the Measurement Date was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commonwealth's proportionate share of the Net Pension liability associated with the District	\$ 66,846,000	\$ 54,589,889	\$ 40,526,000

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

County Employees Retirement System

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 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% (19.30% - pension, 4.76% insurance) of the member's salary. During the year ending June 30, 2021, the District contributed \$925,636 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. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the District's proportion was 0.199804%.

For the year ended June 30, 2021, the District recognized pension expense of approximately \$2,377,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 382,152	\$ -
Changes of assumptions	598,408	-
Net difference between projected and actual earnings on investments	383,484	-
Changes in proportion and differences between District contributions and proportionate share of contributions	146,306	243,096
District contributions subsequent to the measurement date	925,636	-
	<u>\$ 2,435,986</u>	<u>\$ 243,096</u>

The \$925,636 reported as deferred outflows of resources 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:

<u>Year</u>	
2022	\$ 616,458
2023	327,154
2024	169,627
2025	154,015
	<u>\$ 1,267,254</u>

Actuarial Methods and Assumptions: The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	<u>100.00%</u>	3.96%

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

Sensitivity of the District's proportionate share of the 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:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 18,898,815	\$ 15,324,801	\$ 12,365,382

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 publicly available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2021, there was a total payable to CERS of \$237,517 which includes pension and OPEB contributions.

(8) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

Kentucky Teachers Retirement System OPEB Plans

Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to 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 <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Medical Insurance Plan

At June 30, 2021, the District reported a liability of \$5,235,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was 0.37360%.

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

District's proportionate share of the net OPEB liability	\$ 5,235,000
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>4,194,000</u>
	<u>\$ 9,429,000</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$359,000 and revenue of \$294,000 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,232,000
Changes of assumptions	317,000	-
Net difference between projected and actual earnings on investments	170,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	37,000	5,000
District contributions subsequent to the measurement date	356,470	-
	<u>\$ 880,470</u>	<u>\$ 2,237,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$356,470 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	
2022	\$ (343,000)
2023	(330,000)
2024	(332,000)
2025	(314,000)
2026	(286,000)
Thereafter	(108,000)
	<u>\$ (1,713,000)</u>

Actuarial methods and assumptions – The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029

Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B Premiums	6.49% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	2.19%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation. The health care cost trend assumption was updated for the June 30, 2019 valuation and was shown as an assumption change in the total OPEB liability roll forward, while the change in initial per capita claims costs were included with experience in the total OPEB liability roll forward.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.40%
Fixed Income	9.0%	0.00%
Real Estate	6.5%	4.30%
Private Equity	8.5%	7.70%
Other Additional Categories	17.0%	2.50%
Cash	1.0%	-0.50%
Total	<u>100.0%</u>	

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 the actuarial methods and assumptions of the June 30, 2019 actuarial valuation, the following 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 3.5%.

- 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 midyear.
- 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 amounts 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 also may 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: (1) Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP and (2) a 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2019).

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

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net OPEB liability	\$ 6,327,000	\$ 5,235,000	\$ 4,323,000

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 4,149,000	\$ 5,235,000	\$ 6,573,000

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

Life Insurance Plan

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

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

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to KTRS Life Insurance Plan

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

District's proportionate share of the net OPEB liability	\$ -
Commonwealth's proportionate share of the Net OPEB liability associated with the District	<u>127,000</u>
	<u>\$ 127,000</u>

The net OPEB liability was measured as of June 30, 2020, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. An expected total OPEB liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the Commonwealth as determined by the actuary. At June 30, 2020, the District's proportion was 0.36534%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$-0- and revenue of \$6,106 for support provided by the State.

Actuarial methods and assumptions - The total OPEB liability was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	2.19%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

	Target <u>Allocation</u>	30 Year Expected Geometric <u>Real Rate of Return</u>
U.S. Equity	40.0%	4.60%
International Equity	23.0%	5.60%
Fixed Income	18.0%	0.00%
Real Estate	6.0%	4.30%
Private Equity	5.0%	7.70%
Other Additional Categories	6.0%	2.50%
Cash (LIBOR)	2.0%	-0.50%
Total	<u>100.0%</u>	

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

Discount rate - The discount rate used to measure the total OPEB liability 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 the 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 contribute to the plan.
- Cash flows occur midyear.

Based on these assumptions, the Life Insurance Trust's fiduciary net position 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.

