

**SPENCER COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2021**

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WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

November 12, 2021

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spencer County School District as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on Pages 4 through 10, 53 through 54, and 55 through 64 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 Spencer County School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2021, on our consideration of Spencer 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 Spencer County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spencer County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**SPENCER COUNTY PUBLIC SCHOOL DISTRICT – TAYLORSVILLE, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

As management of the Spencer County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 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 ending cash and cash equivalents balance for the District for the year ended June 30, 2021 (FY21) was 11.5 million, including a general fund cash balance of 4.3 million, a construction fund cash balance of 3.0 million, and a building fund cash balance of 3.3 million.
- The District has no industrial tax base. The District's property tax base is derived from residential growth and assessments. Property growth and assessment values grew 8.4%. The District levied property tax rates of 62.4 cents per \$100 for real estate and 64.7 cents per \$100 for tangible property for FY21. The motor vehicle rate of 56 cents per \$100 of assessed value and the 3% utility tax rate remained unchanged from FY20.
- The District ended FY21 with an unassigned fund balance in the general fund of approximately \$4.3 million, which is approximately \$438 thousand more when compared to the previous year. The unassigned fund balance approximates a 16.4% contingency.
- Bonds are issued as the District continues to construct and/or renovate facilities consistent with the long-range facilities plan that is established with community input and in keeping with the Kentucky Department of Education's compliance regulations. The District issued bonds in July 2020 in the amount of \$5.21 million to renovate the old Taylorsville Elementary school into a Pre-K early learning center and to construct a bus garage. Occupancy of the new bus garage occurred in July 2021. Occupancy of the Early Learning Center occurred in August 2021. Regularly scheduled principal payments reduced outstanding principal by \$1.9 million in FY21.
- Employees did not receive a percentage pay increase in FY21. Employees did receive step and rank increases per the board approved salary scales.
- At the end of FY21, the District reported a net pension liability of \$12.9 million related to the County Employees Retirement System.
- At the end of FY21, the District reported a net post-employment benefit obligation (OPEB) of \$5.4 million related to the Teacher's Retirement System and \$4.1 million related to the County Employees Retirement System.
- As the District enters into FY22, budget concerns are focused on the financial impact the COVID-19 health crisis will have on K-12 funding. The District's FY22 working budget contains a 9.6% contingency.

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 of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements

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

The statement of net position presents information on all of the District's assets and deferred outflows and 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 district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements

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

The basic governmental fund financial statements can be found on pages 13-19 of this report.

Notes to the financial statements

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

The notes to the financial statements can be found on pages 20-52 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$6.1 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) 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 June 30, 2020

A comparison of June 30, 2021 and June 30, 2020 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 12,622,564	\$ 12,719,972	\$ 470,545	\$ 339,338	\$ 13,093,109	\$ 13,059,310
Capital Assets	58,068,412	53,262,439	361,255	230,528	58,429,667	53,492,967
Deferred Outflows	<u>4,773,591</u>	<u>4,199,926</u>	<u>654,298</u>	<u>589,614</u>	<u>5,427,889</u>	<u>4,789,540</u>
Total Assets and Deferred Outflows	<u>75,464,567</u>	<u>70,182,337</u>	<u>1,486,098</u>	<u>1,159,480</u>	<u>76,950,665</u>	<u>71,341,817</u>
Current Liabilities	3,834,677	3,731,004	80,464	56,689	3,915,141	3,787,693
Non-Current Liabilities	61,973,198	57,582,758	2,590,188	2,256,992	64,563,386	59,839,750
Deferred Inflows	<u>2,177,464</u>	<u>2,063,058</u>	<u>163,687</u>	<u>228,671</u>	<u>2,341,151</u>	<u>2,291,729</u>
Total Liabilities and Deferred Inflows	<u>67,985,339</u>	<u>63,376,820</u>	<u>2,834,339</u>	<u>2,542,362</u>	<u>70,819,678</u>	<u>65,919,172</u>
Net Position						
Investment in capital assets (net of related debt)	14,403,792	12,730,950	361,255	230,528	14,765,047	12,961,478
Restricted	6,388,415	6,923,621	(1,743,636)	(953,233)	4,644,779	5,970,388
Unrestricted	<u>(13,312,979)</u>	<u>(12,849,054)</u>	<u>34,140</u>	<u>(660,167)</u>	<u>(13,278,839)</u>	<u>(13,509,221)</u>
Total Net Position	<u>\$ 7,479,228</u>	<u>\$ 6,805,517</u>	<u>\$ (1,348,241)</u>	<u>\$ (1,382,872)</u>	<u>\$ 6,130,987</u>	<u>\$ 5,422,645</u>

Current and other assets decreased by \$97 thousand, largely due to the expenditure of cash for construction projects offset by an increase in receivables from federal grants. Net capital assets increased \$4.9 million, primarily as a result of the construction costs incurred in FY21.

Current liabilities increased \$100 thousand, primarily due to an increase in sick leave compensation, advances from grantors, and bond obligations offset by a reduction in construction invoices due June 30, 2021. Non-current liabilities increased 4.5 million. During FY21, bond obligations were increased by \$3.1 million and the net OPEB and net pension liabilities increased \$1.4 million.

The following table presents changes in net position for the fiscal years ended
June 30, 2021 and June 30, 2020

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
REVENUES						
Program revenues						
Charges for services	\$ 97,800	\$ 411,105	\$ 233,149	\$ 734,823	\$ 330,949	\$ 1,145,928
Operating grants and contributions	3,897,579	2,504,141	1,596,952	1,180,471	5,494,531	3,684,612
Capital grants	74,983	80,380			74,983	80,380
General revenues						
Property taxes	8,803,134	8,153,629			8,803,134	8,153,629
Motor vehicle taxes	1,319,438	916,761			1,319,438	916,761
Utility taxes	703,141	679,994			703,141	679,994
Franchise taxes	180,725				180,725	
Other taxes	59,332	74,158			59,332	74,158
Investment earnings	53,153	247,184	485	5,293	53,638	252,477
State and formula grants	18,975,027	19,515,033			18,975,027	19,515,033
Miscellaneous	657,400	981,323		966	657,400	982,289
Gain(Loss) Sale of Assets	11,188				11,188	
Funds Transfer (Expense)	(172,270)		172,270		0	
Total revenues	34,660,630	33,563,708	2,002,856	1,921,553	36,663,486	35,485,261
EXPENSES						
Program Activities						
Instructional	19,557,576	18,758,805			19,557,576	18,758,805
Student support	2,245,094	1,981,941			2,245,094	1,981,941
Instructional staff support	1,877,682	1,890,416			1,877,682	1,890,416
District administrative support	920,395	816,487			920,395	819,487
School administrative support	1,841,733	1,711,513			1,841,733	1,711,513
Business support	863,741	853,861			863,741	853,861
Plant operations and maintenance	3,014,696	2,905,915			3,014,696	2,905,915
Student transportation	2,003,791	2,266,487			2,003,791	2,266,487
Community service activities	171,091	191,903			171,091	191,903
Day care operations	97,299	48,202			97,299	48,202
Food service operations	54,650				54,650	
Other	14,466	28,209			14,466	28,209
Interest costs	1,324,705	1,296,496			1,324,705	1,296,496
Business-type Activities						
Child Care			332,983	404,734	332,983	404,7345
Food Service			1,635,242	1,770,985	1,635,242	1,770,985
Total expenses	33,986,919	32,753,235	1,968,225	2,175,719	35,955,144	34,928,954
Increase (decrease) in net position	\$ 673,711	\$ 810,473	\$ 34,631	\$ (254,166)	\$ 708,342	\$ 556,307

On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, pension benefits, administrative fees, technology and debt service. The on-behalf amounts are included in the above figures. The total on-behalf payments for 2021 and 2020 were \$7,628,434 and \$7,419,890 respectively.

