

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
JUNE 30, 2021**

BOARD OF EDUCATION

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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Dawson Springs Independent School District
Dawson Springs, 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 Dawson Springs Independent School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dawson Springs Independent 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 and pension and postemployment benefits information, as listed in the table to contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, combining and individual school activity fund financial schedules 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, combining and individual school activity fund financial schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2021, on our consideration of Dawson Springs Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Dawson Springs Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dawson Springs Independent School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

As management of the Dawson Springs Independent 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 audit.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$1,773,006, as compared with the beginning cash balance of \$1,816,502. The ending cash balance consisted of amounts in the General Fund of \$1,289,846, Nonmajor Governmental Funds of \$98,522 and Food Service Fund of \$384,638.
- The General Fund had \$5,225,475 in revenues, which primarily consisted of the state program (SEEK) funds, property, utilities, vehicle taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased in comparison to prior year revenues of \$5,448,974. Excluding interfund transfers, expenditures were \$5,381,799 in General Fund. This compares to \$5,598,117 in General Fund expenditures for the prior year.
- The financial statements reflect a total of \$1,851,356 of revenues and aid from the state for payments made by the state on behalf of District employees for retirement contributions, health insurance, debt service and technology. A like amount of expenses is also recorded in the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District’s assets and deferred outflows of resources and liabilities and deferred inflows. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The two government-wide statements report the District’s net position and how it has changed. Net position – the difference between the District’s assets plus deferred outflows and liabilities plus deferred inflows – is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District’s activities are reported as governmental activities.

- Governmental activities – All the District’s basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

Fund financial statements – The fund financial statements provide more detailed information about the District’s funds, focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District’s proprietary fund is Food Service. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

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

Other information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$687,565 as of June 30, 2021.

Long-term liabilities decreased primarily due to a net decrease of (\$88,278) in net pension liability and net other postemployment benefits (OPEB) liability. This factor is outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to District employees, not the District. Bond payments in the amount of \$295,000 were made, contributing to the decrease in long-term liabilities. A significant portion of the District’s net position, \$3,050,589, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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. An additional portion of the District’s net position, \$98,522, represents resources subject to external restrictions on how they may be used.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Following is a summary of the District’s government-wide net position as of June 30, 2021 and 2020:

Net Position

	Governmental Activities		Business-type Activities		District Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets						
and other assets	\$ 1,607,765	\$ 1,597,900	\$ 391,933	\$ 324,765	\$ 1,999,698	\$ 1,922,665
Capital assets	<u>5,547,597</u>	<u>5,887,139</u>	<u>78,029</u>	<u>89,979</u>	<u>5,625,626</u>	<u>5,977,118</u>
Total assets	<u>7,155,362</u>	<u>7,485,039</u>	<u>469,962</u>	<u>414,744</u>	<u>7,625,324</u>	<u>7,899,783</u>
Deferred outflows of resources	<u>911,573</u>	<u>847,861</u>	<u>138,994</u>	<u>135,047</u>	<u>1,050,567</u>	<u>982,908</u>
LIABILITIES						
Current liabilities	155,050	126,196	638	638	155,688	126,834
Long-term liabilities	<u>6,311,535</u>	<u>6,615,967</u>	<u>612,393</u>	<u>568,193</u>	<u>6,923,928</u>	<u>7,184,160</u>
Total liabilities	<u>6,466,585</u>	<u>6,742,163</u>	<u>613,031</u>	<u>568,831</u>	<u>7,079,616</u>	<u>7,310,994</u>
Deferred inflows of resources	<u>844,121</u>	<u>686,998</u>	<u>64,589</u>	<u>69,991</u>	<u>908,710</u>	<u>756,989</u>
NET POSITION						
Net investment in capital assets	2,972,560	3,000,574	78,029	89,979	3,050,589	3,090,553
Restricted	98,522	187,269	-	-	98,522	187,269
Unrestricted	<u>(2,314,853)</u>	<u>(2,284,104)</u>	<u>(146,693)</u>	<u>(179,010)</u>	<u>(2,461,546)</u>	<u>(2,463,114)</u>
Total net position	<u>\$ 756,229</u>	<u>\$ 903,739</u>	<u>\$ (68,664)</u>	<u>\$ (89,031)</u>	<u>\$ 687,565</u>	<u>\$ 814,708</u>

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2021. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the District’s proportionate share of each plan’s collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service.
2. Minus plan assets available to pay these benefits.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

The increase for 2021 over 2020 in net position of governmental activities is largely due to increased state funding. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$184,808. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements. The decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Following is a summary of changes in the District’s net position for the years ended June 30, 2021 and 2020:

Changes in Net Position

	Governmental Activities		Business-type Activities		District Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Operating grants and contributions	\$ 2,780,561	\$ 2,686,562	\$ 346,064	\$ 435,859	\$ 3,126,625	\$ 3,122,421
Capital grants and contributions	184,808	182,442	-	-	184,808	182,442
Charges for services	-	-	20,247	33,926	20,247	33,926
General revenues						
Property taxes	479,691	477,893	-	-	479,691	477,893
Other taxes	242,874	234,516	-	-	242,874	234,516
Investment earnings	2,987	27,373	479	4,477	3,466	31,850
State aid	3,191,036	3,375,293	90,047	88,111	3,281,083	3,463,404
Other	13,298	172,412	-	-	13,298	172,412
Total revenues	<u>6,895,255</u>	<u>7,156,491</u>	<u>456,837</u>	<u>562,373</u>	<u>7,352,092</u>	<u>7,718,864</u>
EXPENSES						
Instruction	4,471,304	4,912,730	-	-	4,471,304	4,912,730
Support services						
Student	184,521	182,458	-	-	184,521	182,458
Instructional staff	236,756	234,338	-	-	236,756	234,338
District administration	416,243	309,183	-	-	416,243	309,183
School administration	443,166	443,083	-	-	443,166	443,083
Business	294,969	298,050	-	-	294,969	298,050
Plant operations and maintenance	599,794	535,626	-	-	599,794	535,626
Student transportation	106,725	140,119	-	-	106,725	140,119
Community service activities	174,234	163,167	-	-	174,234	163,167
Interest expense	109,445	116,543	-	-	109,445	116,543
Bond issuance costs	-	-	-	-	-	-
Food service	5,608	-	436,470	588,191	442,078	588,191
Total expenses	<u>7,042,765</u>	<u>7,335,297</u>	<u>436,470</u>	<u>588,191</u>	<u>7,479,235</u>	<u>7,923,488</u>
Increase (decrease) in net position	<u>\$ (147,510)</u>	<u>\$ (178,806)</u>	<u>\$ 20,367</u>	<u>\$ (25,818)</u>	<u>\$ (127,143)</u>	<u>\$ (204,624)</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,435,867, a decrease of (\$63,756) in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2021 and 2020.

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District’s activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants’ guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent property tax equivalent. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Following is a summary of fund balances as of June 30, 2021 and 2020:

Governmental Funds	2021	2020	Increase (Decrease)
General Fund	\$ 1,337,345	\$ 1,386,981	\$ (49,636)
Special Revenue Fund	-	-	-
Building Fund	151	151	-
Capital Outlay Fund	-	-	-
Student Activity Fund	98,371	112,491	(14,120)
Debt Service Fund	-	-	-
Total governmental funds	<u>\$ 1,435,867</u>	<u>\$ 1,499,623</u>	<u>\$ (63,756)</u>

General Fund – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$1,307,713, while total fund balance was \$1,337,345. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 24.30% of total General Fund expenditures, while total fund balance represents 24.85% of that same amount.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky law, the budgets of the District’s funds are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes are ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of \$444,245 or 8.66%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

The note accompanying the Budgetary Comparison Schedules in the Required Supplementary Information indicates the General Fund budget does not include \$1,580,918 of state payments on behalf of District employees for retirement and health benefits, technology and debt service. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District’s total revenues for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers, beginning balances and on-behalf payments, were \$3,644,556; compared to the total budgeted revenues of \$3,654,557.
- The District’s total expenditures for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers and on-behalf payments, were \$3,800,880; compared to the total budgeted expenditures of \$5,049,504.
- The fund balance at the end of the 2021 fiscal year for all Governmental Funds was \$1,435,867; compared to \$1,499,623 in the prior year.

Significant Board action that impacts the District’s finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Special Revenue Fund (Fund 2) is made up of state, local and federal grants. These grants include Title I, No Child Left Behind funding, Preschool, Special Education funding and others. These funds have restricted use, according to the guidelines for each. Expenditures include salaries and benefits, supplies and transportation.