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

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Commonwealth's proportionate share of the net OPEB liability associated with the District	\$ 184,000	\$ 127,000	\$ 80,000

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

County Employees Retirement System Insurance Fund

Plan description: The County Employees Retirement System ("CERS") Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. The CERS Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

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

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

Contributions: CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2021, CERS allocated 4.76% of the 24.06% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2021, the District contributed \$228,292 to the CERS Insurance Fund. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy: The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and 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. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30 2020, the District's proportion was 0.19975%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$664,380, including an implicit subsidy of \$118,374. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 805,869	\$ 806,499
Changes of assumptions	838,966	5,102
Net difference between projected and actual earnings on investments	160,315	-
Changes in proportion and differences between District contributions and proportionate share of contributions	73,785	104,438
District contributions subsequent to the measurement date	228,292	-
	<u>\$ 2,107,227</u>	<u>\$ 916,039</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$228,292 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021.

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 OPEB are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

Year	
2022	\$ 256,353
2023	303,797
2024	212,909
2025	198,561
2026	(8,724)
Thereafter	-
	<u>\$ 962,896</u>

Actuarial Methods and Assumptions - The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
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%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
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
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

Assumption Changes - The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation..

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are

combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	3.96%

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return 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. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit 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 following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	<u>1% Decrease (4.34%)</u>	<u>Current discount rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
District's proportionate share of the net OPEB liability	\$ 6,196,502	\$ 4,823,283	\$ 3,695,412

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,734,426	\$ 4,823,283	\$ 6,144,635

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

Payables to the OPEB plan: At June 30, 2021, there was a total payable to CERS of \$237,517, which includes pension and OPEB contributions.

(9) OPERATING LEASE COMMITMENTS

The District has commitments with Enterprise Fleet Management to lease several vehicles. Future minimum rental commitments for vehicle operating leases as of June 30, 2021 are as follows:

Year	Total
2022	\$ 58,302
2023	58,302
2024	58,302
2025	42,793
2026	7,188
	<u>\$ 224,887</u>

Rent expenditures for operating leases for the year ended June 30, 2021 was approximately \$61,000.

(10) CONTINGENCIES

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

The District is subject to certain legal proceedings arising from normal business activities. Administrative officials believe that these actions are without merit or that the ultimate liability, if any, resulting from them will not materially affect the accompanying financial statements.

(11) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky Employer's Mutual Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance

carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

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

(12) COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. It is managements' opinion that the District is in compliance with the COBRA requirements.

(13) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2021 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 489,990
General Fund	Food Service Fund	89,406
General Fund	Day Care Fund	17,806

Interfund Transfers

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 61,132
Operating	Capital Outlay	Debt Service	Debt Service	474,796
Operating	Building	Debt Service	Debt Service	2,377,610
Operating	General	Debt Service	Debt Service	3,961
Operating	General	Food Service	Operations	47,740

(14) ON-BEHALF PAYMENTS

For the year ended June 30, 2021, total payments of \$8,293,116 were made by the Commonwealth of Kentucky on behalf of the District for life insurance, health insurance, and KTRS matching and administrative fees, and vocational education. These payments were recognized as on-behalf payments and are recorded in the appropriate revenue and expense account on the Statement of Activities and the Government Funds Statement of Revenue, Expenditures and Changes in Fund Balance.

On-behalf payments at June 30, 2021 consisted of the following:

Teacher Retirement	\$ 3,951,325
Teacher Retirement - Health & Life	299,566
Health Insurance	3,354,249
Life Insurance	5,737

Admin Fee	46,597
HRA/Dental/Vision	200,288
Federal Reimbursement	(275,015)
Technology	105,681
Debt Service	604,688
Total on-behalf	<u>\$ 8,293,116</u>

(15) FUND DEFICIT

As of June 30, 2021, the Food Service Fund and the Day Care Fund had a negative net position of \$1,690,185 and \$131,118, respectively. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