Total revenue increased approximately \$1.2 million and expenses increased approximately \$.9 million.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 57.5% of total expenses, student and staff support services equate to 12.1%, administrative support services equate to 10.7%, plant operations and student transportation equate to 14.8% and interest and other expenses make up the remaining 4.9% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of Activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Expense Total		Governmental Activities Expense Net	
	Cost of Services	% of Cost	Cost of Services	% of Cost
	<u>2021</u>		<u>2021</u>	
Instructional	\$ 19,557,576	57.5%	\$ 16,680,865	55.8%
Student and staff support	4,122,776	12.1%	3,559,461	11.9%
Administrative support	3,625,869	10.7%	3,588,928	12.0%
Plant operations	3,014,696	8.9%	2,946,278	9.8%
Student transportation	2,003,791	5.9%	1,950,723	6.5%
Other	337,506	1.0%	-59,420	-.2%
Interest Costs	1,324,705	3.9%	1,249,722	4.2%
Total Expenses	<u>\$ 33,986,919</u>	<u>100%</u>	<u>\$ 29,916,557</u>	<u>100%</u>

Business-Type Activities

The business type activities of the District consist of Food Service and Child Care. Food Service had total revenues of \$1,571,391 and expenses of \$1,635,242 for fiscal year 2021. Child Care had total revenues of \$258,710 and expenses of \$332,983 for fiscal year 2021. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue and other financing sources for all governmental funds for 2021 was \$39,873,228 and expenditures were \$39,902,748.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2021 fiscal year, the District had invested \$58,429,667, net of depreciation, in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$4,936,700. Depreciation expense for the year was \$1,894,029 and capital additions were \$6,668,977.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 997,705	\$ 997,705	\$ -	\$ -	\$ 997,705	\$ 997,705
Construction in Progress	5,572,184	972,291			5,572,184	972,291
Buildings and Improvements	49,966,605	49,634,985	-	-	49,966,605	49,634,985
Technology	61,823	95,268	-	-	61,823	95,268
Vehicles	1,167,599	1,244,084	-	-	1,167,599	1,244,084
General Equipment	302,496	318,106	361,255	230,528	663,751	548,634
Total	\$ 58,068,412	\$ 53,262,439	\$ 361,255	\$ 230,528	\$ 58,429,667	\$ 53,492,967

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Beginning Balance	\$ 53,262,439	\$ 48,768,870	\$ 230,528	\$ 256,482	\$ 53,492,967	\$ 49,025,352
Additions	6,668,977	6,070,715	161,753	26,945	6,830,730	6,097,660
Retirements	-	(11,970)			-	(11,970)
Depreciation	(1,863,004)	(1,565,176)	(31,026)	(52,899)	(1,894,030)	(1,618,075)
Ending Balance	\$ 58,068,412	\$ 53,262,439	\$ 361,255	\$ 230,528	\$ 58,429,667	\$ 53,492,967

The following were major additions and capital assets placed in service during fiscal year 2021:

Bus (2)	\$ 193,500.
Central office renovation	112,643.
Bus garage and equipment	1,756,191.
Food service equipment	161,753.
Early Learning Center (construction in progress)	4,863,815.

Long-Term Debt

The District made scheduled bond principal payments in the amount of \$1,698,043. The School Facilities Construction Corporation made bond principal payments on behalf of the District in the amount of \$246,957. The District made scheduled capital lease payments of \$162,183. In July 2021, the District issued \$5,210,000 in Revenue Bonds to fund the construction of an early learning center and bus garage.

General Fund Budgetary Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The General Fund had budgeted revenues of \$26,617,731 with actual results being \$26,759,481. An increase in motor vehicle tax revenue and an extraordinary omitted tax revenue payment generated \$631,793 and on behalf payments were \$214,413 in excess of the budgeted amount. The budget also included a capital funds transfer for three school buses. The board opted to purchase only two buses, resulting in a reduction of \$109,525 in fund transfers. The revenue increases were offset by a reduction in SEEK funding that occurred in December 2020 in the amount of \$621,295 and a reduction in SEEK transportation reimbursement of \$183,526. Budgeted expenditures were \$28,323,204 compared to actual expenditures of \$26,269,807. School closures and hybrid scheduling during FY21 due to the COVID-19 pandemic, resulted in a reduction of expenses for utilities to operate the buildings, diesel fuel to run the bus routes, and substitute pay for absences. Transportation and other classified school personnel were reassigned to prepare and deliver meals to homebound students, those wages and benefits were absorbed by school nutrition funds. While there were reductions recognized in every expense category, the most significant reductions were in personnel wages and benefits (codes 0100 and 0200), \$510,603 and supplies, utilities, parts (code 0600), \$537,852. The SEEK funding reduction mentioned previously under revenue also resulted in \$621,295 of wages being paid with grant funds. The approval to purchase two buses, resulted in a decrease of \$109,525 in property purchase expenditures.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2021-2022 with an approximate 9.6% contingency.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (502)-477-3250.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	11,085,606	368,244	11,453,850
Accounts Receivable:			
Taxes - Current	238,815		238,815
Taxes - Delinquent	8,424		8,424
Accounts	89,441	16,944	106,385
Prepaid Expenses	412,369		412,369
Intergovernmental - Federal	787,909	56,176	844,085
Inventories for Consumption		29,181	29,181
Total Current Assets	12,622,564	470,545	13,093,109
Noncurrent Assets - Note F			
Land	997,705		997,705
Construction in Progress	5,572,184		5,572,184
Buildings & Improvements	67,529,905		67,529,905
Furniture & Equipment	6,636,002	1,354,013	7,990,015
Less: Accumulated Depreciation	(22,667,384)	(992,758)	(23,660,142)
Total Noncurrent Assets	58,068,412	361,255	58,429,667
TOTAL ASSETS	70,690,976	831,800	71,522,776
Deferred Outflows Related to Pensions	1,895,589	360,918	2,256,507
Deferred Outflows Related to Other Post Employment Benefits	2,548,675	293,380	2,842,055
Deferred Outflows Related to Advanced Bond Refundings	329,327		329,327
TOTAL DEFERRED OUTFLOWS	4,773,591	654,298	5,427,889
TOTAL ASSETS AND DEFERRED OUTFLOWS	75,464,567	1,486,098	76,950,665
LIABILITIES:			
Current Liabilities:			
Accounts Payable	561,887	33,918	595,805
Accrued Salaries & Sick Leave - Note A	457,226	10,344	467,570
Advances from Grantors	262,282		262,282
Unearned Revenue		36,202	36,202
Bond Obligations - Note D	2,125,000		2,125,000
Capital Lease Obligation - Note E	133,271		133,271
Accrued Interest Payable	295,011		295,011
Total Current Liabilities	3,834,677	80,464	3,915,141
Noncurrent Liabilities:			
Bond Obligations - Note D	41,164,637		41,164,637
Capital Lease Obligation - Note E	241,712		241,712
Net Pension Liability	10,966,482	1,970,137	12,936,619
Net Other Post Employment Benefits Liability	8,807,996	620,051	9,428,047
Accrued Sick Leave - Note A	792,371		792,371
Total Noncurrent Liabilities	61,973,198	2,590,188	64,563,386
TOTAL LIABILITIES	65,807,875	2,670,652	68,478,527
Deferred Inflows Related to Other Post Employment Benefits	1,946,038	121,867	2,067,905
Deferred Inflows Related to Pensions	231,426	41,820	273,246
TOTAL DEFERRED INFLOWS	2,177,464	163,687	2,341,151
TOTAL LIABILITIES AND DEFERRED INFLOWS	67,985,339	2,834,339	70,819,678
NET POSITION:			
Net Investment in Capital Assets	14,403,792	361,255	14,765,047
Restricted for:			
SFCC Escrow	3,271,323		3,271,323
Capital Projects	2,550,192		2,550,192
School Activities	501,290		501,290
Grants	65,610		65,610
Food Service		(1,743,636)	(1,743,636)
Unrestricted	(13,312,979)	34,140	(13,278,839)
TOTAL NET POSITION	7,479,228	(1,348,241)	6,130,987
TOTAL LIABILITIES AND NET POSITION	75,464,567	1,486,098	76,950,665

See independent auditor's report and accompanying notes to financial statements.

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
Instructional	19,557,576	15,600	2,861,111		(16,680,865)		(16,680,865)
Support Services:							
Student Support Services	2,245,094		118,916		(2,126,178)		(2,126,178)
Staff Support Services	1,877,682		444,399		(1,433,283)		(1,433,283)
District Administration	920,395		36,941		(883,454)		(883,454)
School Administration	1,841,733				(1,841,733)		(1,841,733)
Business Support Services	863,741				(863,741)		(863,741)
Plant Operation & Maintenance	3,014,696		68,418		(2,946,278)		(2,946,278)
Student Transportation	2,003,791	2,200	50,868		(1,950,723)		(1,950,723)
Other Non-Instructional	14,466				(14,466)		(14,466)
Food Service Operations	54,650		53,960		(690)		(690)
Day Care Operations	97,299		96,070		(1,229)		(1,229)
Community Service Operations	171,091	80,000	166,896		75,805		75,805
Interest on Long-Term Debt	1,324,705			74,983	(1,249,722)		(1,249,722)
TOTAL GOVERNMENTAL ACTIVITIES	33,986,919	97,800	3,897,579	74,983	(29,916,557)		(29,916,557)
BUSINESS-TYPE ACTIVITIES:							
Day Care	332,983	218,233	40,477			(74,273)	(74,273)
Food Service	1,635,242	14,916	1,556,475			(63,851)	(63,851)
TOTAL BUSINESS-TYPE ACTIVITIES	1,968,225	233,149	1,596,952	0	0	(138,124)	(138,124)
TOTAL SCHOOL DISTRICT	35,955,144	330,949	5,494,531	74,983	(29,916,557)	(138,124)	(30,054,681)
GENERAL REVENUES:							
Taxes:							
Property					8,803,134		8,803,134
Motor Vehicle					1,319,438		1,319,438
Utility					703,141		703,141
Franchise					180,725		180,725
Other					59,332		59,332
State Aid - Formula Grants					18,975,027		18,975,027
Investment Earnings					53,153	485	53,638
Miscellaneous					657,400		657,400
Funds Transfer (Expense)					(172,270)	172,270	0
Gain(Loss) Sale of Assets					11,188		11,188
TOTAL GENERAL REVENUES & TRANSFERS					30,590,268	172,755	30,763,023
CHANGE IN NET POSITION					673,711	34,631	708,342
NET POSITION - BEGINNING RESTATED (NOTE R)					6,805,517	(1,382,872)	5,422,645
NET POSITION - ENDING					7,479,228	(1,348,241)	6,130,987

See independent auditor's report and accompanying notes to financial statements.