SEEK Capital Outlay Fund (Fund 310) and FSPK Building Fund (Fund 320) are restricted funds for capital projects. The State contributes to Fund 310.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2021, the District had \$5,625,625 invested in capital assets net of depreciation: historical cost totaled \$13,127,762 with accumulated depreciation totaling \$7,502,137. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled \$88,736. Depreciation charged to expense during the year totaled \$312,358, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT – DAWSON SPRINGS, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

Following is a summary of capital assets, net of depreciation, as of June 30, 2021 and 2020.

Net Capital Assets

	Governmental Activities		Business-type Activities		District Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 467,133	\$ 515,102	\$ -	\$ -	\$ 467,133	\$ 515,102
Land improvements	86,033	77,127	-	-	86,033	77,127
Construction in progress	-	36,476	-	-	-	36,476
Buildings and improvements	4,775,556	5,067,673	583	663	4,776,139	5,068,336
Technology equipment	89,994	40,095	(85)	(84)	89,909	40,011
General equipment	20,918	25,974	-	-	20,918	25,974
Vehicles	107,962	124,692	-	-	107,962	124,692
Food service equipment	-	-	77,531	89,400	77,531	89,400
	<u>\$5,547,596</u>	<u>\$5,887,139</u>	<u>\$ 78,029</u>	<u>\$ 89,979</u>	<u>\$5,625,625</u>	<u>\$5,977,118</u>

Long-term Debt – The District’s long-term general obligation bonds outstanding at June 30, 2021 were \$2,490,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$1,029,623 of the bonds leaving the District to pay \$1,460,377. The liability for compensated absences remained steady for the fiscal year. Other long-term obligations, mostly leases on buses, will decrease as the leases are paid down.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

OUTLOOK FOR THE FUTURE

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Superintendent or District finance personnel at (270) 797-3811 ext. 5002, or by mail at 118 East Arcadia Avenue, Dawson Springs, KY 42408.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,388,368	\$ 384,638	\$ 1,773,006
Accounts receivable			
Taxes	18,810	-	18,810
Other	7,620	-	7,620
Intergovernmental - federal	192,967	-	192,967
Prepaid expense	-	-	-
Inventory	-	7,295	7,295
Capital assets			
Non-depreciable	467,134	-	467,134
Depreciable (net)	5,080,463	78,029	5,158,492
Total assets	7,155,362	469,962	7,625,324
DEFERRED OUTFLOWS OF RESOURCES			
OPEB related	507,457	54,251	561,708
Pension related	331,334	84,743	416,077
Deferred amount on debt refundings	72,782	-	72,782
Total deferred outflows of resources	911,573	138,994	1,050,567
LIABILITIES			
Accounts payable	40	-	40
Unearned revenue	129,460	-	129,460
Interest payable	25,550	-	25,550
Accrued salaries and benefits	-	638	638
Noncurrent obligations			
Portion due or payable within one year			
Bonds payable	299,090	-	299,090
Capital lease obligations	10,961	-	10,961
Compensated absences	42,398	-	42,398
Portion due or payable after one year			
Bonds payable	2,186,131	-	2,186,131
Capital lease obligations	78,855	-	78,855
Compensated absences	58,595	3,499	62,094
Net OPEB liability	1,763,051	114,028	1,877,079
Net pension liability	1,872,454	494,866	2,367,320
Total liabilities	6,466,585	613,031	7,079,616

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
JUNE 30, 2021

	Governmental Activities	Business- type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
OPEB related	702,119	32,319	734,438
Pension related	142,002	32,270	174,272
	<u>844,121</u>	<u>64,589</u>	<u>908,710</u>
NET POSITION			
Net investment in capital assets	2,972,560	78,029	3,050,589
Capital projects	98,522	-	98,522
Unrestricted	(2,314,853)	(146,693)	(2,461,546)
Total net position	<u>\$ 756,229</u>	<u>\$ (68,664)</u>	<u>\$ 687,565</u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues			Net (Expenses) Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>FUNCTIONS/PROGRAMS</u>					
Governmental Activities					
Instruction	\$ 4,471,304	\$ -	\$ 2,208,152	\$ -	\$ (2,263,152)
Support services					
Student	184,521	-	49,879	-	(134,642)
Instructional staff	236,756	-	48,249	-	(188,507)
District administration	416,243	-	128,627	-	(287,616)
School administration	443,166	-	109,824	-	(333,342)
Business	294,969	-	19,414	-	(275,555)
Plant operations and maintenance	599,794	-	107,801	-	(491,993)
Student transportation	106,725	-	14,593	-	(92,132)
Community service activities	174,234	-	94,022	-	(80,212)
Food service operations	5,608	-	-	-	(5,608)
Interest on long-term debt	109,445	-	-	184,808	75,363
Total governmental activities	7,042,765	-	2,780,561	184,808	(4,077,396)
Business-type Activities					
Food service	436,470	20,247	346,064	-	(70,159)
Total business-type activities	436,470	20,247	346,064	-	(70,159)
Total activities	<u>\$ 7,479,235</u>	<u>\$ 20,247</u>	<u>\$ 3,126,625</u>	<u>\$ 184,808</u>	<u>\$ (4,147,555)</u>

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021

	Governmental Activities	Business-type Activities	Total
Net Revenues (Expenses)	<u>(4,077,396)</u>	<u>(70,159)</u>	<u>(4,147,555)</u>
General Revenues			
Taxes			
Property	479,691	-	479,691
Motor vehicle	89,011	-	89,011
Utilities	138,624	-	138,624
Other	15,239	-	15,239
Investment earnings	2,987	479	3,466
State aid	3,191,036	90,047	3,281,083
Gain (loss) on sale of fixed assets	(127,871)	-	(127,871)
Miscellaneous	141,169	-	141,169
	<u>3,929,886</u>	<u>90,526</u>	<u>4,020,412</u>
Total general revenues			
	(147,510)	20,367	(127,143)
Change in net position			
	<u>903,739</u>	<u>(89,031)</u>	<u>814,708</u>
Net position, beginning of year			
	<u>\$ 756,229</u>	<u>\$ (68,664)</u>	<u>\$ 687,565</u>
Net position, end of year			

See accompanying notes to financial statements

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Special Revenue	Nonmajor Governmental	Total
ASSETS				
Cash and cash equivalents	\$1,289,846	\$ -	\$ 98,522	\$ 1,388,368
Accounts receivable				
Taxes	18,810	-	-	18,810
Other	7,620	-	-	7,620
Intergovernmental - federal	-	192,967	-	192,967
Interfund receivable	63,507	-	-	63,507
	<u>63,507</u>	<u>-</u>	<u>-</u>	<u>63,507</u>
Total assets	<u>\$ 1,379,783</u>	<u>\$ 192,967</u>	<u>\$ 98,522</u>	<u>\$ 1,671,272</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 40	\$ -	\$ -	\$ 40
Compensated absences	42,398	-	-	42,398
Interfund payable	-	63,507	-	63,507
Unearned revenue	-	129,460	-	129,460
	<u>-</u>	<u>129,460</u>	<u>-</u>	<u>129,460</u>
Total liabilities	<u>42,438</u>	<u>192,967</u>	<u>-</u>	<u>235,405</u>
Fund balances				
Spendable				
Restricted	-	-	98,522	98,522
Committed	29,632	-	-	29,632
Assigned	-	-	-	-
Unassigned	1,307,713	-	-	1,307,713
	<u>1,307,713</u>	<u>-</u>	<u>-</u>	<u>1,307,713</u>
Total fund balances	<u>1,337,345</u>	<u>-</u>	<u>98,522</u>	<u>1,435,867</u>
Total liabilities and fund balances	<u>\$ 1,379,783</u>	<u>\$ 192,967</u>	<u>\$ 98,522</u>	<u>\$ 1,671,272</u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balance per fund financial statements	\$ 1,435,867
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$12,847,553 and the accumulated depreciation is \$7,299,957.	5,547,597
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	72,782
Pension and other postemployment benefits:	
Deferred outflows - OPEB	507,457
Deferred outflows - pension	331,334
Deferred inflows - OPEB	(702,119)
Deferred inflows - pension	(142,002)
Net OPEB liability	(1,763,051)
Net pension liability	(1,872,454)
Long-term liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bond obligations	(2,485,221)
Lease obligations	(89,816)
Interest payable on bonds	(25,550)
Noncurrent portion of accumulated sick leave	(58,595)
Net position for governmental activities	<u><u>\$ 756,229</u></u>