(16) CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 84, *Fiduciary Activities* effective July 1, 2020. As a result, beginning net position and fund balance has been restated to reflect the student activity fund balance of \$499,194 in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:							
District's proportion of the net pension liability	0.19980%	0.20608%	0.20136%	0.19724%	0.19931%	0.19543%	0.18803%
District's proportionate share of the net pension liability	\$ 15,324,801	\$ 14,493,839	\$ 12,263,133	\$ 11,544,829	\$ 9,813,284	\$ 8,402,382	\$ 6,100,000
District's covered-employee payroll	\$ 5,142,955	\$ 5,193,646	\$ 5,013,839	\$ 4,791,622	\$ 4,800,832	\$ 4,477,719	\$ 4,313,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	297.977%	279.069%	244.586%	240.938%	204.408%	187.649%	141.409%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
District's proportion of the net pension liability	0.3852%	0.3859%	0.3971%	0.3856%	0.3856%	0.3933%	0.3979%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	54,589,889	52,650,874	51,997,516	104,836,326	113,747,696	91,522,562	81,768,471
Total	<u>\$ 54,589,889</u>	<u>\$ 52,650,874</u>	<u>\$ 51,997,516</u>	<u>\$ 104,836,326</u>	<u>\$ 113,747,696</u>	<u>\$ 91,522,562</u>	<u>\$ 81,768,471</u>
District's covered-employee payroll	\$ 13,342,652	\$ 13,247,327	\$ 13,574,855	\$ 13,163,702	\$ 12,752,709	\$ 12,663,758	\$ 12,442,914
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%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	58.270%	58.800%	59.300%	39.830%	35.220%	42.490%	45.590%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:								
Contractually required contribution	\$ 925,636	\$ 992,590	\$ 842,588	\$ 726,049	\$ 668,621	\$ 596,248	\$ 570,939	\$ 592,731
Contributions in relation to the contractually required contribution	925,636	992,590	842,588	726,049	668,621	596,248	570,939	592,731
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,796,043	\$ 5,142,955	\$ 5,193,646	\$ 5,013,839	\$ 4,791,622	\$ 4,800,832	\$ 4,477,719	\$ 4,313,722
District's contributions as a percentage of its covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 13,579,806	\$ 13,342,652	\$ 13,247,327	\$ 13,574,855	\$ 13,163,702	\$ 12,752,709	\$ 12,663,758	\$ 12,442,914
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	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.

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM INSURANCE FUND:				
District's proportion of the net OPEB liability	0.19975%	0.20604%	0.20135%	0.19724%
District's proportionate share of the net OPEB liability	\$ 4,823,283	\$ 3,465,500	\$ 3,574,911	\$ 3,965,118
District's covered-employee payroll	\$ 5,142,955	\$ 5,193,646	\$ 5,013,839	\$ 4,791,622
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	93.784%	66.726%	71.301%	82.751%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN:				
District's proportion of the net OPEB liability	0.37360%	0.37388%	0.38370%	0.37502%
District's proportionate share of the net OPEB liability	\$ 5,235,000	\$ 6,054,000	\$ 7,151,000	\$ 7,360,000
State's proportionate share of the net OPEB liability associated with the District	4,194,000	4,889,000	6,163,000	6,012,000
Total	<u>\$ 9,429,000</u>	<u>\$ 10,943,000</u>	<u>\$ 13,314,000</u>	<u>\$ 13,372,000</u>
District's covered-employee payroll	\$ 12,179,556	\$ 11,941,150	\$ 12,223,923	\$ 11,768,767
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	42.982%	50.699%	58.500%	62.538%
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	32.58%	25.50%	21.18%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:				
District's proportion of the net OPEB liability	0.36534%	0.36550%	0.37494%	0.36646%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the District	127,000	114,000	106,000	80,000
Total	<u>\$ 127,000</u>	<u>\$ 114,000</u>	<u>\$ 106,000</u>	<u>\$ 80,000</u>
District's covered-employee payroll	\$ 12,179,556	\$ 11,941,150	\$ 12,223,923	\$ 11,768,767
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability	71.570%	73.400%	75.000%	79.990%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM					
INSURANCE FUND:					
Contractually required contribution	\$ 228,292	\$ 244,805	\$ 273,244	\$ 235,605	\$ 226,453
Contributions in relation to the contractually required contribution	<u>228,292</u>	<u>244,805</u>	<u>273,244</u>	<u>235,605</u>	<u>226,453</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 4,796,043	\$ 5,142,955	\$ 5,193,646	\$ 5,013,839	\$ 4,791,622
District's contributions as a percentage of its covered-employee payroll	4.76%	4.76%	5.26%	4.70%	4.73%
KENTUCKY TEACHER'S RETIREMENT SYSTEM -					
MEDICAL INSURANCE PLAN:					
Contractually required contribution	\$ 356,470	\$ 365,524	\$ 358,230	\$ 367,090	\$ 353,067
Contributions in relation to the contractually required contribution	<u>356,470</u>	<u>365,524</u>	<u>358,230</u>	<u>367,090</u>	<u>353,067</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 11,880,243	\$ 12,179,556	\$ 11,941,150	\$ 12,223,923	\$ 11,768,767
District's contributions as a percentage of its covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
KENTUCKY TEACHER'S RETIREMENT SYSTEM - LIFE INSURANCE PLAN:					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 11,880,243	\$ 12,179,556	\$ 11,941,150	\$ 12,223,923	\$ 11,768,767
District's contributions as a percentage of its covered-employee payroll	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.