SPENCER COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	4,310,643		3,002,953	3,271,323	500,687	11,085,606
Accounts Receivable:						
Taxes - Current	238,815					238,815
Taxes - Delinquent	8,424					8,424
Accounts	86,846				2,595	89,441
Prepaid Expenses	412,369					412,369
Interfund Receivable	258,896				3,851	262,747
Intergovernmental - Federal		787,909				787,909
TOTAL ASSETS	5,315,993	787,909	3,002,953	3,271,323	507,133	12,885,311
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	92,236	14,898	452,761		1,992	561,887
Interfund Payable		258,896			3,851	262,747
Accrued Salaries & Benefits	46,292	186,223				232,515
Advances from Grantors		262,282				262,282
Total Liabilities	138,528	722,299	452,761	0	5,843	1,319,431
Fund Balance:						
Non-Spendable	412,369					412,369
Restricted for:						
Grants		65,610				65,610
Capital Projects			2,550,192			2,550,192
School Activities					501,290	501,290
SFCC Escrow				3,271,323		3,271,323
Committed For:						
Accrued Sick Leave	224,711					224,711
Site Based Carryforward	151,253					151,253
Assigned for:						
Purchase Obligations	3,349					3,349
Vacation Leave	87,181					87,181
Unassigned	4,298,602					4,298,602
Total Fund Balance	5,177,465	65,610	2,550,192	3,271,323	501,290	11,565,880
TOTAL LIABILITIES AND FUND BALANCES	5,315,993	787,909	3,002,953	3,271,323	507,133	12,885,311

See independent auditor's report and accompanying notes to financial statements.

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

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

TOTAL GOVERNMENTAL FUND BALANCE		11,565,880
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	80,735,796	
Accumulated Depreciation	<u>(22,667,384)</u>	58,068,412
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		329,327
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		1,895,589
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		2,548,675
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(43,645,000)	
Unamortized Bond Premium	(31,610)	
Unamortized Bond Discount	386,973	
Capital Lease Obligation	(374,983)	
Accrued Interest on Bonds	(295,011)	
Net Pension Liability	(10,966,482)	
Net Other Post Employment Benefits Liability	(8,807,996)	
Accrued Sick Leave	<u>(1,017,082)</u>	(64,751,191)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(1,946,038)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(231,426)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>7,479,228</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	6,403,074			2,400,060		8,803,134
Motor Vehicle	1,319,438					1,319,438
Utility	703,141					703,141
Franchise	180,725					180,725
Other	59,332					59,332
Earnings on Investments	18,406	125	26,914	6,097	1,611	53,153
Intergovernmental - State	17,437,427	837,697		1,017,252	595,331	19,887,707
Intergovernmental - Federal	90,149	2,969,733				3,059,882
Other Sources	289,938	54,293			410,969	755,200
TOTAL REVENUES	26,501,630	3,861,848	26,914	3,423,409	1,007,911	34,821,712
EXPENDITURES:						
Instructional	15,468,902	2,897,705			400,913	18,767,520
Support Services:						
Student Support Services	2,016,549	120,437			323	2,137,309
Staff Support Services	1,350,370	450,083			4,664	1,805,117
District Administration	858,225	37,413				895,638
School Administration	1,739,433					1,739,433
Business Support Services	858,015					858,015
Plant Operation & Maintenance	1,902,314	69,293				1,971,607
Student Transportation	1,834,973	51,519				1,886,492
Other Non-Instructional					14,466	14,466
Food Service Operations		54,650				54,650
Day Care Operations		97,299				97,299
Community Service Operations	2,060	169,031				171,091
Facilities Acquisition & Construction			6,154,528			6,154,528
Debt Service:						
Principal	162,183				1,945,000	2,107,183
Interest	12,688				1,229,712	1,242,400
TOTAL EXPENDITURES	26,205,712	3,947,430	6,154,528	0	3,595,078	39,902,748
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	295,918	(85,582)	(6,127,614)	3,423,409	(2,587,167)	(5,081,036)
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds			5,210,000			5,210,000
Premium on Issuance of Bonds			2,598			2,598
Proceeds from Sale of Assets	460					460
Loss Compensation - Equipment	10,728					10,728
Operating Transfers In - Note N	246,663	61,573			2,985,503	3,293,739
Operating Transfers Out - Note N	(64,097)	(3,591)	(219,018)	(2,632,437)	(546,866)	(3,466,009)
TOTAL OTHER FINANCING SOURCES	193,754	57,982	4,993,580	(2,632,437)	2,438,637	5,051,516
NET CHANGE IN FUND BALANCES	489,672	(27,600)	(1,134,034)	790,972	(148,530)	(29,520)
FUND BALANCES - BEGINNING	4,687,793	93,210	3,684,226	2,480,351	649,820	11,595,400
FUND BALANCES - ENDING	5,177,465	65,610	2,550,192	3,271,323	501,290	11,565,880

See independent auditor's report and accompanying notes to financial statements.

SPENCER 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

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

NET CHANGES - GOVERNMENTAL FUNDS		(29,520)
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(1,863,004)	
Capital Outlays	6,668,977	
	4,805,973	
<p>Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid	2,107,183	
Bond Proceeds	(5,212,598)	
	(3,105,415)	
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization -Deferred Outflows from Advanced Bond Refundings	(27,256)	
Amortization - Bond Premiums	4,945	
Amortization - Bond Discount	(32,610)	
District Pension Contributions	692,337	
Cost of Benefits Earned Net of Employee Contributions	(1,746,123)	
Accrued Interest Payable	(27,384)	
KSBIT Assessment	38,717	
District Other Post Employment Benefits Contributions	574,510	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(346,140)	
Accrued Sick Leave	(128,323)	
	(997,327)	
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Gain - Sale of Assets		0
	673,711	
CHANGES - NET POSITION GOVERNMENTAL FUNDS		673,711

See independent auditor's report and accompanying notes to financial statements.

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	338,122	30,122	368,244
Accounts Receivables	3,270	13,674	16,944
Intergovernmental - Federal	55,465	711	56,176
Inventories for Consumption	29,181		29,181
Total Current Assets	426,038	44,507	470,545
Noncurrent Assets:			
Capital Assets	1,352,594	1,419	1,354,013
Less: Accumulated Depreciation	(991,339)	(1,419)	(992,758)
Total Noncurrent Assets	361,255	0	361,255
TOTAL ASSETS	787,293	44,507	831,800
Deferred Outflows Related to Other Post Employment Benefits	181,753	111,627	293,380
Deferred Outflows Related to Pensions	215,192	145,726	360,918
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,184,238	301,860	1,486,098
LIABILITIES:			
Current Liabilities:			
Account Payable	30,980	2,938	33,918
Accrued Salaries & Benefits	6,809	3,535	10,344
Unearned Revenue	32,308	3,894	36,202
Total Current Liabilities	70,097	10,367	80,464
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	389,294	230,757	620,051
Net Pension Liability	1,236,347	733,790	1,970,137
Total Noncurrent Liabilities	1,625,641	964,547	2,590,188
TOTAL LIABILITIES	1,695,738	974,914	2,670,652
Deferred Inflows Related to Other Post Employment Benefits	76,529	45,338	121,867
Deferred Inflows Related to Pensions	25,809	16,011	41,820
TOTAL LIABILITIES AND DEFERRED INFLOWS	1,798,076	1,036,263	2,834,339
Net Position:			
Net Investment in Capital Assets	361,255	0	361,255
Restricted	(975,093)	(768,543)	(1,743,636)
Unrestricted		34,140	34,140
Total Net Position	(613,838)	(734,403)	(1,348,241)
TOTAL LIABILITIES AND NET POSITION	1,184,238	301,860	1,486,098

See independent auditor's report and accompanying notes to financial statements.