See accompanying notes to financial statements

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

	General	Special Revenue	Nonmajor Governmental	Total
REVENUES				
From local sources				
Taxes				
Property	\$ 442,031	\$ -	\$ 37,660	\$ 479,691
Motor vehicle	89,011	-	-	89,011
Utilities	138,624	-	-	138,624
Other	15,239	-	-	15,239
Earnings on investments	2,814	-	173	2,987
Other local revenues	30,631	22,745	87,793	141,169
Intergovernmental - state	4,503,197	470,165	449,638	5,423,000
Intergovernmental - federal	3,928	729,477	-	733,405
	<u>5,225,475</u>	<u>1,222,387</u>	<u>575,264</u>	<u>7,023,126</u>
EXPENDITURES				
Current				
Instruction	3,248,267	951,756	102,086	4,302,109
Support services				
Student	141,426	43,095	-	184,521
Instructional staff	192,187	41,426	-	233,613
District administration	406,788	-	-	406,788
School administration	455,604	-	-	455,604
Business	275,093	19,876	-	294,969
Plant operations and maintenance	511,233	72,249	-	583,482
Student transportation	84,837	3,505	-	88,342
Food service operation	-	5,608	-	5,608
Community service activities	39,065	96,257	-	135,322
Debt service	27,299	-	369,225	396,524
	<u>5,381,799</u>	<u>1,233,772</u>	<u>471,311</u>	<u>7,086,882</u>
Excess (deficit) of revenues over (under) expenditures	<u>(156,324)</u>	<u>(11,385)</u>	<u>103,953</u>	<u>(63,756)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	118,073	11,385	184,417	313,875
Transfers (out)	(11,385)	-	(302,490)	(313,875)
	<u>106,688</u>	<u>11,385</u>	<u>(118,073)</u>	<u>-</u>
Total other financing sources (uses)	<u>106,688</u>	<u>11,385</u>	<u>(118,073)</u>	<u>-</u>
Net changes in fund balances	(49,636)	-	(14,120)	(63,756)
Fund balances, beginning of year	<u>1,386,981</u>	<u>-</u>	<u>112,642</u>	<u>1,499,623</u>
Fund balances, end of year	<u>\$ 1,337,345</u>	<u>\$ -</u>	<u>\$ 98,522</u>	<u>\$ 1,435,867</u>

See accompanying notes to financial statements

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

Net change in total fund balance per fund financial statements	\$ (63,756)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	88,736
Depreciation expense	(300,408)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining book value of the asset sold.

(127,871)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond repayments	300,000
KISTA lease payments	12,438

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds.

These activities are:

Deferred other postemployment benefits	60,342
Deferred pension	(124,263)
Accumulated sick leave - noncurrent portion	20,193
Amortization of bond discount/premium	(14,380)
Amortization of gain/loss on debt refunding	(910)
Accrued interest on bonds	2,369

Change in net position of governmental activities	<u>\$ (147,510)</u>
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See accompanying notes to financial statements

PROPRIETARY FUND FINANCIAL STATEMENTS

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021**

	<u>School Food Service</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 384,638
Inventory	<u>7,295</u>
Total current assets	<u>391,933</u>
Noncurrent assets	
Capital assets	280,209
Less: accumulated depreciation	<u>(202,180)</u>
Total noncurrent assets	<u>78,029</u>
Total assets	<u>469,962</u>
DEFERRED OUTFLOWS OF RESOURCES	
OPEB related	54,251
Pension related	<u>84,743</u>
Total deferred outflows of resources	<u>138,994</u>

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION, continued
PROPRIETARY FUND
JUNE 30, 2021

	School Food Service
LIABILITIES	
Accrued salaries and benefits	638
Total current liabilities	638
Long-term liabilities	
Compensated absences	3,499
Net OPEB liability	114,028
Net pension liability	494,866
Total long-term liabilities	612,393
DEFERRED INFLOWS OF RESOURCES	
OPEB related	32,319
Pension related	32,270
Total deferred inflows of resources	64,589
NET POSITION	
Net investment in capital assets	78,029
Unrestricted	(146,693)
Total net position	\$ (68,664)

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	School Food Service
OPERATING REVENUES	
Lunchroom sales	<u>\$ 20,247</u>
Total operating revenues	<u>20,247</u>
OPERATING EXPENSES	
Salaries and wages	257,113
Materials and supplies	157,213
Depreciation	11,950
Contract services	<u>10,194</u>
Total operating expenses	<u>436,470</u>
Operating income (loss)	<u>(416,223)</u>
NONOPERATING REVENUES (EXPENSES)	
Federal grants	327,183
Donated commodities	18,881
State grants	4,417
State on-behalf payments	85,630
Interest income	<u>479</u>
Total nonoperating revenues (expenses)	<u>436,590</u>
Change in net position	20,367
Net position, beginning of year	<u>(89,031)</u>
Net position, end of year	<u><u>\$ (68,664)</u></u>

See accompanying notes to financial statements

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	School Food Service
Cash flows from operating activities	
Cash received from	
Lunchroom sales	\$ 20,247
Cash paid to/for	
Employees	(136,632)
Supplies	(139,841)
Contract services	(10,194)
	<hr/>
Net cash provided (used) by operating activities	(266,420)
	<hr/>
Cash flows from noncapital financing activities	
Government grants	331,600
	<hr/>
Net cash provided (used) by noncapital financing activities	331,600
	<hr/>
Cash flows from investing activities	
Receipt of interest income	479
	<hr/>
Net cash provided (used) by investing activities	479
	<hr/>
Net increase (decrease) in cash and cash equivalents	65,659
Cash and cash equivalents, beginning of year	318,979
	<hr/>
Cash and cash equivalents, end of year	<u><u>\$ 384,638</u></u>

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS, continued
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>School Food Service</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (416,223)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	11,950
Donated commodities	18,881
State on-behalf payments	85,630
Changes in assets and liabilities	
Inventory	(1,509)
OPEB	6,232
Pension	25,946
Compensated absences	<u>2,673</u>
Net cash provided (used) by operating activities	<u><u>\$ (266,420)</u></u>
Schedule of non-cash transactions	
Donated commodities received from Federal government	\$ 18,881
On-behalf payments	85,630

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Dawson Springs Independent School District (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the Dawson Springs Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental "reporting entity". 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's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

In accordance with Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, agencies, boards, commissions and authorities for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. In addition, the GASB Statement No. 39, as amended by GASB Statement No. 61 sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the organization and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Based on the foregoing criteria, the financial statements of the Dawson Springs Independent School District Finance Corporation are included in the accompanying financial statements. In 1992, the Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Dawson Springs Independent School District also comprise the Corporation's Board of Directors.

Basis of Presentation

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

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Interfund services provided and used are not eliminated in the process of consolidation for these statements.

The statement of net position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – Consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

The *General Fund* is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the fund consists primarily of local property taxes and state governmental aid. This is a major fund of the District.

The *Special Revenue Funds* account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.

The *Special Revenue Fund* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Uniform Program of Accounting for School Activity Funds.

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

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes.

Proprietary Funds Type

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The District has the following enterprise fund:

The *School Food Service Fund* accounts for the food service operations of the District.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The District also reports a fiduciary fund which focuses on net position and changes in net position. The fiduciary fund reports on the accrual basis of accounting.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Nonexchange Transactions

Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

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 it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's proprietary funds are charges for food sales or tuition and fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure restricted fund balance and then to less restrictive classifications—committed, assigned and then unassigned fund balances.

The Significant Accounting Policies Followed by the District Include the Following:

Cash and Cash Equivalents

The District considers demand deposits, money market funds and time deposits that are nonnegotiable to be cash and cash equivalents for governmental and proprietary funds. This definition is also used for the proprietary funds' statements of cash flows.

Property Taxes Receivable

Property taxes in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2021, to finance the General Fund operations were \$.747 per \$100 valuation for real property, \$.747 per \$100 valuation for business tangible personal property and \$.687 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3.00% of the gross receipts derived from furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water and natural, artificial and mixed gas.

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method, and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Prepaid Expenditures

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

Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is restricted by KRS 157.420(3).

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Description	Capitalization Threshold	Estimated Lives For Depreciation
Buildings and improvements	\$5,000	25-50 years
Land improvements	5,000	20 years
Technology equipment	1,000	5 years
Vehicles	1,000	5-10 years
Food service equipment	1,000	10-12 years
Furniture and fixtures	1,000	7 years
Other	1,000	10-15 years

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Unearned Revenue

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

Debt Premium and Discounts

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net position.

Pensions and Other Postemployment Benefits (OPEB)

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category: the deferred outflows of resources related to the net pension liability described in Note 10 and the net OPEB liability described in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element, *deferred inflows of resources*, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources related to the net pension liability as described in Note 10 and the net OPEB liability described in Note 11.

Cash Flows

For the purpose of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fund Balances

In the fund financial statements, governmental fund balances as classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board or Management. The board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned funds and then unassigned.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Position

In proprietary funds, fiduciary funds and government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. 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 through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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.