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2021**

(1) CHANGES OF ASSUMPTIONS

KTRS

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

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.

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2018:

- Increased the Single Equivalent Interest rate (SEIR) from 4.49% to 7.50%

CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% (varies by service.)

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

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

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 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 Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27.4 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increase	3.5% to 7.3%, including inflation
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2019, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed
Payroll growth	2.00%
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%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

(3) CHANGES OF BENEFITS

KTRS

There were no changes of benefit terms for KTRS.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

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**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS
FOR THE YEAR ENDED JUNE 30, 2021**

(1) CHANGES OF ASSUMPTIONS

KTRS

Medical Insurance Plan - There were no changes of assumptions.

Life Insurance Plan - There were no changes of assumptions.

CERS Insurance Fund

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30 % (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

KTRS

Medical Insurance Plan - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 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 the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	8.00%
Health care cost trends	
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	6.40% for FY 2020 with an ultimate rate of 5.00% by 2031
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

Life Insurance Plan - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 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 the schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, Open
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.45%
Discount rate	7.50%

**ROWAN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – OPEB PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

CERS Insurance Fund

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

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	2.00%
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%
Salary Increase	3.30% to 11.55%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.

(3) CHANGES OF BENEFITS

KTRS

Medical Insurance Plan – There were no changes of benefit terms.

Life Insurance Plan - There were no changes of benefit terms.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

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SUPPLEMENTARY INFORMATION

**ROWAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Student Activity Fund	SEEK Fund	FSPK Fund	Total Non-Major Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 493,242	\$ -	\$ -	\$ 493,242
Accounts receivable	-	-	-	-
Total assets	<u>\$ 493,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,242</u>
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	493,242	-	-	493,242
Total fund balance	<u>493,242</u>	<u>-</u>	<u>-</u>	<u>493,242</u>
Total liabilities and fund balances	<u>\$ 493,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,242</u>

**ROWAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Student Activity Fund	SEEK Fund	FSPK Fund	Total Non-Major Governmental Funds
REVENUES:				
From local sources -				
Taxes -				
Property	\$ -	\$ -	\$ 1,190,896	\$ 1,190,896
Other local revenues	264,070	-	-	264,070
Intergovernmental - State	-	291,102	1,187,214	1,478,316
Total revenues	<u>264,070</u>	<u>291,102</u>	<u>2,378,110</u>	<u>2,933,282</u>
EXPENDITURES:				
Current -				
Instruction	63,423	-	-	63,423
Student support:				
Students	206,599	-	-	206,599
Debt service	-	-	500	500
Total expenditures	<u>270,022</u>	<u>-</u>	<u>500</u>	<u>270,522</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,952)</u>	<u>291,102</u>	<u>2,377,610</u>	<u>2,662,760</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(474,796)	(2,377,610)	(2,852,406)
Total other financing sources (uses)	<u>-</u>	<u>(474,796)</u>	<u>(2,377,610)</u>	<u>(2,852,406)</u>
NET CHANGE IN FUND BALANCE	(5,952)	(183,694)	-	(189,646)
FUND BALANCE JUNE 30, 2020, AS RESTATED	<u>499,194</u>	<u>183,694</u>	<u>-</u>	<u>682,888</u>
FUND BALANCE JUNE 30, 2021	<u>\$ 493,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,242</u>

**ROWAN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
JUNE 30, 2021**

	2009R Bond Fund	2011R Bond Fund	2014R Bond Fund	2015 Bond Fund	2015R Bond Fund	2016 Bond Fund	2017 Bond Fund	2019 Bond Fund	Total Debt Service Funds
ASSETS:									
Cash and cash equivalents	\$ -	\$ -	\$ 40,116	\$ 34,124	\$ -	\$ 74,725	\$ -	\$ -	\$148,965
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,116</u>	<u>\$ 34,124</u>	<u>\$ -</u>	<u>\$ 74,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$148,965</u>
LIABILITIES AND FUND BALANCE:									
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:									
Restricted for debt service	-	-	40,116	34,124	-	74,725	-	-	148,965
Total fund balance	<u>-</u>	<u>-</u>	<u>40,116</u>	<u>34,124</u>	<u>-</u>	<u>74,725</u>	<u>-</u>	<u>-</u>	<u>148,965</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,116</u>	<u>\$ 34,124</u>	<u>\$ -</u>	<u>\$ 74,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$148,965</u>