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

	<u>FOOD SERVICE</u>	<u>CHILD CARE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Lunchroom Sales	14,353		14,353
Tuition and Fees		213,565	213,565
Other Operating Revenues	563	4,668	5,231
TOTAL OPERATING REVENUES	<u>14,916</u>	<u>218,233</u>	<u>233,149</u>
OPERATING EXPENSES:			
Salaries & Benefits	896,114	319,664	1,215,778
Contract Services	11,054	674	11,728
Materials & Supplies	696,751	12,478	709,229
Depreciation - Note F	31,026		31,026
Other Operating Expenses	298	167	465
TOTAL OPERATING EXPENSES	<u>1,635,243</u>	<u>332,983</u>	<u>1,968,226</u>
OPERATING INCOME(LOSS)	(1,620,327)	(114,750)	(1,735,077)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	1,391,561	6,880	1,398,441
State Grants	106,164	33,597	139,761
Donated Commodities	58,750		58,750
Interest Income	448	37	485
Transfer Out to General Fund	(49,572)		(49,572)
TOTAL NONOPERATING REVENUE	<u>1,507,351</u>	<u>40,514</u>	<u>1,547,865</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(112,976)	(74,236)	(187,212)
CAPITAL CONTRIBUTIONS	<u>221,843</u>	<u>0</u>	<u>221,843</u>
CHANGE IN NET POSITION	108,867	(74,236)	34,631
NET POSITION - BEGINNING	<u>(722,705)</u>	<u>(660,167)</u>	<u>(1,382,872)</u>
TOTAL NET POSITION - ENDING	<u><u>(613,838)</u></u>	<u><u>(734,403)</u></u>	<u><u>(1,348,241)</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	FOOD SERVICE	OTHER ENTERPRISE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	11,866		11,866
Tuition and Fees		215,884	215,884
Other Activities	563	4,668	5,231
Cash Paid to/for:			
Employees	(658,403)	(234,224)	(892,627)
Supplies	(602,352)	(9,774)	(612,126)
Other Activities	(11,352)	(841)	(12,193)
Net Cash Used by Operating Activities	(1,259,678)	(24,287)	(1,283,965)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(49,572)		(49,572)
Federal Grants	1,372,468	6,421	1,378,889
State Grants	13,140	600	13,740
Net Cash Provided by Non-Capital and Related Financing Activities	1,336,036	7,021	1,343,057
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital Contributions	221,843		221,843
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(161,753)		(161,753)
Receipt of Interest Income	448	37	485
Net Cash Provided (Used) by Investing Activities	(161,305)	37	(161,268)
Net Increase (Decrease) in Cash and Cash Equivalents	136,896	(17,229)	119,667
Balances, Beginning of Year	201,226	47,351	248,577
Balances, End of Year	338,122	30,122	368,244
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(1,620,327)	(114,750)	(1,735,077)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	31,026	-	31,026
State On-Behalf Payments	93,024	32,997	126,021
Donated Commodities	58,750		58,750
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Deferred Outflows	(27,263)	(37,421)	(64,684)
Deferred Inflows	(41,044)	(23,941)	(64,985)
Net Pension Liability	93,981	54,822	148,803
Net Other Post Employment Benefits	116,459	67,934	184,393
Accounts Receivable	(3,270)	2,314	(956)
Accounts Payable	26,680	2,704	29,384
Accrued Salaries & Benefits	2,554	(8,951)	(6,397)
Unearned Revenue	783	5	788
Inventory	8,969		8,969
Net Cash Used by Operating Activities	(1,259,678)	(24,287)	(1,283,965)
Schedule of Non-Cash Transactions:			
Donated Commodities	58,750	-	58,750
State On-Behalf Payments	93,024	32,997	126,021

See independent auditor's report and accompanying notes to financial statements.

SPENCER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Spencer County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the 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 organizations are included in the accompanying financial statements:

Spencer County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Spencer 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.

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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.

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

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 resource is 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.

Deferred Revenue – Deferred 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.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred 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 costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each August 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 \$0.624 per \$100 valuation for real property, \$0.647 per \$100 valuation for business personal property, and \$0.56 per \$100 valuation for motor vehicles.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Interfund Balances

On fund financial statements, receivables and payable 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received 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 amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

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

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

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, 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

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	224,711	Long-Term Sick Leave Commitment
General Fund	151,253	Site Based Carryforward

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

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

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 and fees for child care services.

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

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

Pensions

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

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

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

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$11,453,850. 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 maturity of 90 days or less.

Cash and cash equivalents at June 30, 2021, consisted of the following:

	Bank Balance	Book Balance
Peoples Bank	12,842,988	11,453,850
Breakdown per financial statements:		
Governmental Funds		11,085,606
Proprietary Funds		<u>368,244</u>
Total Cash		<u>11,453,850</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Spencer County School District Finance Corporation in the original amount aggregating \$51,010,000.

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

2005	755,000	4.00%
2011	9,740,000	1.00% - 2.50%
2016 – Refunding	10,055,000	2.00% - 3.80%
2016	18,235,000	2.00% - 2.625%
2018	7,015,000	3.00% - 3.875%
2020	5,210,000	2.00% - 2.250%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by Spencer County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year	Principal	Interest	Participation	District's Portion
2021-22	2,125,000	1,229,131	321,938	3,032,193
2022-23	2,170,000	1,172,219	321,940	3,020,278
2023-24	2,230,000	1,113,047	321,939	3,021,108
2024-25	2,270,000	1,054,731	295,636	3,029,095
2025-26	2,225,000	992,400	251,979	2,965,421
2026-27	2,345,000	930,659	251,980	3,023,679
2027-28	2,370,000	870,691	218,434	3,022,257
2028-29	2,300,000	835,494	112,999	3,022,495
2029-30	2,360,000	775,094	112,999	3,022,095
2030-31	2,425,000	709,269	112,999	3,021,269
2031-32	2,500,000	635,578	112,999	3,022,578
2032-33	2,580,000	559,259	112,999	3,026,260
2033-34	2,655,000	479,944	112,999	3,021,945
2034-35	2,740,000	397,463	112,999	3,024,463
2035-36	2,825,000	311,788	112,999	3,023,789
2036-37	1,950,000	203,159	37,687	2,115,471
2037-38	2,015,000	137,072	37,688	2,114,384
2038-39	1,965,000	69,584	28,851	2,005,736
2039-40	790,000	26,999	0	816,999
2040-41	<u>805,000</u>	<u>9,056</u>	<u>0</u>	<u>814,056</u>
	<u>43,645,000</u>	<u>12,512,637</u>	<u>2,992,064</u>	<u>53,165,573</u>

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	40,380,000	5,210,000	1,945,000	43,645,000	2,125,000
Add: Bond Premium	33,907	2,598	4,895	31,610	4,917
Less: Bond Discount	<u>(419,584)</u>	<u>0</u>	<u>(32,611)</u>	<u>(386,973)</u>	<u>(32,610)</u>
Total Bonds Payable – Net	39,994,323	5,212,598	1,917,284	43,289,637	2,097,307
Capital Lease Obligations	537,166	0	162,183	374,983	133,271
KSBIT Assessment	38,717	0	38,717	0	0
Net Pension Liability	10,136,319	830,163	0	10,966,482	0
Net OPEB Liability	8,326,279	481,717	0	8,807,996	0
Accrued Sick Leave	<u>888,759</u>	<u>198,818</u>	<u>70,495</u>	<u>1,017,082</u>	<u>224,711</u>
Total Governmental					
Activities:	<u>59,921,563</u>	<u>6,723,296</u>	<u>2,188,679</u>	<u>64,456,180</u>	<u>2,455,289</u>
Proprietary Activities:					
Net OPEB Liability	435,658	184,393	0	620,051	0
Net Pension Liability	<u>1,821,334</u>	<u>148,803</u>	<u>0</u>	<u>1,970,137</u>	<u>0</u>
Total Long-Term					
Liabilities:	<u>62,178,555</u>	<u>7,056,492</u>	<u>2,188,679</u>	<u>67,046,368</u>	<u>2,455,289</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2026. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2021.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2021</u>
Buses	1,376,325
Accumulated Amortization	<u>(983,448)</u>
	<u>392,877</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2022	142,110
2023	117,508
2024	72,978
2025	44,547
2026	<u>17,929</u>
Net minimum lease payments	395,072
Amount representing interest	<u>(20,089)</u>
Present value of net minimum lease payments	<u>374,983</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	997,705			997,705
Construction in Progress	972,291	4,599,893		5,572,184
Depreciable Assets:				
Buildings & Building Improvements	65,685,910	1,843,995		67,529,905
Technology Equipment	1,980,530			1,980,530
Vehicles	3,624,946	193,500		3,818,446
General Equipment	805,437	31,589		837,026
TOTAL AT HISTORICAL COST	74,066,819	6,668,977	-	80,735,796
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Land Improvements	591,864	106,907		698,771
Buildings & Building Improvements	15,459,061	1,405,468		16,864,529
Technology Equipment	1,885,262	33,445		1,918,707
Vehicles	2,380,862	269,985		2,650,847
General Equipment	487,331	47,199		534,530
TOTAL ACCUMULATED DEPRECIATION	20,804,380	1,863,004	-	22,667,384
GOVERNMENTAL ACTIVITIES CAPITAL NET	53,262,439	4,805,973	-	58,068,412
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	21,780			21,780
General Equipment	1,169,061	161,753		1,330,814
TOTALS AT HISTORICAL COST	1,190,841	161,753	-	1,352,594
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	21,780			21,780
General Equipment	938,533	31,026		969,559
TOTAL ACCUMULATED DEPRECIATION	960,313	31,026	-	991,339
PROPRIETARY ACTIVITIES CAPITAL NET	230,528	130,727	-	361,255
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				294,712
Student Support Service				1,914
Staff Support Service				246
District Administration				1,712
School Administration				7,230
Business Support Services				7,274
Plant Operation & Maintenance				1,309,673
Student Transportation				240,243
TOTAL				1,863,004

NOTE G – RETIREMENT PLANS

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

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

Medical Insurance Plan

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

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

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

At June 30, 2021, the District reported a liability of \$12,936,619 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 12,936,619
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>56,389,984</u>
	<u>\$ 69,326,603</u>

The net pension liability for each plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 0.168667% percent.