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 certain financial statement balances. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through November 11, 2021, which is the date the financial statements were available to be issued.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – CASH AND CASH EQUIVALENTS

The District maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2021, the carrying amount of the District's deposits was \$1,773,006 and the bank balance was \$1,967,771. Of the District's bank balance, \$250,000 was covered by Federal Deposit Insurance, with the remaining balance of \$1,717,771 collateralized as discussed above.

The carrying amounts are reflected in the financial statements as follows:

Governmental funds	\$ 1,388,368
Proprietary funds	<u>384,638</u>
Total	<u><u>\$ 1,773,006</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CAPITAL ASSETS, continued

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

Governmental Activities	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets not depreciated				
Land	\$ 515,102	\$ -	\$ 47,969	\$ 467,133
Construction in progress	36,476	-	36,476	-
Total nondepreciable historical cost	551,578	-	84,445	467,133
Capital assets depreciated				
Land improvements	614,695	19,098	8,368	625,425
Buildings and improvements	10,369,582	5,440	78,429	10,296,593
Technology equipment	843,444	64,198	139,328	768,314
General equipment	223,530	-	2,495	221,035
Vehicles	614,428	-	145,375	469,053
Total depreciable historical cost	12,665,679	88,736	373,995	12,380,420
Less: accumulated depreciation				
Land improvements	537,568	10,192	8,368	539,392
Buildings and improvements	5,301,909	254,131	35,003	5,521,037
Technology equipment	803,349	14,299	139,328	678,320
General equipment	197,556	5,056	2,495	200,117
Vehicles	489,736	16,730	145,375	361,091
Total accumulated depreciation	7,330,118	300,408	330,569	7,299,957
Total depreciable historical cost - net	5,335,561	(211,672)	43,426	5,080,463
Governmental activities capital assets - net	\$ 5,887,139	\$ (211,672)	\$ 127,871	\$ 5,547,596

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – CAPITAL ASSETS, continued

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
Instruction	\$ 189,665
Support services	
Instructional staff	3,143
District administration	9,455
School administration	-
Plant operations and maintenance	40,850
Student transportation	18,383
Community service activities	<u>38,912</u>
Total depreciation expense	<u><u>\$ 300,408</u></u>

<u>Business-type Activities</u>	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
Capital assets depreciated				
Buildings and improvements	\$ 2,010	\$ -	\$ -	\$ 2,010
Technology equipment	4,876	-	1,915	2,961
Food service equipment	<u>278,156</u>	<u>-</u>	<u>2,918</u>	<u>275,238</u>
Total depreciable historical cost	<u>285,042</u>	<u>-</u>	<u>4,833</u>	<u>280,209</u>
Less: accumulated depreciation				
Buildings and improvements	1,347	80	-	1,427
Technology equipment	4,961	-	1,915	3,046
Food service equipment	<u>188,755</u>	<u>11,870</u>	<u>2,918</u>	<u>197,707</u>
Total accumulated depreciation	<u>195,063</u>	<u>11,950</u>	<u>4,833</u>	<u>202,180</u>
Business-type activities capital assets - net	<u><u>\$ 89,979</u></u>	<u><u>\$ (11,950)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,029</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – LONG-TERM OBLIGATIONS

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the dates and interest rates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
Issue of 2014	\$ 2,750,000	2029	2.25%-6.40%
Issue of 2015	1,440,000	2026	2.00%

Participation Agreements

The District entered into participation agreements with the School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the SFCC are recorded as intergovernmental-state revenue in the Debt Service Fund.

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

<u>Year</u>	<u>Dawson Springs Independent School District</u>		<u>School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 138,132	\$ 42,434	\$ 161,868	\$ 20,670	\$ 363,104
2023	152,662	38,073	162,338	17,232	370,305
2024	150,827	33,521	169,173	13,735	367,256
2025	152,703	28,967	172,297	10,113	364,080
2026	161,307	24,257	173,693	6,448	365,705
2027-2030	704,746	43,646	190,254	5,454	944,100
	<u>\$ 1,460,377</u>	<u>\$ 210,898</u>	<u>\$ 1,029,623</u>	<u>\$ 73,652</u>	<u>\$ 2,774,550</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – LONG-TERM OBLIGATIONS, continued

A summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental activities					
Bonds payable					
General obligation debt	\$ 2,790,000	\$ -	\$ 300,000	\$ 2,490,000	\$ 300,000
Premiums (discounts)	(5,689)	-	(910)	(4,779)	(910)
Total bonds payable	2,784,311	-	299,090	2,485,221	299,090
Other liabilities					
Capital leases	102,254	-	12,438	89,816	10,961
Compensated absences	78,788	22,205	-	100,993	42,398
Net OPEB liability	1,819,118	-	56,067	1,763,051	-
Net pension liability	1,831,496	40,958	-	1,872,454	-
Total other liabilities	3,831,656	63,163	68,505	3,826,314	53,359
Total long-term liabilities	<u>\$ 6,615,967</u>	<u>\$ 63,163</u>	<u>\$ 367,595</u>	<u>\$ 6,311,535</u>	<u>\$ 352,449</u>
Business-type activities					
Other liabilities					
Compensated absences	\$ 826	\$ 2,673	\$ -	\$ 3,499	\$ -
Net OPEB liability	81,053	32,975	-	114,028	-
Net pension liability	486,314	8,552	-	494,866	-
Total other liabilities	<u>\$ 568,193</u>	<u>\$ 44,200</u>	<u>\$ -</u>	<u>\$ 612,393</u>	<u>\$ -</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and lease obligations will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

NOTE 5 – CAPITAL LEASES

Leases meeting certain criteria are treated as financings and, according to generally accepted accounting principles, are recorded as capitalized leases. The District leases school buses and technology equipment pursuant to these types of leases and, as such, the cost is included with property and equipment. The related capital lease obligation reflects the present value of future lease payments less an interest amount implicit in the lease.

Class of Property	Cost	Accumulated Depreciation
Vehicle	\$ 270,869	\$ 179,018
Technology	120,000	120,000

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL LEASES, continued

Future minimum payments under the long-term capital lease obligation, together with the present value of the net minimum lease payments as of June 30, 2021 are, as follows.

Year Ending	Lease
2022	\$ 13,655
2023	13,636
2024	13,607
2025	13,603
2026	13,588
2027-2029	<u>33,639</u>
Total minimum lease payments	101,728
Lease amount representing interest	<u>(11,912)</u>
Present value of net minimum lease payments	<u><u>\$89,816</u></u>

During the year ended June 30, 2021, the following changes occurred in the capital lease obligations:

	Balance July 1, 2020	Additions	Payments	Balance June 30, 2021	Due in One Year
KISTA 2019	\$ 102,254	\$ -	\$ 12,438	\$ 89,816	\$ 10,961
Total	<u>\$ 102,254</u>	<u>\$ -</u>	<u>\$ 12,438</u>	<u>\$ 89,816</u>	<u>\$ 10,961</u>

NOTE 6 – COMPENSATED ABSENCES

Upon retirement, the school system employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the amount for governmental activities will be approximately \$100,993, with \$42,398 considered the short-term portion. Management has estimated that the amount for business-type activities will be approximately \$3,499, with \$0 considered the short-term portion.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – FUND BALANCE REPORTING

Following is a summary of designations of fund balance at June 30, 2021:

	General	Special Revenue	Other Governmental	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted				
Future construction	-	-	151	151
Student activity	-	-	98,371	98,371
Committed				
Site-based carry forward	29,632	-	-	29,632
Assigned	-	-	-	-
Unassigned	1,307,713	-	-	1,307,713
	<u>\$ 1,337,345</u>	<u>\$ -</u>	<u>\$ 98,522</u>	<u>\$ 1,435,867</u>

NOTE 8 – TRANSFER OF FUNDS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	KETS matching	\$ 11,385
General Fund	Capital Outlay	Capital outlay	63,863
FSPK	Capital Outlay	Capital outlay	184,417
General Fund	Capital Outlay	Capital outlay	54,210
			<u>\$ 313,875</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – ON-BEHALF PAYMENTS

The Kentucky State Department of Education has indicated the following amounts were contributed on behalf of the District for the year ended June 30, 2021:

Health insurance	\$ 723,339
Life insurance	1,089
Administrative fee	8,850
Health reimbursement account - HRA/dental/vision	31,412
	<u>764,690</u>
Federal reimbursements of health benefits	(87,777)
	<u>676,913</u>
KTRS pension fund	857,229
KTRS insurance fund	64,762
Technology	67,644
Debt service	184,808
	<u><u>\$ 1,851,356</u></u>

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities	
General Fund	\$ 1,580,918
Debt Service Fund	184,808
Business-type activities	
Food Service Fund	85,630
	<u><u>\$ 1,851,356</u></u>

NOTE 10 – PENSION PLANS

The District participates in the County Employees Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers' Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. 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 have been determined on the same basis as they are reported by KTRS and 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

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

Plan description – The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board, and any additional eligible local agencies electing to participate in the plan. Effective April 1, 2021, administration of CERS was transferred from the Kentucky Public Pensions Authority's Board of Trustees to the CERS board of trustees established by House Bill 484, which created a new section of Kentucky Revised Statute 61.510 to 61.705.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at www.kyret.ky.gov or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

Benefits provided – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. 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
	Required contributions	At least 25 years' service and any age 5.00%
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 and 60 years' old
	Required contributions	5.00% + 1.00% for insurance
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
	Required contributions	5.00% + 1.00% for insurance

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

Contributions – Contribution rates are established by the Kentucky Revised Statutes. For the fiscal year ended June 30, 2021, participating employers contributed 19.30% of each employee's creditable compensation. The actuarially determined contribution requirements of plan members and the Board were established and could be amended by the Kentucky Systems Board of Trustees.