**ROWAN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	2009R Bond Fund	2011R Bond Fund	2014R Bond Fund	2015 Bond Fund	2015R Bond Fund	2016 Bond Fund	2017 Bond Fund	2019 Bond Fund	Total Debt Service Fund
REVENUES:									
Intergovernmental - State	\$ 35,403	\$ 261,655	\$ -	\$ 103,434	\$ 134,299	\$ -	\$ 12,646	\$ 57,251	\$ 604,688
Interest income	-	-	-	-	-	-	-	-	-
Total revenues	<u>35,403</u>	<u>261,655</u>	<u>-</u>	<u>103,434</u>	<u>134,299</u>	<u>-</u>	<u>12,646</u>	<u>57,251</u>	<u>604,688</u>
EXPENDITURES:									
Facilities acquisition	-	-	-	-	-	-	-	-	-
Debt service	<u>1,170,769</u>	<u>709,912</u>	<u>259,559</u>	<u>196,160</u>	<u>173,576</u>	<u>175,022</u>	<u>381,309</u>	<u>245,783</u>	<u>3,312,090</u>
Total expenditures	<u>1,170,769</u>	<u>709,912</u>	<u>259,559</u>	<u>196,160</u>	<u>173,576</u>	<u>175,022</u>	<u>381,309</u>	<u>245,783</u>	<u>3,312,090</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,135,366)</u>	<u>(448,257)</u>	<u>(259,559)</u>	<u>(92,726)</u>	<u>(39,277)</u>	<u>(175,022)</u>	<u>(368,663)</u>	<u>(188,532)</u>	<u>(2,707,402)</u>
OTHER FINANCING SOURCES (USES):									
Operating transfers in	<u>1,135,366</u>	<u>448,257</u>	<u>299,675</u>	<u>126,850</u>	<u>39,277</u>	<u>249,747</u>	<u>368,663</u>	<u>188,532</u>	<u>2,856,367</u>
Total other financing sources (uses)	<u>1,135,366</u>	<u>448,257</u>	<u>299,675</u>	<u>126,850</u>	<u>39,277</u>	<u>249,747</u>	<u>368,663</u>	<u>188,532</u>	<u>2,856,367</u>
NET CHANGE IN FUND BALANCE	-	-	40,116	34,124	-	74,725	-	-	148,965
FUND BALANCE JUNE 30, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,116</u>	<u>\$ 34,124</u>	<u>\$ -</u>	<u>\$ 74,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,965</u>

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance June 30, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Payable	Deposits Held in Custody for Students June 30, 2021
Rowan County High School	\$ 164,113	\$ 171,684	\$ 164,252	\$ 171,545	\$ -	\$ 171,545
Rowan County Middle School	164,147	78,613	75,372	167,388	-	167,388
McBrayer Elementary	54,475	3,187	11,320	46,342	-	46,342
Clearfield Elementary	21,091	4,857	6,394	19,554	-	19,554
Rodburn Elementary	62,518	5,457	10,310	57,665	-	57,665
Tilden-Hogge Elementary	32,850	2,075	4,177	30,748	-	30,748
	<u>\$ 499,194</u>	<u>\$ 265,873</u>	<u>\$ 271,825</u>	<u>\$ 493,242</u>	<u>\$ -</u>	<u>\$ 493,242</u>

ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
ROWAN COUNTY HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021