For the year ended June 30, 2021, the District recognized pension expense of \$2,039,048 related to CERS and \$4,081,628 related to TRS. The District also recognized revenue of \$4,081,628 for TRS support provided by the Commonwealth. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 322,598	\$ -
Changes of assumptions	505,153	-
Net difference between projected and actual earnings on pension plan investments	560,759	237,036
Changes in proportion and differences between District contributions and proportionate share of contributions	51,562	36,210
District contributions subsequent to the measurement date	<u>816,435</u>	<u>-</u>
Total	<u>\$ 2,256,507</u>	<u>\$ 273,246</u>

\$816,435 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	546,381
2022	336,182
2023	154,248
2024	130,015
2025	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension 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, 2019
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Municipal Bond Index Rate	
Prior Measurement Date	3.50%
Measurement Date	2.19%
Projected salary increases	3.5-7.3%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	3.0%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.50%

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.

County Employees' Retirement System (CERS)

The total pension 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
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	25 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets if recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.3 to 11.55%, varies by service
Inflation rate	2.30%

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.60%
International Equity	22.00%	5.60%
Fixed Income	15.00%	0.0%
Additional Categories	7.00%	2.5%
Real Estate	7.00%	4.3%
Private Equity	7.00%	7.7%
Cash	2.0%	-.5%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS the target asset 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.25%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.3%
Opportunistic	3.00%	2.25%
Real Return	15.0%	3.95%
Total	100.0%	3.96%

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

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	15,953,667	12,936,619	10,438,389
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	0	0	0

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

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2021, the Spencer County District reported a liability of \$5,356,000 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, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was .2122 percent, compared to .2017 percent at June 30, 2019.

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	\$ 5,356,000
State’s proportionate share of the net OPEB liability associated with the District	<u>4,291,000</u>
Total	<u>\$ 9,647,000</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$288,583 and revenue of \$306,503 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,267,518
Changes of assumptions	180,440	-
Net difference between projected and actual earnings on pension plan investments	96,605	-
Changes in proportion and differences between District contributions and proportionate share of contributions	233,183	-
District contributions subsequent to the measurement date	<u>403,758</u>	<u>-</u>
Total	<u>913,986</u>	<u>1,267,518</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$403,758 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$ (152,680)
2023	(144,907)
2024	(146,572)
2025	(143,241)
2026	(131,027)
Thereafter	(38,863)

Actuarial 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:

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.5% for 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 2020 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 remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Global Equity	58.00%	5.40%
Fixed Income	9.00%	0.00%
Real Estate	6.50%	4.30%
Private Equity	8.50%	7.70%
Other Additional Categories	17.00%	2.50%
Cash (LIBOR)	1.00%	-0.50%
	<u>100.00%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	7.00%	8.00%	9.00%
District's proportionate share of net OPEB liability	6,474,000	5,356,000	4,423,000

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 net OPEB liability	4,245,000	5,356,000	6,725,000

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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

District’s proportionate share of the net OPEB liability	-0-
State’s proportionate share of the net OPEB liability associated with the District	<u>130,000</u>
Total	<u>\$ 130,000</u>

Actuarial 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:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.5-7.20%, including inflation
Inflation rate	3.5%
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 remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	40.00%	4.60%
International Equity	23.00%	5.60%
Fixed Income	18.00%	0.00%
Real Estate	6.00%	4.30%
Private Equity	5.00%	7.70%
Other Additional Categories	6.00%	2.50%
Cash (LIBOR)	2.00%	-0.50%
	100.00%	

**As the Life Insurance investment policy is to change, the above table reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.*

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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 CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Spencer County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy-six one hundredths percent (4.76%) of the gross annual payroll of members is contributed for the year ended June 30, 2021 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2021, the Spencer County District reported a liability of \$4,072,047 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, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District’s proportion was .168636 percent, compared to .169977 percent at June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 4,072,047
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 4,072,047</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$429,317. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 680,354	\$ 680,885
Changes of assumptions	708,295	4,307
Net difference between projected and actual earnings on pension plan investments	218,435	83,090
Changes in proportion and differences between District contributions and proportionate share of contributions	19,689	32,105
District contributions subsequent to the measurement date	<u>301,296</u>	<u>-</u>
Total	<u>1,928,069</u>	<u>800,387</u>

from the following sources:

Of the total amount reported as deferred outflows of resources related to OPEB, \$301,296 resulting from District contributions of \$201,359 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$99,937, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$ 220,158
2023	260,212
2024	183,480
2025	172,118
2026	(9,582)
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial 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
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
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	6.25%
Projected salary increases	3.05% to 11.55%, varies by service
Inflation rate	2.30%
Payroll Growth Rate	2.00%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Ages 65 and Older	Initial trend starting at 5.0% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.0%	3.95%
Total	100.0%	

Discount rate - The discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 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:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	5,231,384	4,072,047	3,119,844

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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net OPEB liability	3,152,782	4,072,047	5,187,596

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

NOTE I – CONTINGENCIES

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

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Wright Specialty Insurance Company.

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.

NOTE L – DEFICIT OPERATING BALANCES

The Day Care Fund had a deficit fund balance in the amount of \$734,403 and the Food Service Fund had a deficit balance of \$613,838 at June 30, 2021. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue Fund	85,582
Debt Service Fund	2,852,605
District Activity Fund	133,186
Construction Fund	6,127,614

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	57,411
Operating	Special Revenue	General	Indirect Cost	3,591
Operating	Capital Outlay	General	Operations	193,500
Operating	Capital Outlay	Debt Service	Debt Service	220,168
Operating	School Activity	District Activity	Operations	132,898
Operating	District Activity	Special Revenue	Operations	300
Operating	General	Special Revenue	Operations	3,861
Operating	Building Fund	Debt Service	Debt Service	<u>2,632,437</u>
		Subtotal Governmental Funds Transferred		3,244,166
Operating	Construction	Food Service	Capital Assets/Supplies	219,018
Operating	General	Food Service	Operations	2,825
Operating	Food Service	General Fund	Indirect Costs	<u>49,572</u>
		Total Transferred Funds		<u><u>3,515,581</u></u>

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 12, 2021, the date the financial statements were available for release. There were no material subsequent events to report.

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2021, \$7,628,434 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$4,081,628
Teachers Retirement System (GASB 75)	306,503
Health Insurance	2,709,335
Life Insurance	4,719
Administrative Fee	38,347
HRA/Dental/Vision	215,600
Federal Reimbursement	(132,357)
Technology	82,719
SFCC Debt Service Payments	<u>321,940</u>
Total	<u><u>\$7,628,434</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – COMMITMENTS UNDER NON-CAPITALIZED LEASES

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

Year ended June 30:	
2022	43,825
2023	43,825
2024	43,825
2025	43,825
2026	<u>156</u>
Total	<u><u>175,456</u></u>

NOTE R – COMMITMENTS

Spencer County School District is renovating the Early Childhood Center. Construction for this project is ongoing as of the audit date. It is anticipated that the completion of this project will cost an additional \$887,620.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	8,020,417	8,020,417	8,665,710	645,293
Other Local Sources	208,200	208,200	18,406	(189,794)
State Sources	17,993,602	17,993,602	17,437,427	(556,175)
Federal Sources	80,000	80,000	90,149	10,149
Other Sources	315,512	315,512	547,789	232,277
TOTAL REVENUES	26,617,731	26,617,731	26,759,481	141,750
EXPENDITURES:				
Instructional	16,542,456	16,542,456	15,468,902	1,073,554
Student Support Services	1,937,029	1,937,029	2,016,549	(79,520)
Staff Support Services	1,355,597	1,355,597	1,350,370	5,227
District Administration	899,510	899,510	858,225	41,285
School Administration	1,690,953	1,690,953	1,739,433	(48,480)
Business Support Services	920,192	920,192	858,015	62,177
Plant Operation & Maintenance	2,196,714	2,196,714	1,902,314	294,400
Student Transportation	2,538,407	2,538,407	1,834,973	703,434
Community Service Operations	5,800	5,800	2,060	3,740
Principal	162,183	162,183	162,183	0
Interest	12,688	12,688	12,688	0
Other	61,675	61,675	64,097	(2,422)
TOTAL EXPENDITURES	28,323,204	28,323,204	26,269,809	2,053,395
NET CHANGE IN FUND BALANCE	(1,705,473)	(1,705,473)	489,672	2,195,145
FUND BALANCES - BEGINNING	1,705,473	1,705,473	4,687,793	2,982,320
FUND BALANCES - ENDING	0	0	5,177,465	5,177,465

See independent auditor's report and accompanying notes to financial statements.