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

At June 30, 2021, the District reported a liability of \$2,367,320 for its proportionate share of the net pension liability. The net pension liability of the 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 was based on the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.030865%.

For the year ended June 30, 2021, the District's recognized pension expense of \$299,654. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 59,033	\$ -
Change of assumptions	92,440	-
Net differences between projected and actual earnings on pension plan investments	102,615	43,376
Changes in proportion and difference between District contributions and proportionate share of contributions	6,169	130,896
District contributions subsequent to the measurement date	<u>155,820</u>	<u>-</u>
Total	<u><u>\$ 416,077</u></u>	<u><u>\$ 174,272</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

For the year ended June 30, 2021, \$155,820 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2021	\$ 29,261
2022	9,872
2023	23,062
2024	23,790
2025	-
Thereafter	-
Total	<u>\$ 85,985</u>

Actuarial assumptions – The total pension liability, net pension liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018, and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation.

Inflation	2.30%
Projected salary increases	3.30% - 11.55%, varies by service
Investment rate of return	6.25%, net of investment expense and inflation
Payroll growth rate	2.00%

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

Long-term rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
Total	100.00%	

Discount rate – The discount rate used to measure the total pension liability for the measurement period with year ended June 30, 2020 was 6.25%. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ended 2021.

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

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of net pension liability	\$ 2,919,421	\$ 2,367,320	\$ 1,910,160

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of CERS.

Payable to the pension plan – At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

General information about the Teachers' Retirement System of the State of Kentucky (KTRS) Pension Plan

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

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

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

Participants who 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 2.00% (service prior to July 1, 1983) and 2.50% (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.00% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.50% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

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

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

Contributions – Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System effective July 1, 2015.

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

At June 30, 2021, the District did not report a liability for its proportionate share of the net pension liability, because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District:

Commonwealth's proportionate share of KTRS net pension liability associated with the District	<u>\$ 11,843,125</u>
	<u><u>\$ 11,843,125</u></u>

The total pension liability was rolled forward from the actuarial valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary.

For the year ended June 30, 2021, the District recognized pension expense of (\$1,314,097) and revenue of \$1,314,097 for support provided by the State in the government-wide financial statements.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

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

Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	3.50% - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	2.19%
Single equivalent interest rate	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 one year for females and two years for males. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on November 19, 2016.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	40.00%	4.60%
International equity	22.00%	5.60%
Fixed income	15.00%	0.00%
Additional categories	7.00%	2.50%
Real estate	7.00%	4.30%
Private equity	7.00%	7.70%
Cash	2.00%	-0.05%
Total	100.00%	

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 – PENSION PLANS, continued

Discount rate – 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 the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of KTRS.

Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement that do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities on these financial statements. The District does not contribute to these plans, and employees of the District contributed \$11,070 to these plans during the year ended June 30, 2021.

NOTE 11– OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the County Employees Retirement System Non-Hazardous (CERS) OPEB Plan

Plan description – County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Public Pensions Authority (KPPA) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The District participates in the Non-Hazardous plan. Effective April 1, 2021, administration of the Insurance Fund was transferred from the Kentucky Public Pensions Authority's Board of Trustees to the CERS board of trustees established by House Bill 484.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at www.kyret.ky.gov or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Benefits provided – The KPPA's Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA submits the premium payments to DEI. The Board contracts with Humana to provide healthcare 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.

Contributions – Employers participating in the CERS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KPPA board is a percentage of each employee's creditable compensation. For the year ended June 30, 2021, required contributions were 5.26% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2021 were \$38,430. The KPPA board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit subsidy – The fully-insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2021, the District reported a liability of \$745,079 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2020, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion for was 0.030856%.

For the year ended June 30, 2021, the District recognized OPEB expense of approximately \$88,444.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 124,487	\$ 124,584
Changes of assumptions	129,600	788
Net difference between projected and actual earnings on pension plan investments	39,968	15,203
Changes in proportion and difference between District contributions and proportionate share of contributions	6,835	58,863
District contributions subsequent to the measurement date	<u>38,430</u>	<u>-</u>
Total	<u><u>\$ 339,320</u></u>	<u><u>\$ 199,438</u></u>

For the year ended June 30, 2021, \$38,430 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 20, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30</u>	
2021	\$ 28,378
2022	35,707
2023	21,690
2024	19,174
2025	(3,497)
Thereafter	<u>-</u>
Total	<u><u>\$ 101,452</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Actuarial assumptions – The total OPEB liability, net OPEB liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018 and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation. The assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.90% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

Payroll growth rate	2.00%
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 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

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

Long-term expected rate of return – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate Return
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
Total	<u>100.00%</u>	

Discount rate – The discount rates used to measure the total OPEB liability for the year ended June 30, 2021 were 5.34% for non-hazardous and 5.68% for hazardous. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249 (passed in 2020). The cost associated with the implicit employer subsidy was not included in the calculation of the Kentucky Public Pensions Authority’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Public Pensions Authority’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. There was a change in the Municipal Bond Index Rate from the prior measurement date, so as required under GASB 75, the single discount rate at the measurement date of 5.34% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate – The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	<u>4.34%</u>	<u>5.34%</u>	<u>6.34%</u>
District's proportionate share of net OPEB liability	\$ 957,207	\$ 745,079	\$ 570,850

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 576,877	\$ 745,079	\$ 949,195

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority's Comprehensive Annual Financial Report on the KPPA website at www.kyret.ky.gov.

Payable to the OPEB plan – At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2021.

General Information about the Teachers' Retirement System of Kentucky (KTRS) OPEB Plan

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, 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 postemployment 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

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

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

At June 30, 2021, the District reported a liability of \$1,132,000 for its proportionate share of the 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 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, 2021, the District's proportion was 0.044845%.

The amounts 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 net OPEB liability	\$ 1,132,000
State's proportionate share of net OPEB liability associated with the District	<u>907,000</u>
Total	<u><u>\$ 2,039,000</u></u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

For the year ended June 30, 2021, the District recognized OPEB expense of (\$5,000) and revenue of \$9,000 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 482,000
Changes of assumptions	69,000	-
Net difference between projected and actual earnings on OPEB plan investments	37,000	-
Changes in proportion and difference between District contributions and proportionate share of contributions	35,000	53,000
District contributions subsequent to the measurement date	<u>81,388</u>	<u>-</u>
Total	<u><u>\$ 222,388</u></u>	<u><u>\$ 535,000</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$81,388 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2021	\$ (81,000)
2022	(78,000)
2023	(78,000)
2024	(71,000)
2025	(62,000)
Thereafter	<u>(24,000)</u>
Total	<u><u>\$ (394,000)</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

Actuarial assumptions – The total KTRS OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and 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	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	1.02% for FY 2018 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 based on the RP-2000 Combined Mortality Table, projected to 2025 with projection scale BB and set forward two years for males and one year for females, is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table, set forward two years for males and seven years for females, is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation. The healthcare cost trend assumption was updated for the June 30, 2019 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), 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.

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	5.40%
Fixed income	9.00%	0.00%
Real estate	6.50%	4.30%
Private equity	8.50%	7.70%
Other additional categories	17.00%	2.50%
Cash (LIBOR)	1.00%	-0.50%
Total	100.00%	

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 was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be depleted.