	Cash Balance June 30, 2020	Receipts	Disburse- ments	Cash Balance June 30, 2021	Accounts Payable	Deposits Held in Custody for Students June 30, 2021
Academic Team	\$ 171	\$ 750	\$ 256	\$ 665	\$ -	\$ 665
Agriculture Department	72	1,902	-	1,974	-	1,974
Air Rifle	-	2,538	2,538	-	-	-
Anatomy/Physiology	295	-	-	295	-	295
AP Exams	8,565	15,100	16,290	7,375	-	7,375
Archery	866	1,094	1,177	783	-	783
Art Club	154	-	-	154	-	154
Athletics	14,932	47,910	46,099	16,743	-	16,743
Band	970	100	-	1,070	-	1,070
Bass Fishing	6,886	600	1,072	6,414	-	6,414
Baseball	140	425	-	565	-	565
Bowling	2,209	420	1,147	1,482	-	1,482
Boys Basketball	1,359	23,308	19,869	4,798	-	4,798
Cap & Gown	45	-	-	45	-	45
Cheerleaders	6,754	7,572	8,167	6,159	-	6,159
Choral	-	3,600	460	3,140	-	3,140
Class of 2018	669	-	669	-	-	-
Class of 2019	193	-	193	-	-	-
Class of 2020	2,671	1,938	4,609	-	-	-
Creative Writing Club	456	-	-	456	-	456
Culinary Arts	357	-	-	357	-	357
Dance Team	307	400	609	98	-	98
RAVE	10,866	-	1,147	9,719	-	9,719
FBLA	8,889	-	4,444	4,445	-	4,445
FCA	106	-	-	106	-	106
FCCLA	-	4,444	-	4,444	-	4,444
FFA	14,294	3,635	1,372	16,557	-	16,557
Friends Unite/ Safe Club	500	-	-	500	-	500
General	8,138	8,638	10,000	6,776	-	6,776
Girls Basketball	273	7,608	7,810	71	-	71
Golf-Boys	455	-	-	455	-	455
Golf-Girls	1,064	-	120	944	-	944
Guidance	1,747	971	149	2,569	-	2,569
Library	273	-	-	273	-	273
Military Skills Class	169	1,000	312	857	-	857
National Honor Society	836	1,500	1,525	811	-	811
Project Prom	15,510	2,197	1,979	15,728	-	15,728
School Musical	6,616	3,338	4,764	5,190	-	5,190
Science Club	263	-	40	223	-	223
Science Department	611	-	-	611	-	611
Sealmaster Grant	275	-	-	275	-	275
Senior Class Trip	7,089	1,110	-	8,199	-	8,199
SGA	6,426	2,177	5,593	3,010	-	3,010
Swimming	78	-	-	78	-	78

**ROWAN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
SCHOOL ACTIVITY FUNDS
ROWAN COUNTY HIGH SCHOOL (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance June 30, 2020	Receipts	Disburse- ments	Cash Balance June 30, 2021	Accounts Payable	Deposits Held in Custody for Students June 30, 2021
Girls Soccer	\$ 923	\$ 248	\$ 248	\$ 923	\$ -	\$ 923
Boys Soccer	92	-	-	92	-	92
PBIS	3,068	1,500	365	4,203	-	4,203
Special Education	496	-	95	401	-	401
Speech Department	149	2,192	2,072	269	-	269
Stand for the Silent	190	-	-	190	-	190
STLP	72	-	-	72	-	72
Tennis Courts	846	-	-	846	-	846
Tennis-Girls	3,536	3,260	4,360	2,436	-	2,436
Textbook	150	194	-	344	-	344
Thespians	161	-	-	161	-	161
Track/Cross Country	2,980	7,753	6,427	4,306	-	4,306
RCSHS Trap League	4,976	3,525	2,485	6,016	-	6,016
TSA	4,058	1,550	513	5,095	-	5,095
Vending-Students	20	-	-	20	-	20
Vending-Teachers	1,762	538	992	1,308	-	1,308
Yearbook	3,389	2,949	1,803	4,535	-	4,535
Youth Service Center	4,696	3,700	2,482	5,914	-	5,914
	<u>\$ 164,113</u>	<u>\$ 171,684</u>	<u>\$ 164,252</u>	<u>\$ 171,545</u>	<u>\$ -</u>	<u>\$ 171,545</u>

ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Education</u>				
Passed through Kentucky Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-19	-	\$ 157,589
Title I Grants to Local Educational Agencies	84.010	3100002-20	-	961,740
				<u>1,119,329</u>
Title I Grant for Neglected and Delinquent Children	84.013	314G	-	<u>36,947</u>
Special Education Cluster (IDEA):				
Special Education Grants to States - IDEA, Part B	84.027	3810002-20	-	518,307
Special Education Grants to States - IDEA, Part B, Preschool	84.173	3800002-19	-	47,857
Total Special Education Cluster				<u>566,164</u>
Rural Education	84.358	3140002-19	-	45,211
Rural Education	84.358	3140002-20	-	62,141
				<u>107,352</u>
Improving Teacher Quality State Grants	84.367	3230002-20	-	<u>120,427</u>
Vocational Education Basic Grants to States	84.048	3710002-19	-	4,255
Vocational Education Basic Grants to States	84.048	3710002-20	-	21,495
				<u>25,750</u>
Student Support and Academic Enrichment Program	84.424	3420002-18	-	20,382
Student Support and Academic Enrichment Program	84.424	3420002-19	-	83,515
Student Support and Academic Enrichment Program	84.424	3420002-20	-	18,964
				<u>122,861</u>
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425C	GEER-20	-	9,429
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20	-	881,229
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000003-20	-	3,959
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21	-	1,801,494
				<u>2,696,111</u> *
Coronavirus Relief Fund	21.019	CARES-20	-	<u>700,382</u>
Total U.S. Department of Education				<u>5,495,323</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through Kentucky Department of Education:				
Improving Student Health and Academic Achievement with Nutrition	93.981	2200001-19	-	13,803
Pass-through State Department for Community Based Services:				
CARES - Child Care Development Fund	93.575	672G	-	17,706
Total U.S. Department of Health and Human Services				<u>31,509</u>
<u>U.S. Department of Justice</u>				
Direct Programs:				
Public Safety Partnership and Community Policing Grants	16.710	455F	-	258,643
Total U.S. Department of Justice				<u>258,643</u>