SPENCER 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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	63,435	63,435	54,418	(9,017)
State Sources	895,819	895,819	837,697	(58,122)
Federal Sources	3,871,571	3,871,571	2,969,733	(901,838)
Other Sources	61,975	61,975	61,573	(402)
TOTAL REVENUES	<u>4,892,800</u>	<u>4,892,800</u>	<u>3,923,421</u>	<u>(969,379)</u>
EXPENDITURES:				
Instructional	3,589,445	3,589,445	2,897,705	691,740
Student Support Services	207,134	207,134	120,437	86,697
Staff Support Services	444,294	444,294	450,083	(5,789)
District Administration	37,375	37,375	37,413	(38)
Business Support Services	11,315	11,315	0	11,315
Plant Operation & Maintenance	54,486	54,486	69,293	(14,807)
Student Transportation	114,009	114,009	51,519	62,490
Food Service Operations			54,650	(54,650)
Day Care Operations	265,680	265,680	97,299	168,381
Community Service Operations	165,474	165,474	169,031	(3,557)
Other	3,588	3,588	3,591	(3)
TOTAL EXPENDITURES	<u>4,892,800</u>	<u>4,892,800</u>	<u>3,951,021</u>	<u>941,779</u>
NET CHANGE IN FUND BALANCE	0	0	(27,600)	(27,600)
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>93,210</u>	<u>93,210</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>65,610</u></u>	<u><u>65,610</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>70,702,066</u>	<u>84,411,624</u>	<u>108,746,543</u>	<u>100,935,430</u>	<u>50,842,874</u>	<u>51,835,917</u>	<u>56,389,984</u>
TOTAL	<u>\$ 70,702,066</u>	<u>\$ 84,411,624</u>	<u>\$ 108,746,543</u>	<u>100,935,430</u>	<u>50,842,874</u>	<u>51,835,917</u>	<u>56,389,984</u>
District's covered-employee payroll	\$ 10,780,816	11,221,831	11,492,723	\$ 11,681,712	\$ 12,053,200	\$ 13,010,141	\$ 13,458,584
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.27%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of net pension liability	0.160306%	0.162360%	0.168184%	0.166361%	0.168972%	0.170021%	0.168667%
District's proportionate share of the net pension liability	\$ 5,201,000	6,980,906	8,280,750	9,737,621	10,290,913	11,957,653	12,936,619
State of Kentucky's share of the net pension liability associated with the district	\$ -	-	-	-	-	-	-
TOTAL	<u><u>5,201,000</u></u>	<u><u>6,980,906</u></u>	<u><u>8,280,750</u></u>	<u><u>9,737,621</u></u>	<u><u>10,290,913</u></u>	<u><u>11,957,653</u></u>	<u><u>12,936,619</u></u>
District's covered-employee payroll	\$ 3,404,100	3,802,071	3,995,612	4,131,311	4,197,419	4,408,571	4,230,235
District's proportionate share of the net pension liability as a percentage of its covered-payroll	152.80%	183.60%	207.20%	235.70%	245.20%	271.24%	305.81%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%	50.45%	47.81%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,780,816	\$ 11,221,831	\$ 11,492,723	\$ 11,681,712	\$ 12,053,200	\$ 13,010,141	\$ 13,458,584
Contributions as a percentage of Covered employee payroll	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 are not displayed.

SPECNER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions (actuarially determined)	\$ 484,764	\$ 496,255	\$ 576,318	\$ 607,786	\$ 708,475	\$ 850,854	\$ 816,435
Contributions in relation to the actuarially determined contributions	<u>484,764</u>	<u>496,255</u>	<u>576,318</u>	<u>607,786</u>	<u>708,475</u>	<u>850,854</u>	<u>816,435</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,802,071	\$ 3,995,612	\$ 4,131,311	\$ 4,197,419	\$ 4,367,909	\$ 4,408,571	\$ 4,230,235
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of net OPEB liability	0.166361%	0.168965%	0.169977%	0.168636%
District's proportionate share of the net OPEB liability	3,344,425	2,999,942	2,858,937	4,072,047
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-
TOTAL	<u><u>3,344,425</u></u>	<u><u>2,999,942</u></u>	<u><u>2,858,937</u></u>	<u><u>4,072,047</u></u>
District's covered-employee payroll	4,131,311	4,197,419	4,408,571	4,230,235
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	81.00%	71.50%	64.85%	96.26%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of net OPEB liability	0.1969%	0.1997%	0.2017%	0.2122%
District's proportionate share of the net OPEB liability	7,020,850	6,928,700	5,903,000	5,356,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>5,735,000</u>	<u>5,971,000</u>	<u>4,767,000</u>	<u>4,291,000</u>
TOTAL	<u>12,755,850</u>	<u>12,899,700</u>	<u>10,670,000</u>	<u>9,647,000</u>
District's covered-employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	60.10%	57.48%	45.37%	39.80%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>77,000</u>	<u>102,000</u>	<u>111,000</u>	<u>130,000</u>
TOTAL	<u><u>77,000</u></u>	<u><u>102,000</u></u>	<u><u>111,000</u></u>	<u><u>130,000</u></u>
District's covered-employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions (actuarially determined)	\$ 197,279	\$ 229,752	\$ 209,848	\$ 201,359
Contributions in relation to the actuarially determined contributions	<u>197,279</u>	<u>229,752</u>	<u>209,848</u>	<u>201,359</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,131,311	\$ 4,197,419	\$ 4,408,571	\$ 4,230,235
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPECNER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions (actuarially determined)	\$ 361,596	\$ 363,671	\$ 390,304	\$ 403,758
Contributions in relation to the actuarially determined contributions	<u>361,596</u>	<u>363,671</u>	<u>390,304</u>	<u>403,758</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	11,681,712	12,053,200	13,010,141	13,458,584
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SPENCER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and rates of salary increases 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 years for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scales AA, which was used prior to 2016.

In the 2019 valuation the salary increase was reduced to 3.5-7.3% from 4.0-8.2%

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	27.4 years
Asset valuation method	5-year smoothed market
Inflation	3.0 percent
Salary Increase	3.5 to 7.3 percent, including inflation
Ultimate Investment rate of return	7.50 percent, net of pension plan investment Expense, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

SPENCER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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 inflation rate was reduced from 3.5% to 3.255%

The assumed rate of wage inflation was reduced from 1.00% to .75%

Payroll growth assumption was reduced from 4.5% to 4%

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 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.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

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

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

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

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

SPENCER COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2021

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%

The inflation rate was changed to 2.3% from 3.25%

2020

There were no changes of assumptions for the year ended June 30, 2020.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of contribution are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2016. 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 the rates reported in that schedule:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
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 percent
Salary Increase	3.30-11.55 percent, varies by service
Investment Rate of Return	6.25 percent

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS pension.

SPENCER COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2021

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation date	June 30, 2019
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	3.5% - 7.20%
Discount rate	8.00%
Health care cost trends	
KEHP group	7..25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
Ages 65 and older	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B premiums	6.4% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP group claims	The current KEHP premium is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

TEACHERS' RETIREMENT SYSTEM (CONTINUED)

NOTE C – CHANGES OF BENEFITS

Changes of benefit terms (June 30, 2018) – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

SPENCER COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%

The projected salary increases changed to 3.05-11.55% from 4.0%

The inflation rate changed to 2.3% from 3.25%

The payroll growth rate changed to 2.0% from 4.0%

2020

There were no changes in assumptions.

SPENCER COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2021

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

Valuation Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
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%-11.55%, varies by service
Investment Rate of Return	6.25 %
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 7.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.
Ages 65 and Older	Initial trend starting at 5.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. The 2019 premiums were known at the time of valuation and were incorporated into the liability measurement.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS OPEB.

OTHER SUPPLEMENTARY
INFORMATION

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents	0	0	234,167	266,520	500,687
Interfund Receivable			3,851		3,851
Accounts Receivable	0	0	0	2,595	2,595
TOTAL ASSETS	0	0	238,018	269,115	507,133
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable				3,851	3,851
Accounts Payable	0	0	1,249	743	1,992
Total Liabilities	0	0	1,249	4,594	5,843
Fund Balances:					
Restricted for:					
School Activities			236,769	264,521	501,290
Total Fund Balances	0	0	236,769	264,521	501,290
TOTAL LIABILITIES AND FUND BALANCES	0	0	238,018	269,115	507,133

See independent auditor's report and accompanying notes to financial statements.