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
District's proportionate share of net OEPB liability	\$ 1,368,000	\$ 1,132,000	\$ 935,000

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OEPB liability	\$ 897,000	\$ 1,132,000	\$ 1,421,000

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

Life Insurance Plan

Plan description – 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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 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.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued

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

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 net OPEB liability	\$ -
State's proportionate share of net OPEB liability associated with the District	<u>27,000</u>
Total	<u><u>\$ 27,000</u></u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State in the government-wide financial statements.

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	2.19%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates based on the RP-2000 Combined Mortality Table, projected to 2025 with projection scale BB and set forward two years for males and one year for females, is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table, set forward two years for males and seven years for females, is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ended June 30, 2015.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), 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	30 Year Expected Geometric Real Rate of Return
US equity	40.00%	4.60%
International equity	23.00%	5.60%
Fixed income	18.00%	0.00%
Real estate	6.00%	4.40%
Private equity	5.00%	7.70%
Other additional categories	6.00%	2.50%
Cash (LIBOR)	2.00%	-0.50%
Total	<u>100.00%</u>	

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 was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the LIF's fiduciary net position was not projected to be depleted.

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

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 – CONTINGENCIES

Grant Programs

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 on the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor 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.

COVID-19

The COVID-19 outbreak is disrupting business across a range of industries in the United States, and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

NOTE 13 – 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 rated including workers' compensation insurance.

NOTE 14 – RISK MANAGEMENT AND LITIGATION

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

The District purchases unemployment insurance through the Kentucky School Boards' Association; however, risk has not been transferred. 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.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 15 – 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.

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

NOTE 16 – INTERFUND RECEIVABLES AND PAYABLES

There was an interfund receivable in the General Fund with an offsetting interfund payable in the Special Revenue Fund of \$63,507 at June 30, 2021.

NOTE 17 – NET POSITION DEFICIT BALANCE

There are no funds of the District that currently have a deficit fund balance. However, the following fund had excess current year expenditures over current year appropriated revenues: General Fund (\$49,636), Student Activity (\$14,120).

The School Food Service Fund has a deficit balance of (\$68,664). Excluding the effect on net position of GASB 68 related pension accounts and GASB 75 related OPEB accounts of (\$534,489), School Food Service has a net position of \$465,825. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS

The District adopted the following statements during the year ended June 30, 2021:

GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statement No. 14 and No. 61*, issued August 2018, will be effective for the District beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS, continued

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the provisions of this Statement were effective immediately upon issuance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements Nos. 83, 84, 88, 89, 90, 91, 92 and 93, and Implementation Guide Nos. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: GASB Statement No. 87 and Implementation Guide No. 2019-3.

Adoption of these Statements did not have a significant impact on the District's financial position or results of operations.

As of June 30, 2021, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District, in the future, are as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the District beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5–22 of GASB Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 18 – RECENT ACCOUNTING PRONOUNCEMENTS, continued

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022 except for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of GASB Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities, and terminology to refer to derivative instruments.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the District beginning with its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets—an intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, issued June 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources				
Taxes				
Property	\$ 360,000	\$ 360,000	\$ 442,031	\$ 82,031
Motor vehicle	75,000	75,000	89,011	14,011
Utilities	115,000	115,000	138,624	23,624
Other	10,010	10,010	15,239	5,229
Earnings on investments	3,000	3,000	2,814	(186)
Other local revenues	2,700	2,700	30,631	27,931
Intergovernmental - state	3,088,847	3,088,847	2,922,278	(166,569)
Intergovernmental - federal	-	-	3,928	3,928
Total revenues	<u>3,654,557</u>	<u>3,654,557</u>	<u>3,644,556</u>	<u>(10,001)</u>
EXPENDITURES				
Current				
Instruction	2,413,848	2,413,848	1,969,768	444,080
Support services				
Student	179,907	179,907	133,641	46,266
Instructional staff	207,531	207,531	184,402	23,129
District administration	701,515	701,515	278,161	423,354
School administration	350,778	350,778	345,780	4,998
Business	229,771	229,771	275,093	(45,322)
Plant operations and maintenance	694,529	694,529	474,003	220,526
Student transportation	149,091	149,091	73,668	75,423
Community service activities	70,578	70,578	39,065	31,513
Building acquisition and construction	21,000	21,000	-	21,000
Debt service	30,956	30,956	27,299	3,657
Total expenditures	<u>5,049,504</u>	<u>5,049,504</u>	<u>3,800,880</u>	<u>1,248,624</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,394,947)</u>	<u>(1,394,947)</u>	<u>(156,324)</u>	<u>1,238,623</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	118,073	118,073
Transfers (out)	<u>(11,385)</u>	<u>(11,385)</u>	<u>(11,385)</u>	<u>-</u>
Total other financing sources (uses)	<u>(11,385)</u>	<u>(11,385)</u>	<u>106,688</u>	<u>118,073</u>
Net change in fund balance	(1,406,332)	(1,406,332)	(49,636)	1,356,696
Fund balance, beginning of year	<u>1,406,332</u>	<u>1,406,332</u>	<u>1,386,981</u>	<u>(19,351)</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,337,345</u>	<u>\$ 1,337,345</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From local sources				
Other local revenues	\$ -	\$ 173,036	\$ 22,745	\$ (150,291)
Intergovernmental - state	333,159	333,159	470,165	137,006
Intergovernmental - federal	550,666	1,634,961	729,477	(905,484)
Total revenues	883,825	2,141,156	1,222,387	(918,769)
EXPENDITURES				
Current				
Instruction	728,435	988,709	951,756	36,953
Support services				
Student	-	43,096	43,095	1
Instructional staff	66,141	66,141	41,426	24,715
Business	22,770	25,346	19,876	5,470
Plant operations and maintenance	-	951,385	72,249	879,136
Student transportation	5,791	5,791	3,505	2,286
Food service operation	-	-	5,608	(5,608)
Community service activities	72,073	72,073	96,257	(24,184)
Total expenditures	895,210	2,152,541	1,233,772	918,769
Excess (deficit) of revenues over (under) expenditures	(11,385)	(11,385)	(11,385)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	11,385	11,385	11,385	-
Total other financing sources (uses)	11,385	11,385	11,385	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

BUDGETARY INFORMATION

The District's budgetary process accounts for transactions on a basis other than Generally Accepted Accounting Principles (GAAP).

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).

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District does not budget for on-behalf payments, which are reported with the General and Food Service Funds in the fund financial statements and the budgetary comparison supplementary information.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2.00% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Reconciliation to the General Fund

Revenues - budgetary basis	\$ 3,644,556
On-behalf payments	<u>1,580,919</u>
Total revenues - modified cash basis	<u>\$ 5,225,475</u>
Expenditures - budgetary basis	\$ 3,800,880
On-behalf payments	<u>1,580,919</u>
Total expenditures - modified cash basis	<u>\$ 5,381,799</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.030865%	0.032956%	0.035067%	0.034115%	0.035000%	0.035480%	0.034870%
District's proportionate share of net pension liability	\$2,367,320	\$ 2,317,810	\$ 2,135,687	\$ 1,996,856	\$ 1,723,025	\$ 1,525,392	\$ 1,156,200
District's covered-employee payroll	\$ 823,627	\$ 863,831	\$ 901,646	\$ 860,427	\$ 835,348	\$ 792,477	\$ 796,010
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	287.43%	268.32%	236.87%	232.08%	206.26%	192.48%	145.25%
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	54.54%	53.32%	55.50%	59.97%	66.80%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 155,820	\$ 158,960	\$ 140,113	\$ 130,559	\$ 160,728	\$ 142,510	\$ 140,032
Contributions in relation to the contractually required contribution	<u>155,820</u>	<u>158,960</u>	<u>140,113</u>	<u>130,559</u>	<u>160,728</u>	<u>142,510</u>	<u>140,032</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 807,359	\$ 823,627	\$ 863,831	\$ 901,646	\$ 860,427	\$ 835,348	\$ 792,477
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

House Bill 271 passed during the 2020 Legislative Session and removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries.

Changes in assumptions

No change.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability	\$ 11,843,125	\$ 11,787,743	\$ 11,347,258	\$ 23,357,882	\$ 26,140,046	\$ 20,203,043	\$ 18,144,400
District's covered-employee payroll	\$ 2,753,979	\$ 2,779,774	\$ 2,763,339	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664	\$ 2,770,518
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	58.27%	58.76%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,889,120	\$ 2,753,979	\$ 2,779,774	\$ 2,763,339	\$ 2,720,279	\$ 2,766,215	\$ 2,655,664
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Changes in benefit terms

No changes.

Changes in assumptions

The municipal bond index rate was changed from 3.50% to 2.19%.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.030856%	0.032948%	0.035065%	0.034115%
District's proportionate share of collective net OPEB liability	\$ 745,079	\$ 554,171	\$ 622,572	\$ 685,828
District's covered-employee payroll	\$ 823,627	\$ 863,831	\$ 901,646	\$ 860,427
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	90.46%	64.15%	69.05%	79.71%
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	57.62%	52.40%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required OPEB contribution	\$ 38,430	\$ 39,205	\$ 45,437	\$ 42,377
Contributions in relation to the contractually required contribution	<u>38,430</u>	<u>39,205</u>	<u>45,437</u>	<u>42,377</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 807,359	\$ 823,627	\$ 863,831	\$ 901,646
Contributions as a percentage of covered-employee payroll	4.76%	4.76%	5.26%	4.70%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes.

Changes in assumptions

- The single discount rate of non-hazardous changed from 5.68% to 5.34%.
- The municipal bond rate decreased from 3.13% to 2.45%.
- The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs.
- The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed loan on pre-Medicare premiums were reduced by 11.00% to reflect the repeal of the Health Insurer Fee.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.448450%	0.045972%	0.044604%	0.045631%
District's proportionate share of collective net OPEB liability	\$ 1,132,000	\$ 1,346,000	\$ 1,548,000	\$ 1,627,000
State's proportionate share of collective net OPEB liability	\$ 907,000	\$ 1,087,000	\$ 1,334,000	\$ 1,329,000
District's covered-employee payroll	\$ 2,639,977	\$ 2,668,653	\$ 2,648,005	\$ 2,606,055
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	42.88%	50.44%	58.46%	62.43%
Plan fiduciary net position as a percentage of total OPEB liability	39.05%	32.58%	25.50%	21.18%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 81,388	\$ 79,199	\$ 80,059	\$ 79,440
Contributions in relation to the contractually required contribution	<u>81,388</u>	<u>79,199</u>	<u>80,059</u>	<u>79,440</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,712,948	\$ 2,639,977	\$ 2,668,653	\$ 2,648,005
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	\$ 27,000	\$ 25,000	\$ 23,000	\$ 18,000
District's covered-employee payroll	\$ 2,639,977	\$ 2,668,653	\$ 2,648,005	\$ 2,606,055
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total OPEB liability	71.57%	73.40%	75.00%	79.99%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>As of year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,712,948	\$ 2,639,977	\$ 2,668,653	\$ 2,648,005
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

Medical Insurance Fund

Changes in benefit terms

No changes.

Changes in assumptions

No changes.

Life Insurance Fund

Changes in benefit terms

No changes.

Changes in assumptions

No changes.

OTHER SUPPLEMENTARY INFORMATION

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>FSPK</u>	<u>SEEK Capital Outlay</u>	<u>Debt Service</u>	<u>Student Activity</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,371</u>	<u>\$ 98,522</u>
Total assets and resources	<u><u>\$ 151</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,371</u></u>	<u><u>\$ 98,522</u></u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	151	-	-	98,371	98,522
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>151</u>	<u>-</u>	<u>-</u>	<u>98,371</u>	<u>98,522</u>
Total liabilities and fund balances	<u><u>\$ 151</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,371</u></u>	<u><u>\$ 98,522</u></u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>FSPK</u>	<u>SEEK Capital Outlay</u>	<u>Debt Service</u>	<u>Student Activity</u>	<u>Total</u>
REVENUES					
From local sources					
Taxes					
Property	\$ 37,660	\$ -	\$ -	\$ -	\$ 37,660
Other local	-	-	-	87,793	87,793
Earnings on investments	-	-	-	173	173
Intergovernmental - state	<u>210,620</u>	<u>54,210</u>	<u>184,808</u>	<u>-</u>	<u>449,638</u>
Total revenues	<u>248,280</u>	<u>54,210</u>	<u>184,808</u>	<u>87,966</u>	<u>575,264</u>
EXPENDITURES					
Instruction	-	-	-	102,086	102,086
Debt service	<u>-</u>	<u>-</u>	<u>369,225</u>	<u>-</u>	<u>369,225</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>369,225</u>	<u>102,086</u>	<u>471,311</u>
Excess (deficit) of revenues over (under) expenditures	<u>248,280</u>	<u>54,210</u>	<u>(184,417)</u>	<u>(14,120)</u>	<u>103,953</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	184,417	-	184,417
Transfers (out)	<u>(248,280)</u>	<u>(54,210)</u>	<u>-</u>	<u>-</u>	<u>(302,490)</u>
Total other financing sources (uses)	<u>(248,280)</u>	<u>(54,210)</u>	<u>184,417</u>	<u>-</u>	<u>(118,073)</u>
Net change in fund balances	-	-	-	(14,120)	(14,120)
Fund balances, beginning of year	<u>151</u>	<u>-</u>	<u>-</u>	<u>112,491</u>	<u>112,642</u>
Fund balances, end of year	<u>\$ 151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,371</u>	<u>\$ 98,522</u>

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Cash Balance July 1, 2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2021</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	<u>Fund Balance June 30, 2021</u>
Dawson Springs Junior and Senior High School	\$ 98,775	\$ 83,289	\$ 91,561	\$ 90,503	\$ -	\$ -	\$ 90,503
Dawson Springs Elementary	<u>13,716</u>	<u>797</u>	<u>6,645</u>	<u>7,868</u>	<u>-</u>	<u>-</u>	<u>7,868</u>
Totals	<u>\$ 112,491</u>	<u>\$ 84,086</u>	<u>\$ 98,206</u>	<u>\$ 98,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,371</u>

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS – JUNIOR AND SENIOR HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021

	Cash Balance			Cash Balance	Accounts	Accounts	Due to
	July 1, 2020	Receipts	Disbursements	June 30, 2021	Receivable	Payable	Student Groups
	\$	\$	\$	\$	\$	\$	\$
Academic	12	-	-	12	-	-	12
Annual Staff	7,114	4,900	4,993	7,021	-	-	7,021
Art Club	817	-	-	817	-	-	817
Athletic	13,286	19,358	20,097	12,547	-	-	12,547
Athletic banners	1,956	-	1,956	-	-	-	-
Back to School Bash	1,065	602	1,573	94	-	-	94
Baseball boosters	1,275	-	1,265	10	-	-	10
Concessions	15,227	8,856	5,824	18,259	-	-	18,259
BETA Club	888	-	-	888	-	-	888
Boys basketball	1,634	2,696	4,302	28	-	-	28
Cheerleading - HS	1,088	-	43	1,045	-	-	1,045
Life skills class	913	858	1,668	103	-	-	103
Field trips	69	-	-	69	-	-	69
Class of 2021	4,298	27,455	31,753	-	-	-	-
Class of 2022	1,684	8,207	5,650	4,241	-	-	4,241
Class of 2023	833	-	-	833	-	-	833
Class of 2024	479	-	-	479	-	-	479
Class of 2025	148	-	-	148	-	-	148
Cokes - HS	929	536	625	840	-	-	840
Cross country	3,080	6,295	4,763	4,612	-	-	4,612
Archery	900	200	495	605	-	-	605
Drama Club	48	-	-	48	-	-	48
Environmental Club	165	-	-	165	-	-	165
Education Fund	5,126	122	730	4,518	-	-	4,518

Continued

DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued
SCHOOL ACTIVITY FUNDS – JUNIOR AND SENIOR HIGH SCHOOL
FOR THE YEAR ENDED JUNE 30, 2021

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2021
FBLA	368	-	-	368	-	-	368
FCA	693	-	-	693	-	-	693
Girls' basketball	1,979	850	1,260	1,569	-	-	1,569
Golf	432	4,089	4,390	131	-	-	131
Jr. Beta Club	46	-	-	46	-	-	46
MS Academic	1,148	-	-	1,148	-	-	1,148
MS boys' basketball	2,213	-	-	2,213	-	-	2,213
MS cheerleaders	547	-	-	547	-	-	547
MS girls' basketball	2,615	-	1,324	1,291	-	-	1,291
Media Center	1,493	-	-	1,493	-	-	1,493
Music	4,047	1,365	1,530	3,882	-	-	3,882
Office fund	11,211	6,873	6,069	12,015	-	-	12,015
Project Prom	3,018	2,225	3,614	1,629	-	-	1,629
Softball	2,434	1,466	632	3,268	-	-	3,268
Student awards	152	-	102	50	-	-	50
Track	1,698	462	1,149	1,011	-	-	1,011
STLP	114	-	-	114	-	-	114
Math Club	289	-	-	289	-	-	289
Bass Fishing	1,244	1,200	1,080	1,364	-	-	1,364
Senior Graduation Account	-	1,248	1,248	-	-	-	-
Subtotal	98,775	99,863	108,135	90,503	-	-	90,503
Interfund transfers	-	(16,574)	(16,574)	-	-	-	-
Totals	\$ 98,775	\$ 83,289	\$ 91,561	\$ 90,503	\$ -	\$ -	\$ 90,503

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
U.S. Department of Education				
Passed through State Department of Education:				
Special Education Cluster				
Special Education - Grants to States	84.027	3810002-20	\$ 93,344	
	84.027	3810002-19	<u>33,754</u>	
Total Special Education - Grants to States				\$ 127,098
Special Education - Preschool Grants	84.173	3800002-20	3,348	
	84.173	3800002-19	<u>2,033</u>	5,381
Total Special Education Cluster				132,479
Title I Grants to Local Education Agencies	84.010	3100002-20	320,683	
	84.010	3100002-19	6,875	
	84.010	3100002-17	<u>5,545</u>	
Total Title I Grants to Local Education Agencies				333,103
Vocational Education - Basic Grants to States	84.048	3710002-20	5,301	
	84.048	3710002-19	<u>3,451</u>	
Total Vocational Education - Basic Grants to States				8,752
Title V Rural and Low Income	84.358	3140002-20	8,490	
	84.358	3140002-19	<u>10,355</u>	18,845
Improving Teacher Quality - State Grants	84.367	3230002-19	15,384	15,384
Supporting Effective Instruction - State Grants	84.424	3420002-20	4,335	
	84.424	3420002-19	6,148	
	84.424	3420002-18	<u>7</u>	
Total Supporting Effective Instruction - State Grants				10,490
COVID-19 Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act	84.425	4000002-20	176,200	
	84.425	GEER-20	31,648	<u>207,848</u>
Total U.S. Department of Education				<u>726,901</u>
U.S. Department of the Treasury				
Passed through State Department of Education				
Coronavirus Relief Fund	21.019	CARES-20		<u>175,612</u>
Total U.S. Department of the Treasury				<u>175,612</u>

Continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through State Department of Education:			
Child Nutrition Cluster			
Summer Feeding Program	10.559	7690024-21	23,782
	10.559	7690024-20	6,677
	10.559	7740023-21	231,657
	10.559	7740023-20	<u>65,067</u>
 Total Child Nutrition Cluster			 327,183
 State Administrative Expenses for Child Nutrition	 10.560	 7700001-20	 995
Other U. S. Department of Agriculture Programs:			
Fresh Fruit and Vegetable Program	10.582	Direct	<u>18,881</u>
Total U.S. Department of Agriculture			<u>347,059</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,249,572</u></u>

See notes to Schedule of Expenditures of Federal Awards

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Dawson Springs Independent School District (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 the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited 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 presented where available.

NOTE 3 – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 4 – INDIRECT COST RATE

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

NOTE 5 – COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE

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ANNA B. GENTRY, CPA, CFE

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dawson Springs Independent School District (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (item 2021-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Dawson Springs Independent School District in a separate report dated November 11, 2021.

Dawson Springs Independent School District's Response to Findings

Dawson Springs Independent School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Dawson Springs Independent School District's response was not subjected to auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on it.

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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Dawson Springs Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Dawson Springs Independent School District's major federal programs for the year ended June 30, 2021. Dawson Springs Independent School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

November 11, 2021

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditors' 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)?	<u> </u> yes	<u> X </u> no
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Major federal programs:

<u>Program Title</u>	<u>CFDA Number</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act	84.425
Coronavirus Relief Fund	21.019

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

Auditee qualified as a low-risk auditee?	<u> X </u> yes	<u> </u> no
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Continued

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2021-01 – Financial Reporting

Condition – There was inadequate design of internal controls over the preparation of the financial statements of the District.

Criteria – Statement on Auditing Standards (SAS 115) states that a control deficiency exists when an entity does not have controls in place which would prevent or detect a misstatement in the financial statements.

Effect – There was an increased risk that controls in place might not prevent, or detect and correct, misstatements in the financial statements.

Cause – Available funds do not allow for such staffing.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements.

Response – Management outsourced the preparation of their financial statements and the related notes to Duguid, Gentry & Associates, PSC. Management maintained responsibility for the financial statements and related notes and for the establishment of controls over the financial reporting process and acknowledged that outsourcing preparation of the financial statements and related notes does not relieve management of the responsibility for the financial statements. Management provided oversight for the financial statement preparation service by designating an individual within senior management who possesses suitable technical skill, knowledge and experience sufficient to (a) understand the financial statement preparation service enough to be able to provide general direction for the service; (b) understand the key issues the auditor identifies; (c) make any required management decisions and (d) evaluate the adequacy of, and accept responsibility for, the results of the auditor's work.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

2020-001 – Financial Reporting

Condition – There was inadequate design of internal controls over the preparation of the financial statements of the District.

Recommendation – The District should designate an individual who possesses suitable skill, knowledge and/or experience to review the financial statements, including footnote disclosures, and take responsibility for these financial statements

Current Status – The finding was repeated for the fiscal year ending June 30, 2021.

MANAGEMENT COMMENTS FOR AUDIT

SANDRA D. DUGUID, CPA
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA
MEREDITH D. MORRIS, CPA
KELSEY M. COX, CPA



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November 11, 2021

Members of the Board of Education
Dawson Springs Independent School District
Dawson Springs, Kentucky

In planning and performing our audit of the financial statements of Dawson Springs Independent School District (District) for the year ended June 30, 2021, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 11, 2021, contains our report on the District's internal control. This letter does not affect our report dated November 11, 2021 on the financial statements of the Dawson Springs Independent School District.

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

We performed a follow-up on the prior year finding with the status of these findings documented on page 103 of this report.

This report is intended solely for the information and use of management, the members of the Dawson Springs Independent School District, others within the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

Duguid, Gentry & Associates, PSC

Certified Public Accountants
Hopkinsville, Kentucky

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

None Noted

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

DAWSON SPRINGS ELEMENTARY SCHOOL

- I. **Condition** – 3 accounts had no activity during the preceding 12 months and are considered inactive.

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

Current Status – This finding was repeated as to 6 accounts for fiscal year June 30, 2021.

Views of Responsible Officials – Findings and recommendations have been discussed with bookkeeper to review activity in each account on a regular basis. Redbook procedures will be followed if there is no activity in accounts over a 12 month period.

DAWSON SPRINGS JR/SR HIGH SCHOOL

- I. **Condition** – 5 accounts had no activity during the preceding 12 months and are considered inactive.

Recommendation – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

Current Status – This finding was repeated as to 18 accounts for fiscal year June 30, 2021.

Views of Responsible Officials – Findings and recommendations have been discussed with bookkeeper to review activity in each account on a regular basis. Redbook procedures will be followed if there is no activity in accounts over a 12 month period.

- II. **Condition** – Multiple fundraisers tested did not have Form F-SA-2A Fundraiser & Crowdfunding Approval.

Recommendation – Form F-SA-2A Fundraiser & Crowdfunding Approval should be completed and approved before the fundraiser begins.

Current Status – This finding was repeated for fiscal year June 30, 2021.

Views of Responsible Officials – Findings and recommendations have been discussed with bookkeeper and principal to ensure all staff request approval from the principal before a fundraiser begins. As Redbook requires, staff members will complete the request using Redbook form F-SA-2A for written.

**DAWSON SPRINGS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

DAWSON SPRINGS JR/SR HIGH SCHOOL, continued

- III. Condition** – Form F-SA-2B Fundraiser Summary was not completed for multiple fundraisers tested.

Recommendation – When items are sold, the Fundraiser Summary form should be used and completed and approved timely to recap the profitability of a fundraiser sales cycle.

Current Status – This finding was not repeated for fiscal year June 30, 2021.

- IV. Condition** – No Inventory Control Worksheets (F-SA-5) were prepared.

Recommendation – Activities involving inventory for sale should use the Monthly Inventory Control Worksheet (F-SA-5) detailing the beginning and ending inventories, quantities, descriptions, values, units of measure and unit selling prices for each individual activity involving concessions, vending machines sales, bookstore sales and any other stocked items held for resale.

Current Status – This finding was repeated for fiscal year June 30, 2021.

Views of Responsible Officials – Findings and recommendations have been discussed with bookkeeper and staff to ensure monthly inventory is taken for all activities involving items held for resale. Redbook procedures and forms (F-SA-5) will be used to calculate monthly inventory as needed.

- V. Condition** – Three tested Forms F-SA-17 were not completed properly to determine that it was by an individual different than the individual who completed Form F-SA-5.

Recommendation – Form F-SA-17 Sales from Concessions/Bookstore/Pencil Machine should be used each time money is collected from these activities and should be not be completed by the individual who completes Form F-SA-5 Monthly Inventory Control Worksheet.

Current Status – This finding was not repeated for fiscal year June 30, 2021.