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through Kentucky Department of Education: Cash Assistance:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	7690024-20	-	19,506
Summer Food Service Program for Children	10.559	7690024-21	-	96,118
Summer Food Service Program for Children	10.559	7740023-20	-	190,004
Summer Food Service Program for Children	10.559	7740023-21	-	1,004,206
National School Lunch Program	10.555	7750002-20	-	6,921
School Breakfast Program	10.553	7760005-20	-	3,460
				<u>1,320,215</u>
Non-cash Assistance:				
Food Donation	10.559	7740023-21	-	169,873
Total Child Nutrition Cluster				<u>1,490,088</u> *
Total U.S. Department of Agriculture				<u>1,490,088</u>
 Total Expenditures of Federal Awards				 <u><u>\$ 7,275,563</u></u>

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rowan 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 Rowan 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2021, commodities on hand are included in the total inventory of \$28,806.

NOTE D - INDIRECT COST RATE

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

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Rowan County School District
Morehead, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 Rowan County School District (the "District") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated October 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.

Ashland, Kentucky
October 15, 2021

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Rowan County School District
Morehead, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Rowan 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 the District's major federal programs for the year ended June 30, 2021. Rowan 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 the Rowan 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; 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 the Rowan 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 Rowan County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 Rowan 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 the 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 Rowan 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.

Ashland, Kentucky
October 15, 2021

**ROWAN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

(A) SUMMARY OF AUDIT RESULTS

Type of report the auditor issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified

Internal Control over financial reporting:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies)
identified?

_____ yes x none reported

Noncompliance material to the financial
statements noted?

_____ yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies)
identified?

_____ yes x none reported

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

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
with 2 CFR 200.516(a)?

_____ yes x no

The District had the following major federal program with CFDA numbers in parentheses for the
year ended June 30, 2021:

COVID-19 - Elementary and Secondary School
Emergency Relief Fund (84.425C and 84.425D)
Child Nutrition Cluster (10.553, 10.555, and 10.559)

Dollar threshold to distinguish between Type A
and Type B Programs:

\$ 750,000

The District qualified as a low risk auditee

 x yes _____ no

(B) FINANCIAL STATEMENT FINDINGS

There were no findings in the current year.

(C) FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the current year.

ROWAN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

There were no findings in the prior year.

DRAFT

Kentucky State Committee for School District Audits
Members of the Board of Education
Rowan County School District
Morehead, Kentucky

In planning and performing our audit of the financial statements of Rowan County School District (the "District") as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 15, 2021, on the financial statements of the District.

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

Ashland, Kentucky
October 15, 2021

ROWAN COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2021

2021-01 High School and Middle School Activity Fund – Cash Deposits

Condition: During our review of deposits for athletic event receipts for the high school, we noted several events (2 of 5 events reviewed; middle school – 2 of 5 events reviewed) in which more than \$100 was received, but the deposit wasn't made until several days later.

Criteria: Per "Receipts" section of the Accounting Procedures for Kentucky School Activity Funds ("Redbook"): "All monies collected shall be deposited on a daily basis except for:

- a) A deposit shall be made on any day in which at least \$100 is on hand to deposit. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until the earlier of when \$100 is collected or the weekly deposit is made as required by paragraph c) of this item.
- b) Money collected after school business hours for evening events shall be placed in a night depository or night drop at a bank or in the locked school safe and processed for deposit the following business day by the school treasurer.
- c) At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100."

Cause: Receipts are being held until several events have occurred so one deposit can be made.

Effect: Noncompliance with Redbook requirements

Recommendation: We recommend that activity fund deposits be made in accordance with Redbook requirements.

Management Response: A district-wide Redbook training will be held for all bookkeepers and persons responsible for gates to ensure compliance with Redbook forms and procedures.

2021-02 Middle School Activity Fund - Gate Receipts

Condition: We noted that two individuals did not work the ticket gate for several athletic events reviewed.

Criteria: The Redbook states that "two people (ticket seller, ticket taker) are required to work the gate. The ticket seller gives the entire ticket to the customer and collects the entrance fee."