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Earnings on Investments	742	167		702	1,611
Intergovernmental - State	273,391	321,940			595,331
Other Sources			1,872	409,097	410,969
TOTAL REVENUES	<u>274,133</u>	<u>322,107</u>	<u>1,872</u>	<u>409,799</u>	<u>1,007,911</u>
EXPENDITURES:					
Instructional			130,071	270,842	400,913
Support Services:					
Student Support			323		323
Staff Support			4,664		4,664
Other Non-Instructional				14,466	14,466
Debt Service:					
Principal		1,945,000			1,945,000
Interest		1,229,712			1,229,712
TOTAL EXPENDITURES	<u>0</u>	<u>3,174,712</u>	<u>135,058</u>	<u>285,308</u>	<u>3,595,078</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	274,133	(2,852,605)	(133,186)	124,491	(2,587,167)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In		2,852,605	132,898		2,985,503
Operating Transfers Out	(413,668)		(300)	(132,898)	(546,866)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(413,668)</u>	<u>2,852,605</u>	<u>132,598</u>	<u>(132,898)</u>	<u>2,438,637</u>
NET CHANGE IN FUND BALANCES	<u>(139,535)</u>	<u>0</u>	<u>(588)</u>	<u>(8,407)</u>	<u>(148,530)</u>
FUND BALANCES - BEGINNING	<u>139,535</u>	<u>0</u>	<u>237,357</u>	<u>272,928</u>	<u>649,820</u>
FUND BALANCES - ENDING	<u>0</u>	<u>0</u>	<u>236,769</u>	<u>264,521</u>	<u>501,290</u>

See independent auditor's report and accompanying notes to financial statements.

SPENCER COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	FUND BALANCE JULY 1, 2020	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2021
Spencer County High School	153,530	272,672	279,932	146,270
Spencer County Middle School	89,823	93,041	99,158	83,706
Taylorsville Elementary School	24,746	35,086	29,863	29,969
Spencer County Elementary School	4,829	23,442	23,695	4,576
	<hr/>	<hr/>	<hr/>	<hr/>
Total Activity Funds (Due to Student Groups)	<u>272,928</u>	<u>424,241</u>	<u>432,648</u>	<u>264,521</u>

See independent accountant's report and accompanying notes to financial statements.

SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	CASH BALANCE JULY 1, 2020	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2021	ACCOUNTS RECEIVABLE JUNE 30, 2021	ACCOUNTS PAYABLE JUNE 30, 2021	FUND BALANCE JUNE 30, 2021
Charitable Fundraising	92	0	0	92	0	0	92
Start Up Cash Boxes	0	2,000	2,000	0	0	0	0
YCLUB/KUNA	0	0	0	0	0	0	0
World's Travelers	0	0	0	0	0	0	0
Art Club	492	0	0	492	0	0	492
Band Club	12,258	4,765	11,111	5,912	0	0	5,912
Young Republicans	581	0	581	0	0	0	0
FBLA	1,577	230	795	1,012	0	0	1,012
Chorus Club	5,612	1,014	3,569	3,057	0	0	3,057
FCCLA	1,700	650	963	1,387	0	0	1,387
Beta Club	1,079	1,200	1,572	707	0	0	707
TSA Club	119	0	67	52	0	0	52
Book Club	499	0	91	408	0	0	408
Animal Protection Club	1,180	0	0	1,180	0	0	1,180
HOSA	3,342	3,966	3,528	3,780	0	0	3,780
Hosa National	2,033	390	456	1,967	0	0	1,967
Dairy Team	45,114	3,200	3,988	44,326	0	0	44,326
FFA	9,065	17,720	21,001	5,784	0	0	5,784
Yearbook	0	120	20	100	0	0	100
Chess	463	0	0	463	0	0	463
National Honor Society	445	1,311	1,084	672	0	0	672
Spanish Honor Society	0	0	0	0	0	0	0
Educators Rising	92	0	0	92	0	0	92
Military Readiness	7	0	0	7	0	0	7
Academic Team	24	0	0	24	0	0	24
History Club	20	0	0	20	0	0	20
Faculty Vending	2,591	587	2,652	526	0	137	389
Student Vending	440	313	590	163	0	0	163
General	14,880	2,444	7,931	9,393	0	0	9,393
The Den	0	0	0	0	0	0	0
Prom	0	25,215	18,566	6,649	0	0	6,649
Class of 2022	0	1,127	500	627	0	0	627
Class of 2023	56	330	0	386	0	0	386
Senior Picnic	826	590	9	1,407	0	606	801
Senior Grad Lunch	0	0	0	0	0	0	0
Class of 2020	0	135	135	0	0	0	0
Project Grad 2021	5,033	4,697	9,084	646	0	0	646
Student Field Trips	987	92	0	1,079	0	0	1,079
Fellow in Christ	764	0	118	646	0	0	646
Athletics	233	42,061	35,836	6,458	2,552	0	9,010
District Tournament	296	6,094	6,390	0	0	0	0
Concessions	764	14,424	11,324	3,864	0	0	3,864
Charitable Gaming	479	6,720	7,199	0	0	0	0
Baseball	14,374	4,239	4,360	14,253	0	0	14,253
Basketball - Boys	2,058	6,052	7,738	372	0	0	372
Basketball - Girls	10,038	7,068	13,261	3,845	0	0	3,845

Dance Team	2,025	3,078	3,778	1,325	0	0	1,325
Cheerleader	2,393	0	1,969	424	0	0	424
Cross Country	94	675	599	170	0	0	170
Golf - Boys	1,058	5,806	5,048	1,816	0	0	1,816
Golf - Girls	62	1,240	1,077	225	0	0	225
Soccer - Boys	254	5,854	1,805	4,303	0	0	4,303
Soccer - Girls	2,612	857	255	3,214	0	0	3,214
Softball	0	4,260	1,016	3,244	0	0	3,244
Swim	476	4,280	2,652	2,104	0	0	2,104
Tennis - Boys	167	707	523	351	0	0	351
Girls Tennis	281	875	749	407	0	0	407
Volleyball	397	3,317	1,197	2,517	0	0	2,517
Track	659	1,708	1,924	443	0	0	443
Football	0	8,866	8,829	37	0	0	37
Wrestling	1,272	1,487	2,157	602	0	0	602
Archery	1,388	1,233	1,798	823	0	0	823
DAF-2818 Green Hse Sales	0	21,570	21,546	24	0	24	0
DAF-2818 Eng Dept Fundraiser	0	0	0	0	0	0	0
DAF-2531 Guidance	533	1,529	1,454	608	0	0	608
DAF-2818 AP Fees	0	17,081	17,081	0	0	0	0
DAF-2887 Parking Fees	0	210	210	0	0	0	0
DAF-2818 ESS Summer Sch	0	0	-	0	0	0	0
DAF-2818 Student Fees		771	314	457	0	457	0
DAF-2818 Instr Fees	75	5,160	4,685	550	0	550	0
DAF-2818 Art Fees	25	1,125	1,100	50	0	50	0
DAF-2818 Band Fees	0	1,672	1,542	130	0	130	0
DAF-2818 Career Ag Fees	0	675	595	80	0	80	0
DAF-2818 Chorus Fees	0	1,080	930	150	0	150	0
DAF-2818 FCS #1 Fees	0	810	755	55	0	55	0
DAF-2818 Career Hlth Fees	0	16,655	16,580	75	0	75	0
DAF-2818 Language	30	1,975	1,815	190	0	190	0
DAF-2818 Math Fees	0	1,574	1,150	424	0	424	0
DAF-2818 Social Studies	0	370	274	96	0	96	0
DAF-2818 Spanish Fees	15	455	440	30	0	30	0
DAF-2818 Tech Ed Fees	75	1,003	1,003	75	0	75	0
DAF-2818 FCS #2 Fees	0	50	50	0	0	0	0
DAF-2818 Latin Fees	0	0	0	0	0	0	0
DAF-2859 Media Fees	26	502	445	83	0	83	0
DAF-2818 Green Hse Fees	0	75	50	25	0	25	0
DAF-2818 Drama Fees	0	40	40	0	0	0	0
DAF-2818 Floral Design Fee	0	455	395	60	0	60	0
DAF-2818 Graphic Design	0	20	20	0	0	0	0
DAF-2535 Dairy Donation	0	0	0	0	0	0	0
DAF-2825 Softball	0	716	716	0	0	0	0
DAF-2818 Picture Profits	0	1,374	128	1,246	0	1,246	0
DAF-2818 Yearbook	0	2,260	2,210	50	0	50	0
Total All Funds	153,530	282,204	287,423	148,311	2,552	4,593	146,270
Interfund Transfers		(12,084)	(12,084)				0
	153,530	270,120	275,339	148,311	2,552	4,593	146,270
Total	153,530	270,120	275,339	148,311	2,552	4,593	146,270