Cause: According to the school secretary, it is difficult to get more than one individual to work events.

Effect: Noncompliance with Redbook requirements

Recommendation: We recommend that two individuals work the ticket gate at all events.

Management Response: Two individuals will work the ticket gate for all events.

2021-03 Sales Tax

Condition: We noted several purchases on the District's credit card in which sales tax was paid on items purchased.

Criteria: The District is a government entity and, therefore, exempt from the requirement to pay sales tax on purchases.

Cause: In prior years, purchases from internet websites have been relatively few. Therefore, the District would pay sales tax on purchases for convenience.

Effect: District funds expended on sales tax could be used for educational purposes.

Recommendation: We recommend that the District register as a sales tax exempt customer with Amazon.com and other frequented websites.

Management Response: District will register for sales tax exemption with frequented web-based companies for purchases.

2021-04 Food Service Inventory

Condition: During our review of the food service inventory for May, we noted that the "Total Cost" column for several items could not be recalculated. It appears this is due to the "Total Units" column being the total number of cases on-hand, while the "Cost Per Unit" column being the cost for an individual package within a case. Therefore, it appears that total inventory is not being calculated properly.

Criteria: The inventory listing should be maintained using a consistent unit of measurement.

Cause: Oversight

Effect: Upon initial review, the cost for each inventory item does not appear to recalculate and the amount of ending inventory appears incorrect.

Recommendation: We recommend that the total units and cost for each item should be shown using the same measurement (units or case) to allow total inventory to be easily recalculated.

Management's Response: Management also agrees to show the units and costs in order to allow inventory to be more easily recalculated.

2021-05 Payroll Contract

Condition: During our review of payroll transactions, we noted one employee who performed part-time duties that did not have an executed contract.

Criteria: To establish more adequate internal controls related to payroll, written contracts should be executed annually for all employees.

Cause: Oversight

Effect: Reduced effectiveness of internal control.

Recommendation: We recommend that the District enter into written contracts for all personnel.

Management's Response: Contracts will be executed for all employees going forward.

Status of Prior Year Management Points

All prior year conditions have been implemented and corrected, except 2020-01, 2020-02, 2020-03 and 2020-04 were repeated as 2021-01, 2021-02, 2021-03 and 2021-04, respectively. Mr. John Maxey, Superintendent, and Mr. Glen Teager, Finance Officer, are the persons 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.

DRAFT

To the Members of the Board of Education
Rowan County School District
Morehead, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County School District for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by District are described in Note 2 to the financial statements. As described in Note 2 to the financial statements, the District implemented GASB Statement No. 84, *Fiduciary Activities* effective July 1, 2020. As a result, beginning net position and fund balance has been restated to reflect the student activity fund balance of \$499,194 in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, respectively.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation is based on historical trends and industry standards. We evaluated the key factors and assumptions used to develop the estimate of depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accrued sick leave is based on the District's funding policy, historical trends, and industry standards. We evaluated the key factors and assumptions used to develop the estimate of accrued sick leave in determining that it is reasonable in relation to the financial statements taken as a whole.

Estimates used by the actuary in developing the Board's obligations for retirement and OPEB plans as required by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. See Notes 7 and 8 to the financial statements for a summary of the significant assumptions utilized. We evaluated the key factors and assumptions used to develop the estimate of pension and OPEB expense and related obligations in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 15, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of District's Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, Schedule of District's Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the Rowan County School District and is not intended to be and should not be used by anyone other than these specified parties.

Ashland, Kentucky
October 15, 2021

Rowan County School District
Passed Audit Adjustments
6/30/2021

Description	Dr.	Cr.	Fund	Assets	Effect of Passed Adjustments		
					Liabilities & Equity	Income	Expense
<10>							
Tech-related Hardware	999.22		Special Revenue				999.22
Electricity	300.00		Special Revenue				300.00
Supplementary Books/ Study Guides	2,370.83		Special Revenue				2,370.83
Supplementary Books/ Study Guides	3,477.22		Special Revenue				3,477.22
Supplementary Books/ Study Guides	3,097.89		Special Revenue				3,097.89
Supplementary Books/ Study Guides	1,896.67		Special Revenue				1,896.67
Tech-related Hardware	11,424.80		Special Revenue				11,424.80
Accounts Payable		23,566.63	Special Revenue		23,566.63		
Restricted Fed Thru State		23,566.63	Special Revenue			23,566.63	
Deferred Revenue	23,566.63		Special Revenue		(23,566.63)		
To record additional payables							

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