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

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310G	240,719
Title I - Grants to Local Educational Agencies	84.010	3100002	310F	85,406
Title I - Grants to Local Educational Agencies	84.010	3100002	310GE	136,000
Title I Grants to Local Educational Agencies Total				462,125
Supporting Effective Instruction State Grants	84.367	3230002	401G	20,338
Supporting Effective Instruction State Grants	84.367	3230002	401F	39,299
Supporting Effective Instruction State Grants Total				59,637
Perkins Voc.	84.048	3710006	348F	5,556
Perkins Voc.	84.048	3710006	348G	18,901
Perkins Voc.	84.048	3710006	348EA	709
Perkins Voc.	84.048	3710006	348FA	1,719
Perkins Voc.	84.048	3710006	355G	2,000
Perkins Voc. Total				28,885
Drug Free Communities Support	84.411	500GA	500GA	29,001
Title IV, Part A-Student Support and Academic Enrichment	84.424	552E	552E	3,728
Title IV, Part A-Student Support and Academic Enrichment	84.424	552F	552F	21,507
Title IV, Part A-Student Support and Academic Enrichment	84.424	552G	552G	21,743
Title IV Total				46,978
21st Century Learning Center	84.287	3400002	550EC	24,117
21st Century Learning Center	84.287	3400002	550EE	40,013
21st Century Learning Center	84.287	3400002	550FH	137,386
21st Century Learning Center	84.287	3400002	550FC	84,484
21st Century Learning Center	84.287	3400002	550FE	68,784
21st Century Learning Center	84.287	3400002	550FX	116,917
21st Century Learning Center	84.287	3400002	550EX	54,077
21st Century Learning Center Total				525,778
Adult Education - Basic Grants To States	84.002	371E	371E	5,514
Adult Education - Basic Grants To States	84.002	371C	371C	3,158
Adult Education - Basic Grants To States	84.002	371G	371G	31,043
Adult Education - Basic Grants To States	84.002	371D	371D	3,430
Adult Education - Basic Grants To States	84.002	371F	371F	4,187
Adult Education - Basic Grants To States Total				47,332
IDEA - Special Education - Grants to States	84.027	3810002	337G	416,377
IDEA - Special Education - Preschool Grants	84.027	3810002	343F	4,830
IDEA - Special Education - Grants to States	84.027	3810002	337F	176,310
IDEA - Special Education - Preschool Grants	84.173	3800002	343G	28,518
Special Education Cluster				626,035

COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	554GD	198,325
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	613F	167,255
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	613FD	7,524
COVID-19 - Governor's Emergency Educatin Relief Fund	84.425C	GEER-20	633F	39,650
COVID-19 Education Stabilization Fund Total				<u>412,754</u> *
Total U.S. Department of Education				<u>2,238,525</u>
<u>U.S. National Endowment for the Humanities</u>				
Promotion of the Arts Partnership Agreement	45.025	453G	453G	<u>200</u>
<u>U.S. Department of Health and Human Services</u>				
COVID-19 - Child Care and Development Block Grant	93.575	658FC	658FC	7,148
COVID-19 - Child Care and Development Block Grant	93.575	658FL	658FL	31,980
COVID-19 - Child Care and Development Block Grant	93.575	658FP	658FP	2,895
COVID-19 - Child Care and Development Block Grant	93.575	672G	672G	<u>55,276</u>
COVID-19 Child Care and Development Block Grant				97,299
<u>U.S. Department of the Treasury</u>				
Passed-through Kentucky Department of Education				
COVID-19 - Coronavirus Relief Program	21.019	CARES-20	17GG	621,295
COVID-19 - Last Mile Internet	21.019	CARES-20	663G	<u>28,124</u>
COVID-19 - Coronavirus Relief Fund Total				<u>649,419</u> *
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
Summer Meal Program	10.559	7690024-21	7690024-21	118,464
Summer Meal Program	10.559	7690024-20	7690024-20	8,791
Summer Meal Program	10.559	7740023-21	7740023-21	1,153,101
Summer Meal Program	10.559	7740023-20	7740023-20	85,625
National School Lunchroom	10.555	7750002-20	7750002-20	4,031
School Breakfast Program	10.553	7760005-20	7760005-20	<u>2,438</u>
Child Nutrition Cluster				<u>1,372,450</u> *
Child & Adult Care Food Program	10.558	7790021-21	7790021-21	3,858
Child & Adult Care Food Program	10.558	7790021-20	7790021-20	2,322
Child & Adult Care Food Program	10.558	7800016-21	7800016-21	151
Child & Adult Care Food Program	10.558	7800016-20	7800016-20	<u>90</u>
Child & Adult Care Food Program Total				6,421
State Administration of Child Expenses	10.560	7700001-20	7700001-20	2,087
Pass-Through State Department of Agriculture				
Food Distribution	10.565	057502-10	057502-10	<u>58,750</u>
Total U.S. Department of Agriculture				<u>1,439,708</u>
Total Federal Financial Assistance				<u><u>4,425,151</u></u>

* Tested as major program

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Spencer County School District under 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 Spencer County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Spencer County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559 84.425C/84.425D 21.019	Child Nutrition Cluster COVID-19 Education Stabilization Fund COVID-19 Coronavirus Relief Fund

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

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

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SPENCER COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2021

There were no prior year audit findings.

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

November 12, 2021

**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**

Members of the Board of Education
Spencer County School District
Taylorsville, 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spencer County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Spencer County School District's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Spencer County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Spencer County School District in a separate letter dated November 12, 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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

November 12, 2021

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

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Spencer 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 Spencer County School District's major federal programs for the year ended June 30, 2021. Spencer 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 Spencer 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. 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 Spencer 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 Spencer County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Spencer 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 Spencer County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Spencer 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

November 12, 2021

MANAGEMENT LETTER

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

In planning and performing our audit of the financial statements of Spencer County School District for the year ended June 30, 2021, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendations – School Activity Funds:

SPENCER COUNTY ELEMENTARY SCHOOL CASH RECEIPTS

2020-1 - Prior Year Recommendation:

During current year testing, five instances were noted where checks received were not recorded on a multiple receipt form. The Redbook states "Any checks that come through the mail shall be annotated on the Multiple Receipt Form (F-SA-6) by the person opening the mail and then submitted to the school treasurer." We recommend that all checks received through the mail be recorded on the proper form in compliance with Redbook guidelines.

Current Year Status:

No instances were noted during 2021 testing.

2020-2 - Prior Year Recommendation:

During current year testing, there was one invoice which was dated prior to the purchase order approval. We recommend that all purchases have a properly approved purchase order prior to the commitment of funds.

Current Year Status:

No instances were noted during 2021 testing.

SPENCER COUNTY MIDDLE SCHOOL PURCHASING

2020-3 - Prior Year Recommendation:

During current year testing, there were four invoices which were dated prior to the purchase order approval. We recommend that all purchases have a properly approved purchase order prior to the commitment of funds.

Current Year Status:

No instances were noted during 2021 testing.

TAYLORSVILLE ELEMENTARY SCHOOL PURCHASING

2020-4 - Prior Year Recommendation:

During current year testing, there was one invoice which was dated prior to the purchase order approval. We recommend that all purchases have a properly approved purchase order prior to the commitment of funds.

Current Year Status:

No instances were noted during 2021 testing.

Current Year Recommendations – School Activity Funds:

SPENCER COUNTY MIDDLE SCHOOL PURCHASING

2021-1 - Current Year Recommendation:

During current year testing, two instances were noted where the actual purchase was made in excess of the amount per the purchase order. One instance was for \$276.07 and the second instance was for \$2,093.00. We recommend that all purchases be within the approved purchase order and if additional items are needed a new approved purchase order be submitted for approval.

Management Response:

We will emphasize that purchases must be within the amount or the approved purchase order and if additional items are needed a new purchase order be prepared and submitted for approval prior to the purchase of the additional items.

SPENCER COUNTY MIDDLE SCHOOL PURCHASING

2021-2 - Current Year Recommendation:

During current year testing, there was one instance where the purchase order did not have proof of proper approval. We recommend that no purchases be made unless the submitted purchase order has been reviewed and properly approved.

Management Response:

We will stress to all school employees that approved purchase orders must be obtained prior to commitment of funds.

SPENCER COUNTY MIDDLE SCHOOL PURCHASING

2021-3 - Current Year Recommendation:

During current year testing, there was one instance in which there was no invoice supporting the purchase. We recommend that all purchases have a valid invoice prior to vendor payment.

Management Response:

We will stress to all school employees that a valid vendor invoice must be provided in order for vendor payment to occur.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
Fax (270) 692-2101

Charles M. White, CPA
Joseph A. Montgomery, CPA
Stephanie A. Abell, CPA

Email: charles.white@whitecpas.com

November 12, 2021

Members of the Board of Education
Spencer County School District
Taylorsville, 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 Spencer 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, if applicable, 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 29, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Spencer County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by Spencer County School 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 affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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. Management had corrected all such misstatements. 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 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 November 12, 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 Spencer County School 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 not 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 Spencer County School 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 management's discussion and analysis and budgetary comparison information, 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 not engaged to report on the budgetary comparison information on pages 55 and 56, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 57-58 and 61-63, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 59-60 and 64-66, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants