

LARUE COUNTY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year Ended June 30, 2021

LARUE COUNTY SCHOOL DISTRICT

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Heartland CPAs and Advisors PLLC

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
LaRue County School District
Hodgenville, Kentucky

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor, considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2021, the District adopted Governmental Accounting Standards Board Statement 84, *Fiduciary Activities*, Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, Statement 92, *Omnibus 2020* and Statement 93, *Replacement of Interbank Offered Rates*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 9, budgetary comparison information on pages 58 to 59, schedule of proportionate share of the net pension and OPEB liabilities on pages 60 to 64 and schedule of contributions on pages 65 to 69 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 LaRue County School District's basic financial statements. The combining financial statements, school 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 non-major fund financial statements, school 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 accounting standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, school schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2021, on our consideration of LaRue County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 LaRue County School District's internal control over financial reporting and compliance.



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
November 12, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

As management of the LaRue County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented within the MD&A in conjunction with additional information found within the body of the audit. The reporting model is a combination of both government-wide financial statements and fund financial statements.

FINANCIAL HIGHLIGHTS

- The ending cash and cash equivalents balance for the District for the year ended June 30, 2021 was \$5.7 million.
- The District's property tax base is derived from residential growth and assessments. The District levied FY20 property tax rates of 52.2 cents per \$100 for real estate and tangible property. The motor vehicle rate was 55.cents per \$100 of assessed value and the utility tax rate was 3%.
- The District ended FY21 with an unassigned fund balance in the general fund of approximately \$4.2 million.
- Bonds are issued as the District constructs and/or renovates facilities consistent with a long-range facility plan that is established with community input and in keeping with the Kentucky Department of Education's stringent compliance regulations. The District's bond debt decreased by \$2.7 million in FY21. The District refunded the 2010 bonds.
- The District's put in service the LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation. The Preschool on College project, accumulating \$160 thousand through June 30, 2021, is included in construction in process.
- At the end of FY21, the District reported a net pension liability of \$9.2 million related to the County Employees Retirement System.
- At the end of FY21, the District reported a net post-employment benefit obligation (OPEB) of \$4.5 million related to the Teacher's Retirement System - Medical Insurance Fund and \$2.9 million related to the County Employees Retirement System.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, like a private-sector business. The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental and Business-Type Activities for the District accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the District’s assets and deferred outflows and liabilities and deferred inflows, including capital assets as well as long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund financial statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This is a state-mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The only proprietary funds are food service and child care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12 through 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. For the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$2.3 million as of June 30, 2021.

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

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

Net Position

The 2021 Government-wide net position compared to 2020 is as follows:

**Net Position
(Table 1)**

Description	Governmental 2021	Governmental 2020	Business-type 2021	Business-type 2020	Total 2021	Total 2020
Current and Other Assets	\$ 6,154,749	\$ 7,590,827	\$ 1,097,086	\$ 1,164,989	\$ 7,251,835	\$ 8,755,816
Capital Assets	28,899,078	29,030,306	1,080,511	1,096,283	29,979,589	30,126,589
Total Assets	35,053,827	36,621,133	2,177,597	2,261,272	37,231,424	38,882,405
Deferred Outflows	3,790,237	2,980,121	443,199	356,857	4,233,436	3,336,978
Long-term Debt	32,099,028	32,871,284	1,723,898	1,420,277	33,822,926	34,291,561
Other Liabilities	2,394,149	3,837,008	2,847	3,405	2,396,996	3,840,413
Total Liabilities	34,493,177	36,708,292	1,726,745	1,423,682	36,219,922	38,131,974
Deferred Inflows	2,804,013	2,506,412	132,912	173,720	2,936,925	2,680,132
Net Position						
Net investment in capital assets	10,472,312	7,946,908	1,080,511	1,096,283	11,552,823	9,043,191
Restricted	684,240	1,351,706	-	-	684,240	1,351,706
Unrestricted	(9,609,678)	(8,912,064)	(319,372)	(75,556)	(9,929,050)	(8,987,620)
Total Net Position	\$ 1,546,874	\$ 386,550	\$ 761,139	\$ 1,020,727	\$ 2,308,013	\$ 1,407,277

The following are significant current year transactions impacting the Statement of Net Position:

- Capital assets current year depreciation of \$1.05 million and FY2021 additions of approximately \$7.3 million for construction primarily related to the LaRue County High School Gym and Grandstand Project and the Gym and Sprinkler Renovation.
- Total long-term obligations for bonds decreased by approximately \$2.7 million. The 2010 bonds were refunded. As of June 30, 2021, the District's proportionate share of the CERS net pension liability was \$9.2 million (as actuarially determined by CERS). The District's proportionate share of CERS reported net OPEB liability was of \$2.9 million in FY2021 (as actuarially determined by CERS). The District's proportionate share of TRS reported net OPEB liability was \$4.5 million (as actuarially determined by TRS).

Change in Net Position

The following Table 2 presents the summary of changes in net position for the fiscal years ending June 30, 2021 and 2020.

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

Description	Governmental 2021	Governmental 2020	Business-type 2021	Business-type 2020	Total 2021	Total 2020
REVENUES:						
Program revenues:						
Charges for services	\$ 157,476	\$ 13,719	\$ 49,257	\$ 107,614	\$ 206,733	\$ 121,333
Operating grants and contributions	4,347,272	3,861,846	1,596,940	1,642,054	5,944,212	5,503,900
Capital grants and contributions	1,789,264	1,695,051	-	-	1,789,264	1,695,051
General revenues:						
Property taxes	3,933,559	3,641,372	-	-	3,933,559	3,641,372
Motor vehicle taxes	658,364	569,159	-	-	658,364	569,159
Utility taxes	816,913	789,064	-	-	816,913	789,064
Revenue in lieu of taxes	9,270	-	-	-	9,270	-
Gain on disposal of capital assets	-	39,666	-	-	-	39,666
Investment earnings	80,317	195,470	7,367	15,825	87,684	211,295
State and formula grants	7,263,044	7,959,908	-	-	7,263,044	7,959,908
Miscellaneous	69,255	112,096	-	-	69,255	112,096
Total revenues	19,124,734	18,877,351	1,653,564	1,765,493	20,778,298	20,642,844
EXPENSES						
Program Activities						
Instruction	7,813,853	8,735,007	-	-	7,813,853	8,735,007
Student support	1,017,392	1,251,311	-	-	1,017,392	1,251,311
Instructional staff support	1,897,470	2,183,977	-	-	1,897,470	2,183,977
District administrative support	553,768	452,916	-	-	553,768	452,916
School administrative support	1,643,277	1,318,294	-	-	1,643,277	1,318,294
Business support	757,080	757,833	-	-	757,080	757,833
Plant operation and maintenance	2,152,238	2,164,897	-	-	2,152,238	2,164,897
Student transportation	1,447,761	1,637,346	-	-	1,447,761	1,637,346
Community service activities	267,687	227,641	-	-	267,687	227,641
Other	172,760	33,522	-	-	172,760	33,522
Interest costs	546,297	749,765	-	-	546,297	749,765
Business-type Activities:						
Food service	-	-	1,749,203	1,832,538	1,749,203	1,832,538
Childcare	-	-	19,792	104,913	19,792	104,913
Total expenses	18,269,583	19,512,509	1,768,995	1,937,451	20,038,578	21,449,960
Transfers	144,157	60,656	(144,157)	(60,656)	-	-
Increase (decrease) in net position	999,308	(574,502)	(259,588)	(232,614)	739,720	(807,116)
Net position, beginning, as restated	547,566	961,052	1,020,727	1,253,341	1,568,293	2,214,393
Net position, ending	\$ 1,546,874	\$ 386,550	\$ 761,139	\$ 1,020,727	\$ 2,308,013	\$ 1,407,277

The following are significant current year transactions impacting the Changes in Net Position:

- Total revenues increased approximately \$100 thousand primarily due to a increase in various state and federal grants.
- Total expenses decreased by approximately \$600 thousand due to COVID-19.

Capital Assets

At the end of the fiscal year 2021, the School District had approximately \$30.1 million invested in land, building and improvements, vehicles, equipment, and construction in process, which included \$28.9 million in governmental activities. Table 3 shows the fiscal year 2021 and 2020 balances.

**Capital Assets, Net of Depreciation
(Table 3)**

	2021	2020	2021	2020	2021	2019
Land and land improvements	\$ 847,058	\$ 899,202	\$ -	\$ -	\$ 847,058	\$ 899,202
Buildings and improvements	24,489,347	21,451,057	666,128	691,242	25,155,475	22,142,299
Technology	665	11,810	-	-	665	11,810
Vehicles	767,982	795,709	-	-	767,982	795,709
General equipment	2,633,725	90,145	414,383	405,041	3,048,108	495,186
Total	28,738,777	23,247,923	1,080,511	1,096,283	29,819,288	24,344,206
Construction in progress	160,301	5,782,383	-	-	160,301	5,782,383
Total	\$ 28,899,078	\$ 29,030,306	\$ 1,080,511	\$ 1,096,283	\$ 29,979,589	\$ 30,126,589

Changes in capital assets for 2021 and 2020 were as follows.

Category	Governmental 2021	Governmental 2020	Business-type 2021	Business-type 2020	Total 2021	Total 2020
	2021	2020	2021	2020	2021	2019
Beginning balance	\$ 29,030,306	\$ 24,797,567	\$ 1,096,283	\$ 1,208,891	\$ 30,126,589	\$ 26,006,458
Additions	7,289,573	5,263,431	105,675	-	7,395,248	5,263,431
Retirements	(6,364,875)	22,660	(5,178)	-	(6,370,053)	22,660
Depreciation	(1,055,926)	(1,053,352)	(116,269)	(112,608)	(1,172,195)	(1,165,960)
Ending balance	\$ 28,899,078	\$ 29,030,306	\$ 1,080,511	\$ 1,096,283	\$ 29,979,589	\$ 30,126,589

Debt

On June 30, 2020, the School District had \$18.4 million in bonds outstanding. Of this amount, \$5.9 million is to be paid by the Kentucky School Facility Construction Commission. A total of \$1.7 million is due within one year.

General Fund – Budget Highlights

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

Budgeted expenditures of approximately \$23.6 million compared with actual expenditures of approximately \$20.6 million. The most significant fluctuation is in the other category for contingency.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 – 57 of this report.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 – June 30; other programs, i.e., some federal, operate on a different fiscal year but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2020-2021 with a contingency of 8.71%. The District has adopted a budget for 2021-2022 with a contingency of 12.78%.

ADDITIONAL CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Jessica Castenir, Finance Officer, 208 College St., Hodgenville, Kentucky 42748 or call at 270-358-4111.

BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2021

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 4,609,602	\$ 1,144,034	\$ 5,753,636
Internal balances	116,492	(116,492)	-
Inventory		11,589	11,589
Receivables:			
Accounts			
Taxes-current	483,214		483,214
Taxes-delinquent	16,512		16,512
Other receivables	53,570		53,570
Intergovernmental-State	19,348		19,348
Intergovernmental-Indirect Federal	856,011	57,955	913,966
Total Current Assets	6,154,749	1,097,086	7,251,835
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	761,234		761,234
Depreciable capital assets, net of accumulated depreciation	28,137,844	1,080,511	29,218,355
Total Noncurrent Assets	28,899,078	1,080,511	29,979,589
Total Assets	35,053,827	2,177,597	37,231,424
Deferred Outflows of Resources			
Deferred amount on debt refundings	264,161		264,161
CERS Pension	1,518,502	259,872	1,778,374
CERS OPEB	1,159,574	183,327	1,342,901
TRS MIF OPEB	848,000		848,000
Total Deferred Outflows of Resources	3,790,237	443,199	4,233,436
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	208,795		208,795
Unearned revenue	110,553	2,847	113,400
Bond obligations	1,670,000		1,670,000
Compensated absences	182,522		182,522
Interest payable	222,279		222,279
Total Current Liabilities	2,394,149	2,847	2,396,996
<u>Noncurrent Liabilities</u>			
Bond obligations	16,756,766		16,756,766
Net pension liability - CERS	7,884,778	1,320,887	9,205,665
Net OPEB liability - CERS	2,494,334	403,011	2,897,345
Net OPEB liability - TRS MIF	4,471,000		4,471,000
Compensated absences	492,150		492,150
Total Noncurrent Liabilities	32,099,028	1,723,898	33,822,926
Total Liabilities	34,493,177	1,726,745	36,219,922
Deferred Inflows of Resources			
CERS Pension	207,495	40,662	248,157
CERS OPEB	517,518	92,250	609,768
TRS MIF OPEB	2,079,000		2,079,000
Total Deferred Inflows of Resources	2,804,013	132,912	2,936,925
<u>Net Position</u>			
Net investment in capital assets	10,472,312	1,080,511	11,552,823
Restricted	684,240		684,240
Unrestricted	(9,609,678)	(319,372)	(9,929,050)
Total Net Position	\$ 1,546,874	\$ 761,139	\$ 2,308,013

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

LARUE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 7,813,853	\$ 157,476	\$ 2,579,014	\$ -	\$ (5,077,363)	\$ -	\$ (5,077,363)
Support services:							
Student	1,017,392		222,634		(794,758)		(794,758)
Instruction staff	1,897,470		875,958		(1,021,512)		(1,021,512)
District administrative	553,768		26,588		(527,180)		(527,180)
School administrative	1,643,277		40,976		(1,602,301)		(1,602,301)
Business	757,080				(757,080)		(757,080)
Plant operation and maintenance	2,152,238		251,804		(1,900,434)		(1,900,434)
Student transportation	1,447,761		29,095		(1,418,666)		(1,418,666)
Community service activities	267,687		228,478		(39,209)		(39,209)
Facility acquisition and construction				752,049	752,049		752,049
Other	172,760		92,725		(80,035)		(80,035)
Interest on long-term debt	546,297			1,037,215	490,918		490,918
Total Governmental Activities	18,269,583	157,476	4,347,272	1,789,264	(11,975,571)	-	(11,975,571)
Business-Type Activities:							
Food service	1,749,203	8,021	1,591,158			(150,024)	(150,024)
Childcare	19,792	41,236	5,782			27,226	27,226
Total Business-Type Activities	1,768,995	49,257	1,596,940	-	-	(122,798)	(122,798)
Total Primary Government	\$ 20,038,578	\$ 206,733	\$ 5,944,212	\$ 1,789,264	(11,975,571)	(122,798)	(12,098,369)
			General Revenues:				
			Taxes:				
			Property taxes		3,933,559		3,933,559
			Motor vehicle taxes		658,364		658,364
			Utility taxes		816,913		816,913
			Revenue in lieu of taxes		9,270		9,270
			Investment earnings		80,317	7,367	87,684
			State and formula grants		7,263,044		7,263,044
			Miscellaneous		69,255		69,255
			Transfers		144,157	(144,157)	-
			Total general revenues and transfers		12,974,879	(136,790)	12,838,089
			Change in net position		999,308	(259,588)	739,720
			Net position - beginning		386,550	1,020,727	1,407,277
			Restatement		161,016		161,016
			Net position - beginning, as restated		547,566	1,020,727	1,568,293
			Net position - ending		\$ 1,546,874	\$ 761,139	\$ 2,308,013

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

FUND FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2021

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 3,933,323	\$ -	\$ 676,279	\$ 4,609,602
Receivables:				
Taxes - current	483,214			483,214
Taxes - delinquent	16,512			16,512
Other receivables	53,089	356	125	53,570
Intergovernmental - State		19,348		19,348
Intergovernmental - Indirect Federal		856,011		856,011
Due from other funds	757,450			757,450
Total Assets	\$ 5,243,588	\$ 875,715	\$ 676,404	\$ 6,795,707
Liabilities and Fund Balances:				
Liabilities				
Accounts payable	\$ 177,545	\$ 30,525	\$ 725	\$ 208,795
Due to other funds		640,958		640,958
Unearned revenue		110,553		110,553
Total Liabilities	177,545	782,036	725	960,306
Fund Balances				
Restricted		93,679	590,561	684,240
Committed	893,534		85,118	978,652
Unassigned	4,172,509			4,172,509
Total Fund Balances	5,066,043	93,679	675,679	5,835,401
Total Liabilities and Fund Balances	\$ 5,243,588	\$ 875,715	\$ 676,404	\$ 6,795,707

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

LARUE COUNTY 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	\$ 5,835,401
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	28,899,078
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported in the statement of net position as as deferred outflows of resources.	3,526,076
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	264,161
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(2,804,013)
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(18,426,766)
Interest payable	(222,279)
Compensated absences	(674,672)
Net pension liability - CERS	(7,884,778)
Net OPEB liability - CERS	(2,494,334)
Net OPEB liability - TRS MIF	(4,471,000)
Net position for governmental activities	<u>\$ 1,546,874</u>

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,503,370	\$ -	\$ 430,189	\$ 3,933,559
Motor vehicle	658,364			658,364
Utilities	816,913			816,913
Revenue in lieu of taxes	9,270			9,270
Earnings on investments	68,799	428	11,090	80,317
Other local revenues	93,327	41,328	133,405	268,060
Intergovernmental - State	15,846,836	1,168,171	1,789,264	18,804,271
Intergovernmental - Indirect Federal	30,269	3,077,048		3,107,317
Total Revenues	21,027,148	4,286,975	2,363,948	27,678,071
Expenditures:				
Instruction	13,301,211	2,530,990	95,660	15,927,861
Support services:				
Student	767,189	222,634	1,539	991,362
Instruction staff	939,698	875,958	638	1,816,294
District administrative	541,446	26,588		568,034
School administrative	1,515,221	40,976		1,556,197
Business	696,545			696,545
Plant operation and maintenance	1,468,305	251,804		1,720,109
Student transportation	1,190,471	29,095	(250)	1,219,316
Community service activities		228,478		228,478
Other non-instruction	214,241	92,725	838	307,804
Facilities acquisition and construction			737,886	737,886
Bond issuance costs			43,360	43,360
Debt service:				
Principal			2,655,000	2,655,000
Interest			455,907	455,907
Total Expenditures	20,634,327	4,299,248	3,990,578	28,924,153
Excess (Deficit) of Revenues over Expenditures	392,821	(12,273)	(1,626,630)	(1,246,082)
Other Financing Sources (Uses):				
Proceeds from disposal of capital assets	1,762			1,762
Bond proceeds from refunding bonds			3,465,000	3,465,000
Bond premium			95,013	95,013
Payments to refunded escrow agent			(3,515,512)	(3,515,512)
Transfers in	467,117	45,373	2,051,329	2,563,819
Transfers out	(1,175,999)		(1,245,664)	(2,421,663)
Total Other Financing Sources (Uses)	(707,120)	45,373	850,166	188,419
Change in Fund Balances	(314,299)	33,100	(776,464)	(1,057,663)
Fund Balance, July 1, 2020	5,380,342	60,579	1,291,127	6,732,048
Restatement			161,016	161,016
Fund Balance, July 1, 2020, as restated	5,380,342	60,579	1,452,143	6,893,064
Fund Balance, June 30, 2021	\$ 5,066,043	\$ 93,679	\$ 675,679	\$ 5,835,401

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

LARUE COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2021

Net change in total fund balances per fund financial statements	\$ (1,057,663)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(126,321)
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	1,141
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	2,655,000
Capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	178,404
The difference between actuarial pension and OPEB contributions to and actual contributions made are recorded as adjustments in the statement of activities.	(536,462)
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(4,907)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(109,884)</u>
Change in net position of governmental activities	<u><u>\$ 999,308</u></u>

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2021

	Food Service Fund	Childcare Fund	Total Fund
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 1,109,397	\$ 34,637	\$ 1,144,034
Intergovernmental - Indirect Federal	57,955		57,955
Inventory	11,589		11,589
Total Current Assets	1,178,941	34,637	1,213,578
<u>Noncurrent Assets</u>			
Depreciable capital assets, net of accumulated depreciation	1,080,511		1,080,511
Total Noncurrent Assets	1,080,511	-	1,080,511
Total Assets	2,259,452	34,637	2,294,089
Deferred Outflows of Resources			
CERS Pension	222,695	37,177	259,872
CERS OPEB	168,163	15,164	183,327
Total Deferred Outflows of Resources	390,858	52,341	443,199
Liabilities			
<u>Current Liabilities</u>			
Due to other funds	116,492		116,492
Unearned revenue	2,847		2,847
Total Current Liabilities	119,339	-	119,339
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	1,152,768	168,119	1,320,887
Net OPEB liability - CERS	362,816	40,195	403,011
Total Noncurrent Liabilities	1,515,584	208,314	1,723,898
Total Liabilities	1,634,923	208,314	1,843,237
Deferred Inflows of Resources			
CERS Pension	31,075	9,587	40,662
CERS OPEB	76,357	15,893	92,250
Total Deferred Inflows of Resources	107,432	25,480	132,912
<u>Net Position</u>			
Net investment in capital assets	1,080,511		1,080,511
Unrestricted	(172,556)	(146,816)	(319,372)
Total Net Position	\$ 907,955	\$ (146,816)	\$ 761,139

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2021

	Food Service Fund	Childcare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 2,802	\$ -	\$ 2,802
Other operating revenues	5,219	41,236	46,455
Total Operating Revenues	8,021	41,236	49,257
Operating Expenses:			
Salaries and wages	829,571	13,289	842,860
Materials and supplies	710,293	6,032	716,325
Depreciation	116,269		116,269
Other operating expenses	87,893	471	88,364
Total Operating Expenses	1,744,026	19,792	1,763,818
Operating loss	(1,736,005)	21,444	(1,714,561)
Non-Operating Revenues (Expenses):			
Federal grants	1,375,631		1,375,631
Donated commodities	108,157		108,157
State on-behalf payments	94,070	1,903	95,973
State grants	13,300	3,879	17,179
Loss on disposal of capital assets	(5,177)		(5,177)
Interest income	7,283	84	7,367
Total Non-Operating Revenues (Expenses) before Transfers	1,593,264	5,866	1,599,130
Transfers out	(63,277)	(80,880)	(144,157)
Change in net position	(206,018)	(53,570)	(259,588)
Net Position, July 1, 2020	1,113,973	(93,246)	1,020,727
Net Position June 30, 2021	\$ 907,955	\$ (146,816)	\$ 761,139

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2021

	Food Service Fund	Childcare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 2,802	\$ -	\$ 2,802
Other operating activities	5,728	41,236	46,964
Cash paid to/for:			
Employees	(559,030)	(11,386)	(570,416)
Supplies	(629,311)	(6,081)	(635,392)
Other activities	(87,893)	(471)	(88,364)
Net Cash Provided (Used) by Operating Activities	(1,267,704)	23,298	(1,244,406)
Cash flows from Non-Capital Financing Activities			
Federal grants	1,411,854		1,411,854
State grants	13,951	3,879	17,830
Transfers out	(63,277)	(80,880)	(144,157)
Net Cash Provided (Used) by Non-Capital Financing Activities	1,362,528	(77,001)	1,285,527
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(74,753)	-	(74,753)
Net Cash Used by Capital and Related Financing Activities	(74,753)	-	(74,753)
Cash Flows from Investing Activities			
Receipt of interest income	7,283	84	7,367
Net Cash Provided by Investing Financing Activities	7,283	84	7,367
Net increase (decrease) in cash and cash equivalents	27,354	(53,619)	(26,265)
Balances, beginning of year	1,082,043	88,256	1,170,299
Balances, end of year	\$ 1,109,397	\$ 34,637	\$ 1,144,034
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,736,005)	\$ 21,444	\$ (1,714,561)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	116,269		116,269
State on-behalf payments	94,070	1,903	95,973
Donated commodities	108,157		108,157
GASB 68 pension expense	143,554		143,554
GASB 75 OPEB expense	32,917		32,917
Change in assets and liabilities:			
Inventory	10,859		10,859
Due to other funds	(38,034)		(38,034)
Unearned revenue	509		509
Accounts payable		(49)	(49)
Net cash provided (used) by operating activities	\$ (1,267,704)	\$ 23,298	\$ (1,244,406)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$ 108,157	\$ -	\$ 108,157
State on-behalf payments	\$ 94,070	\$ 1,903	\$ 95,973
CERS Pensions	\$ 143,554	\$ -	\$ 143,554
CERS OPEB	\$ 32,917	\$ -	\$ 32,917

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2021

	<u>Private Purpose Trust Funds</u>
Assets	
Cash and cash equivalents	\$ 22,221
Total Assets	<u>\$ 22,221</u>
Net Position	<u>\$ 22,221</u>

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

LARUE COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2021

	Private Purpose Trust Funds
Additions	
Transfers from General Fund	\$ 2,000
Net interest and investment gains (losses)	152
	<u>2,152</u>
Deductions	
Scholarships paid	<u>1,000</u>
Change in net position	1,152
Net Position, July 1, 2020	<u>21,069</u>
Net Position, June 30, 2021	<u><u>\$ 22,221</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LaRue County School District (the "District") have been prepared to conform with Accounting Principles Generally Accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The LaRue County Board of Education ("Board"), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of LaRue County School District. 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.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, "The Financial Reporting Entity," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. Applying this definition, District management has determined that the component unit reportable within the accompanying financial statements is the LaRue County School District Finance Corporation, (the "Corporation"). The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Boosters, Parent-Teacher Associations, etc.

Blended Component Unit - LaRue County School District Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the LaRue County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors. Therefore, the financial activities of the Corporation have been blended (reported as if it were part of the District) with those of the District. The Corporation does not publish individual component unit financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Fund Financial Statements

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

The Governmental Funds are accounted for on the "flow of current financial resources" measurement focus. This measurement focus is based on the concept of accountability, which includes measuring interperiod equity whether current year revenues were sufficient to pay for current year services. The Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Funds reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

Governmental Funds

Governmental Funds are those through which most District functions are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in the Proprietary Fund and Fiduciary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial resources rather than upon determination of net income:

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) The District Activity Fund is a Special Revenue Fund type and is used to account for funds received at the school level.
- (D) The School Activity Fund is a Special Revenue Fund type and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (F) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs; and for the payment of interest on notes payable, as required by Kentucky Law.

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. 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. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch and Breakfast Programs, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA and for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.
- (B) The Childcare Fund accounts for the daycare operations of the District. Amounts have been recorded for on-behalf payments for retirement and health insurance paid by the State of Kentucky. This is a major fund of the District.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District.

The Private Purpose Trust Fund is used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments for which the District acts as an agent.

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty (60) days after year-end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty (60) days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgments and certain prepaids which are recognized when due/paid.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenue from grants and entitlements is recognized when all eligibility requirements have been satisfied. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as unearned revenue.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred.

Revenue Recognition

State Revenue Sources - Revenues from State sources for current operations are primarily from the Support Education Excellence in Kentucky ("SEEK"), administered by the Kentucky Department of Education ("KDE"). The District files reports on average daily attendance ("ADA") student membership with the KDE. The KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting documentation, the KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as reductions of revenue in the year the reduction is made, as amounts are not significant.

Property Taxes - On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

C. BUDGETARY POLICIES

Budgetary Process

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

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget appropriations lapse at year-end.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts assigned for encumbrances at the governmental fund level indicate that portion of the fund balance segregated for expenditure upon vendor performance.

E. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents are considered to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

F. INVENTORIES

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or market.

G. PREPAID ITEMS

Payments made that will benefit periods beyond the fiscal year-end, 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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. 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, except for technology items greater than \$5,000 are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

I. LONG-TERM DEBT

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts are amortized over the life of the bonds and shown as an offset of bonds payable while deferred amounts on advance refundings are amortized over the shorter of the remaining life of the refunded bonds or the life of the new bonds both in a systematic and rational method, which approximates the effective-interest method and shown as deferred outflows of resources.

J. 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% 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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. ACCOUNTING ESTIMATES

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

L. PENSION AND OPEB PLANS

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System Kentucky (TRS) and County Employees Retirement System (CERS) and additions to/deductions from TRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by TRS 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.

M. NET POSITION

Net position is divided into three components:

1. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
2. Restricted net position – consist of net position that is restricted by the District's creditors (for example, through debt covenants), by grantors (federal, state and local) and by other contributors.
3. Unrestricted – all other net position is reported in this category.

N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Recently Issued And Adopted Accounting Principles

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements. The district now reports school activity funds as a Special Revenue Fund.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. There was no effect on the financial statements from adopting this standard.

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement 87, *Leases*. This statement is effective for periods beginning after December 15, 2019, but was delayed by eighteen months with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2019, the GASB issued Statement 91, *Conduit Debt Obligations*. This statement is effective for periods beginning after December 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In March 2020, the GASB issued Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is effective for periods beginning after June 15, 2022. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In May 2020, the GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement was effective upon issuance. For the postponement dates, see individual standard descriptions.

In June 2020, the GASB issued Statement 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*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 2 – PROPERTY TAXES

Property Tax Revenues – Property taxes are normally levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund. The usual collection date is the period from November 1 through December 31. Property tax bills paid prior to December 1 receive a two percent discount. Property taxes received after December 31, are considered to be delinquent and the County Attorney can file a lien against the property.

Property Taxes

The property tax rates assessed for the year ended June 30, 2021, to finance operations were \$.52 per \$100 valuation for real property, \$.52 per \$100 valuation for business personal property and \$.552 per \$100 valuation for motor vehicles. The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

NOTE 3 – DEPOSITS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2021, \$5,939,600 of the District's bank balance of \$6,189,600 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Technology Match	\$ 44,493
General	Nonmajor Governmental	Debt Payments	1,129,506
General	Private Purpose Trust Fund	Move Funds	2,000
Nonmajor Governmental	Nonmajor Governmental	Operations	35,955
Nonmajor Governmental	General	CFR	239,291
FSPK	Debt Service	Debt Payments	885,868
FSPK	General	CFR	84,550
Food Service	General	Indirect Costs	63,277
Childcare	Special Revenue	Grants	880
Childcare	General	Operations	80,000
			<u>\$ 2,565,820</u>

Government-wide Financial Statements

From Fund	To Fund	Purpose	Amount
Food Service	General	Indirect Costs	\$ 63,277
Childcare	Special Revenue	Grants	880
Childcare	General	Operations	80,000
			<u>\$ 144,157</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

At June 30, 2021, Special Revenue Fund owed the General Fund \$640,958 for expenditures paid and the Food Service Fund owed the General Fund \$116,492 for expenses paid.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 5 - CAPITAL ASSETS

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

Governmental Activities	July 1, 2020	Additions	Deductions	June 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 600,933	\$ -	\$ -	\$ 600,933
Construction in progress	5,782,383	737,886	(6,359,968)	160,301
Total Capital Assets Not Being Depreciated	6,383,316	737,886	(6,359,968)	761,234
Capital Assets Being Depreciated:				
Land improvements	1,759,626		(50,883)	1,708,743
Buildings and improvements	34,133,440	3,821,460	(7,612)	37,947,288
Technology equipment	1,055,187		(374,440)	680,747
Vehicles	3,389,739	146,026	(73,179)	3,462,586
General equipment	1,016,429	2,584,201	(35,267)	3,565,363
Total Capital Assets Being Depreciated at Historical Cost	41,354,421	6,551,687	(541,381)	47,364,727
Less Accumulated Depreciation For:				
Land improvements	1,461,357	52,144	(50,883)	1,462,618
Buildings and improvements	12,682,383	779,605	(4,047)	13,457,941
Technology equipment	1,043,377	11,145	(374,440)	680,082
Vehicles	2,594,030	173,753	(73,179)	2,694,604
General equipment	926,284	39,279	(33,925)	931,638
Total accumulated depreciation	18,707,431	1,055,926	(536,474)	19,226,883
Total Other Capital Assets, net	22,646,990	5,495,761	(4,907)	28,137,844
Governmental Activities Capital Assets - Net	\$ 29,030,306	\$ 6,233,647	\$ (6,364,875)	\$ 28,899,078

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 619,055
Instructional staff	55
District administration	5,118
School administration	1,924
Business support	1,963
Plant	265,645
Transportation	162,166
	<u>\$ 1,055,926</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 5 - CAPITAL ASSETS – CONTINUED

Business-Type Activities	July 1, 2020	Additions	Deductions	June 30, 2021
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 1,353,144	\$ -	\$ -	\$ 1,353,144
Technology equipment	9,720		(9,720)	-
Food service equipment	1,277,513	105,675	(21,537)	1,361,651
Totals at historical cost	2,640,377	105,675	(31,257)	2,714,795
Less Accumulated Depreciation For:				
Buildings and improvements	661,902	25,114		687,016
Technology equipment	9,720		(9,720)	-
Food service equipment	872,472	91,155	(16,359)	947,268
Total accumulated depreciation	1,544,094	116,269	(26,079)	1,634,284
Business-Type Activities				
Capital Assets - Net	\$ 1,096,283	\$ (10,594)	\$ (5,178)	\$ 1,080,511

NOTE 6 – RISK MANAGEMENT

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

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 7 – LONG-TERM LIABILITIES

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

	July 1, 2020	Additions	Reductions	June 30, 2021	Due Within 1 Year
Governmental Activities:					
Bonds and Leases Payable:					
Revenue bonds	\$ 21,050,000	\$ 3,465,000	\$ (6,140,000)	\$ 18,375,000	\$ 1,670,000
Capital leases	178,404		(178,404)	-	
	21,228,404	3,465,000	(6,318,404)	18,375,000	1,670,000
Less Discounts and Premiums	(32,145)	95,013	(11,102)	51,766	
Total Bonds and Leases Payable	21,196,259	3,560,013	(6,329,506)	18,426,766	1,670,000
Other Liabilities:					
Compensated absences	700,822	14,019	(40,169)	674,672	182,522
Total Other Liabilities	700,822	14,019	(40,169)	674,672	182,522
Total Governmental Activities Long-Term Liabilities	<u>\$ 21,897,081</u>	<u>\$ 3,574,032</u>	<u>\$ (6,369,675)</u>	<u>\$ 19,101,438</u>	<u>\$ 1,852,522</u>

The debt service fund is primarily responsible for paying the bond obligations through funding from the General, Capital Outlay and FSPK funds. The general fund is primarily responsible for paying compensated absences.

Bond Liabilities

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

Issue Date	Proceeds	Rate
2007 Urgent	\$ 500,000	4.00%
2008	1,280,000	3.00% - 4.92%
2013	5,930,000	2.00% - 2.50%
2016	1,590,000	1.25%
2016-2	1,115,000	1.00% - 2.625%
2016C	3,805,000	1.00% - 2.625%
2019	5,625,000	2.25% - 3.00%
2020	3,465,000	0.35% - 2.00%

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

On October 21, 2020, the District issued \$3,465,000 in Refunding Revenue Bonds with an average interest rate of 0.72 percent to advance refund \$3,465,000 of outstanding 2010 Revenue Bonds. The refunding was an advance refunding. The net proceeds of \$3,515,512 (after \$43,360 in cost of issuance, \$95,013 in bond premium and \$1,141 in excess cash which was deposited in the debt service fund) were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to call the bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$30,512. This difference, reported in the accompanying government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2027 using the straight-line method. The District completed the refunding to reduce its total debt service payments over the next 6 years by \$253,610 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$250,492.

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

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Year	Principal	Interest	Participation	District's Portion
2022	\$ 1,670,000	\$ 402,505	\$ 996,595	\$ 1,075,910
2023	1,550,000	376,296	847,821	1,078,475
2024	1,595,000	343,123	848,337	1,089,786
2025	1,635,000	307,988	849,261	1,093,727
2026	1,690,000	270,716	855,164	1,105,552
2027-2031	4,625,000	967,486	1,369,570	4,222,916
2032-2036	4,000,000	504,314	621,415	3,882,899
2037-2040	1,610,000	80,599	281,528	1,409,071
	<u>\$ 18,375,000</u>	<u>\$ 3,253,027</u>	<u>\$ 6,669,691</u>	<u>\$ 14,958,336</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS

Plan Descriptions

The LaRue County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation under GASB 68, and CERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

Retirement Plan

Benefits Provided

For Members Before July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

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

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service. The System also provides disability benefits for vested members at the rate of sixty percent (60%) of the final average salary. Cost of living increases are one and one-half percent (1.5%) annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

For Members On or After July 1, 2008:

Members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete twenty-seven (27) years of Kentucky service, or
- 3.) Attain age fifty-five (55) and complete ten (10) years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) one and one-half percent (1.5%) of final average salary for each year of credited service if their service is 10 years or less; (b) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) one and eighty five hundredths percent (1.85%) of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) two percent (2.0%) of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five (5) highest annual salaries except members at least age fifty-five (55) with twenty-seven (27) or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2021, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2021. 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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2020, the District's proportion was .391 percent.

For the year ended June 30, 2021, the District recognized pension expense of negative \$5,175,306 and revenue of negative \$5,175,306 (\$3,376,030 in the governmental funds and negative \$8,551,336 in government-wide activities) for support provided by the State. At June 30, 2021, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

Actuarial Assumptions

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

Inflation	3.00 percent
Salary increases	3.50 – 7.30 percent, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study prepared for the period July 1, 2010 – June 30, 2015, submitted to and adopted by the Board on November 19, 2016.

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40%	4.6%
International Equity	22%	5.6%
Fixed Income	15%	0.0%
Other	7%	2.5%
Real Estate	7%	4.3%
Private Equity	7%	7.7%
Cash	2%	-0.5%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. It was assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The District has no proportional share of the net pension liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

<u>Description</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
System's net pension liability (in thousands)	\$ 18,868,453	\$ 14,835,040	\$ 11,439,108

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued TRS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

CERS

Benefits Provided

The system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

The Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2020, was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Contributions

For the fiscal year ended June 30, 2021, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2021, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$589,132.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

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

At June 30, 2021, the District reported a liability of \$9,205,665 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.120023 percent, which was an increase of .004335 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$1,467,069. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 229,560	\$ -
Changes in actuarial assumptions	359,466	
Difference between projected and actual investment earnings	399,035	168,674
Changes in proportion and differences between employer contributions and proportionate share of contributions	201,181	79,483
Contributions paid to CERS subsequent to the measurement date	589,132	
	<u>\$ 1,778,374</u>	<u>\$ 248,157</u>

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$589,132 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2022	\$ 407,243
2023	316,714
2024	124,609
2025	92,519
	<u>\$ 941,085</u>

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

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

Inflation	2.30 percent
Salary increases	3.30 percent to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation

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

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, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 8 – PENSION PLANS – CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100%</u>	

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous and CERS Hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Comprehensive Annual Financial Report (CAFR).

Sensitivity Of The District's Proportionate Share Of The Net Pension Liability To Changes In The Discount Rate

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

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 11,352,588	\$ 9,205,665	\$ 7,427,931

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position, which has been determined on the same basis as that used by the plan, is available in the separately issued CERS financial report. The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Descriptions

The LaRue County School District participates in the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky which includes certified employees and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky which includes all other employees, both of which are cost-sharing multiple-employer defined benefit plans. TRS, which qualifies as a special funding situation for the Life Insurance Fund under GASB 75, and CERS provide other post-employment benefits to plan members and beneficiaries. TRS is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Under the provisions of KRS Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KERS) administers the CERS. The TRS and CERS issue a publicly available financial reports that include financial statements and required supplementary information. TRS' report may be obtained at www.trs.ky.gov. CERS' report may be obtained at www.kyret.ky.gov.

TRS

General Information about the 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 www.trs.ky.gov.

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

Medical Insurance Fund

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

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

At June 30, 2021, the District reported a liability of \$4,471,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .319094 percent, which was an increase of .005103 percent from its proportion measured as of June 30, 2019.

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

District's proportionate share of the net OPEB liability	\$ 4,471,000
State proportionate share of the net OPEB liability associated with the District	<u>3,582,000</u>
Total	<u>\$ 8,053,000</u>

For the year ended June 30, 2021, the District recognized OPEB expense of negative \$30,000 and revenue of \$250,643 for support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,906,000
Changes in actuarial assumptions	271,000	
Difference between projected and actual investment earnings	146,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 103,000	173,000
Contributions paid to TRS subsequent to the measurement date	328,000	
	<u>\$ 848,000</u>	<u>\$ 2,079,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$328,000 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	OPEB Expense Amount
2022	\$ (322,000)
2023	(311,000)
2024	(313,000)
2025	(286,000)
2026	(244,000)
Thereafter	(83,000)
	<u>\$ (1,559,000)</u>

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	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and Older	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.4%
Fixed Income	9.0%	0.0%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Other	17.0%	2.5%
Cash (LIBOR)	1.0%	-0.5%
	<u>100.0%</u>	

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

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Description	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net OPEB liability	\$ 5,404,000	\$ 4,471,000	\$ 3,693,000

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,544,000	\$ 4,471,000	\$ 5,614,000

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 Fund

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

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

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

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

At June 30, 2021, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$108,000.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2021, the District recognized OPEB expense of \$5,215 and revenue of \$5,215 for support provided by the Commonwealth. At June 30, 2021, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.6%
International Equity	23.0%	5.6%
Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.3%
Private Equity	5.0%	7.7%
Other	6.0%	2.3%
Cash (LIBOR)	2.0%	-0.5%
	100%	

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Sensitivity Of The Net OPEB Liability To Changes In The Discount Rate

The District has no proportional share of the net OPEB liability. The following presents the sensitivity of the System's net pension liability calculated using the discount rate of 7.50 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net OPEB liability (in thousands)	\$ 50,234	\$ 34,712	\$ 21,943

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

CERS

Plan description – The Kentucky Retirement Systems' Insurance Fund (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. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

Benefits provided – For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Contributions – For the fiscal year ended June 30, 2021, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2021, was 4.76 percent of annual creditable compensation. Contributions to the pension plan from the District were \$145,299.

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

At June 30, 2021, the District reported a liability of \$2,897,345 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 District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2020, the District's proportion was 0.119988 percent, which was an increase of .00433 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$390,127. At June 30, 2021, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 484,086	\$ 484,464
Changes in actuarial assumptions	503,967	3,065
Difference between projected and actual investment earnings	155,421	59,120
Changes in proportion and differences between employer contributions and proportionate share of contributions	54,128	63,119
Contributions paid to CERS subsequent to the measurement date	145,299	
	\$ 1,342,901	\$ 609,768

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Of the total amount reported as deferred outflows of resources related to OPEB, \$145,299 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30	OPEB Expense Amount	
2022	\$	156,549
2023		185,049
2024		130,463
2025		125,919
2026		(10,146)
	<u>\$</u>	<u>587,834</u>

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	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.34%

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

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, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100%</u>	

The projection of cash flows used to determine the discount rate of 5.34% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

Sensitivity Of The District's Proportionate Share Of The Net OPEB Liability To Changes In The Discount Rate

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

Description	1% Decrease (4.34%)	Current Discount Rate (5.34)	1% Increase (6.34%)
District's proportionate share of the net OPEB liability	\$ 3,722,238	\$ 2,897,345	\$ 2,219,833

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,243,269	\$ 2,897,345	\$ 3,691,082

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

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 Plans, 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 who 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.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2021, there were no nonspendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2021, the District had \$93,679 restricted for grant programs in the Special Revenue Fund, \$155,154 restricted for future school activities in the Student Activity Fund, \$3,784 restricted for capital projects in the SEEK Capital Outlay Fund, \$2,597 restricted for capital projects in the FSPK Fund, \$337,116 restricted for capital projects in the Construction Fund and \$91,910 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following General Fund commitments at June 30, 2021: \$100,000 for sick leave payable, \$400,000 for future construction, \$23,892 for site-based councils and \$369,642 for technology purchases and \$85,118 for future school activities in the District Activity Fund.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. There was no assigned fund balances at June 30, 2021.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

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

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 also has construction commitments for on-going projects at June 30, 2021.

NOTE 12 – DEFICIT FUND BALANCE/NET POSITION

The Childcare Fund had a deficit net position at June 30, 2021 in the amount of \$146,816. The deficit net position is a result of the recording of the net pension liability for CERS as part of GASB Statement 68 and the net OPEB liability for CERS as part of GASB Statement 75.

The following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/net position:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 314,299
Student Activity Fund	5,862
SEEK Capital Outlay Fund	27,386
FSPK Fund	27
Construction Fund	733,341
Debt Service Fund	50,690
Food Service Fund	206,018
Childcare Fund	53,570

LARUE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

June 30, 2021

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2021 were as follows:

<u>Description</u>	<u>Amount</u>		
Health	\$ 2,597,514	Recorded as follows:	
Life	3,858		
Admin	31,319		
HRA	113,579		
TRS Pension	3,376,030		
TRS OPEB	255,858		
Technology	97,163		
Debt Service	1,037,215		
Less: Federal Reimbursement	<u>(150,496)</u>		
Total on-behalf	<u>\$ 7,362,040</u>		
		General Fund	\$6,228,852
		Food Service Fund	94,070
		Childcare Fund	1,903
		Debt Service Fund	<u>1,037,215</u>
			<u>\$7,362,040</u>

NOTE 14 – RESTATEMENT

The District adopted GASB 84 during the fiscal year which resulted in the School Activity fiduciary fund being reclassified to a Special Revenue fund (School Activity Fund). The restatement increased fund balance by \$161,016.

REQUIRED SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 2,660,000	\$ 3,473,649	\$ 3,503,370
Motor vehicle	500,000	557,489	658,364
Utilities	700,000	790,000	816,913
Revenue in lieu of taxes	6,200	6,500	9,270
Earnings on investments	50,000	50,000	68,799
Other local revenues	51,800	69,277	93,327
Intergovernmental - State	15,802,465	15,218,852	15,846,836
Intergovernmental - Indirect Federal	33,000	45,000	30,269
	<u>19,803,465</u>	<u>20,210,767</u>	<u>21,027,148</u>
Total Revenues	19,803,465	20,210,767	21,027,148
Expenditures:			
Instruction	14,049,786	13,021,300	13,301,211
Support services:			
Student	1,112,977	1,051,056	767,189
Instruction staff	1,360,302	1,114,381	939,698
District administrative	978,540	999,082	541,446
School administrative	1,271,349	1,246,800	1,515,221
Business	660,706	650,706	696,545
Plant operation and maintenance	2,280,034	1,916,042	1,468,305
Student transportation	1,503,094	1,481,387	1,190,471
Community service activities			
Other	561,080	2,137,529	214,241
	<u>23,777,868</u>	<u>23,618,283</u>	<u>20,634,327</u>
Total Expenditures	23,777,868	23,618,283	20,634,327
Excess (Deficit) of Revenues over Expenditures	(3,974,403)	(3,407,516)	392,821
Other Financing Sources (Uses):			
Proceeds from disposal of capital assets			1,762
Transfers in	59,363	59,363	467,117
Transfers out	(183,287)	(183,287)	(1,175,999)
	<u>(123,924)</u>	<u>(123,924)</u>	<u>(707,120)</u>
Total Other Financing Sources (Uses)	(123,924)	(123,924)	(707,120)
Net Change in Fund Balance	(4,098,327)	(3,531,440)	(314,299)
Fund Balance, July 1, 2020	<u>4,098,327</u>	<u>3,531,440</u>	<u>5,380,342</u>
Fund Balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,066,043</u>

LARUE COUNTY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL**

SPECIAL REVENUE FUND

Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ -	\$ 428	\$ 428
Other local revenues	9,000	7,000	41,328
Intergovernmental - State	1,037,283	1,783,773	1,168,171
Intergovernmental - Indirect Federal	<u>1,842,954</u>	<u>4,186,512</u>	<u>3,077,048</u>
Total Revenues	2,889,237	5,977,713	4,286,975
Expenditures:			
Instruction	1,723,046	3,133,751	2,530,990
Support services:			
Student	148,064	223,754	222,634
Instruction staff	738,286	1,053,593	875,958
District administrative		81,000	26,588
School administrative		46,070	40,976
Business			
Plant operation and maintenance	45,087	745,812	251,804
Student transportation	78,540	155,669	29,095
Community service activities	211,214	211,214	228,478
Other non-instruction		<u>126,000</u>	<u>92,725</u>
Total Expenditures	<u>2,944,237</u>	<u>5,776,863</u>	<u>4,299,248</u>
Excess (Deficit) of Revenues over Expenditures	(55,000)	200,850	(12,273)
Other Financing Sources (Uses):			
Transfers in	55,000	44,493	45,373
Transfers out		<u>(245,343)</u>	
Total Other Financing Sources (Uses)	<u>55,000</u>	<u>(200,850)</u>	<u>45,373</u>
Net Change in Fund Balance	-	-	33,100
Fund Balance, July 1, 2020	<u>-</u>	<u>-</u>	<u>60,579</u>
Fund Balance, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,679</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE CERS NET PENSION LIABILITY

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Proportion of the net pension liability	0.120023%	0.115688%	0.119374%	
Proportionate share of the net pension liability	\$ 9,205,665	\$ 8,136,389	\$ 7,270,240	
Covered payroll	\$ 3,055,540	\$ 2,881,375	\$ 2,952,811	
Proportionate share of the net pension liability as percentage of covered payroll	301.3%	282.4%	246.2%	
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	
	2018	2017	2016	2015
Proportion of the net pension liability	0.120030%	0.116510%	0.114346%	0.111953%
Proportionate share of the net pension liability	\$ 7,025,901	\$ 5,736,571	\$ 4,916,355	\$ 3,632,000
Covered payroll	\$ 2,922,222	\$ 2,800,233	\$ 2,607,655	\$ 2,608,438
Proportionate share of the net pension liability as percentage of covered payroll	240.4%	204.9%	188.5%	139.2%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	55.50%	59.97%	66.80%

* Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE GERS NET OPEB LIABILITY

June 30, 2021

Last 10 Years *

	2021	2020
Proportion of the net OPEB liability	0.119988%	0.115658%
Proportionate share of the net OPEB liability	\$ 2,897,345	\$ 1,945,315
Covered payroll	\$ 3,055,540	\$ 2,881,375
Proportionate share of the net OPEB liability as percentage of covered payroll	94.82%	67.51%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%
	2019	2018
Proportion of the net OPEB liability	0.119374%	0.120030%
Proportionate share of the net OPEB liability	\$ 2,119,371	\$ 2,413,074
Covered payroll	\$ 2,952,811	\$ 2,922,222
Proportionate share of the net OPEB liability as percentage of covered payroll	71.77%	82.58%
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	52.39%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET PENSION LIABILITY

June 30, 2021

Last 10 Years *

	2021	2020	2019	
Proportion of the net pension liability	0.391000%	0.324300%	0.341500%	
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	
State proportionate share of the net pension liability associated with the District	46,641,749	44,245,754	44,714,289	
Total	\$ 46,641,749	\$ 44,245,754	\$ 44,714,289	
Covered payroll	\$ 10,903,678	\$ 10,547,328	\$ 10,783,010	
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	
Plan fiduciary net position as a percentage of the total pension liability	58.30%	58.80%	59.30%	
	2018	2017	2016	2015
Proportion of the net pension liability	0.343200%	0.344800%	0.337500%	0.3320%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State proportionate share of the net pension liability associated with the District	92,601,000	101,729,057	78,537,734	68,229,782
Total	\$ 92,601,000	\$ 101,729,057	\$ 78,537,734	\$ 68,229,782
Covered payroll	\$ 1,107,515,504	\$ 10,779,806	\$ 10,370,236	\$ 10,137,834
District's proportionate share of the net pension liability as percentage of covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	39.80%	35.20%	42.50%	45.59%

* Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY
- MEDICAL INSURANCE FUND

June 30, 2021

Last 10 Years *

	<u>2021</u>	<u>2020</u>
Proportion of the net OPEB liability	0.319094%	0.313991%
District's proportionate share of the net OPEB liability	\$ 4,471,000	\$ 5,084,000
State proportionate share of the net OPEB liability associated with the District	<u>3,582,000</u>	<u>4,106,000</u>
Total	<u>\$ 8,053,000</u>	<u>\$ 9,190,000</u>
Covered payroll	\$ 10,903,678	\$ 10,383,700
District's proportionate share of the net OPEB liability as percentage of covered payroll	41.00%	48.96%
Plan fiduciary net position as a percentage of the total OPEB liability	39.10%	32.60%
	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.329344%	0.329967%
District's proportionate share of the net OPEB liability	\$ 6,138,000	\$ 6,476,000
State proportionate share of the net OPEB liability associated with the District	<u>5,290,000</u>	<u>5,290,000</u>
Total	<u>\$ 11,428,000</u>	<u>\$ 11,766,000</u>
Covered payroll	\$ 10,503,967	\$ 10,751,504
District's proportionate share of the net OPEB liability as percentage of covered payroll	58.44%	60.23%
Plan fiduciary net position as a percentage of the total OPEB liability	25.50%	21.20%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE TRS NET OPEB LIABILITY
- LIFE INSURANCE FUND

June 30, 2021

Last 10 Years *

	2021	2020
Proportion of the net OPEB liability	0.312025%	0.367100%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	108,000	95,000
Total	\$ 108,000	\$ 95,000
Covered payroll	\$ 10,903,678	\$ 10,383,700
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	71.60%	73.40%
	2019	2018
Proportion of the net OPEB liability	0.321830%	0.322515%
District's proportionate share of the net OPEB liability	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	91,000	71,000
Total	\$ 91,000	\$ 71,000
Covered payroll	\$ 10,503,967	\$ 10,751,504
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	75.00%	80.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2021

Last 10 Years *

	2021	2020	2019		
Contractually required contribution (actuarially determined)	\$ 589,132	\$ 589,719	\$ 467,359		
Contribution in relation to the actuarially determined contributions	589,132	589,719	467,359		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Covered payroll	\$ 3,052,499	\$ 3,055,540	\$ 2,881,375		
Contributions as a percentage of covered payroll	19.30%	19.30%	16.22%		
	2018	2017	2016	2015	
Contractually required contribution (actuarially determined)	\$ 427,567	\$ 407,650	\$ 347,789	\$ 332,476	
Contribution in relation to the actuarially determined contributions	427,567	407,650	347,789	332,476	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Covered payroll	\$ 2,952,811	\$ 2,922,222	\$ 2,800,233	\$ 2,607,655	
Contributions as a percentage of covered payroll	14.48%	13.95%	12.42%	12.75%	

* Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2021

Last 10 Years *

	2021	2020	2019		
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -		
Contribution in relation to the actuarially determined contributions	-	-	-		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered payroll	\$ 10,916,240	\$ 10,903,678	\$ 10,547,328		
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%		
	2018	2017	2016	2015	
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ -	
Contribution in relation to the actuarially determined contributions	-	-	-	-	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Covered payroll	\$ 10,783,010	\$ 10,751,504	\$ 10,779,806	\$ 10,370,236	
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

* Fiscal year 2015 was the first year of implementation, therefore, only seven years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2021

Last 10 Years *

	<u>2021</u>	<u>2020</u>
Contractually required contribution (actuarially determined)	\$ 145,299	\$ 145,444
Contribution in relation to the actuarially determined contributions	<u>145,299</u>	<u>145,444</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,052,499	\$ 3,055,540
Contributions as a percentage of covered payroll	4.76%	4.76%
	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 151,560	\$ 139,057
Contribution in relation to the actuarially determined contributions	<u>151,560</u>	<u>139,057</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,881,375	\$ 2,952,811
Contributions as a percentage of covered payroll	5.26%	4.71%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2021

Last 10 Years *

	<u>2021</u>	<u>2020</u>
Contractually required contribution (actuarially determined)	\$ 328,000	\$ 327,000
Contribution in relation to the actuarially determined contributions	<u>328,000</u>	<u>327,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,916,240	\$ 10,903,678
Contributions as a percentage of covered payroll	3.00%	3.00%
	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 311,511	\$ 315,119
Contribution in relation to the actuarially determined contributions	<u>311,511</u>	<u>315,119</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,383,700	\$ 10,503,967
Contributions as a percentage of covered payroll	3.00%	3.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are s

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2021

Last 10 Years *

	2021	2020
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,916,240	\$ 10,903,678
Contributions as a percentage of covered payroll	0.00%	0.00%
	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 10,383,700	\$ 10,503,967
Contributions as a percentage of covered payroll	0.00%	0.00%

* Fiscal year 2018 was the first year of implementation, therefore, only four years are shown

LARUE COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

CERS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2020.

Changes of assumptions (as of June 30 of the year measurement date):

2014 – The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%. Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2015 and 2016 – No changes.

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

2018 – No changes.

2019 – Salary rates were increased from 3.05% average to 3.30 percent to 10.30%, varies by service. Annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 – No changes.

CERS OPEB

Changes of benefit terms. There were no changes in benefit terms for 2018 to 2020.

Changes of assumptions (as of June 30 of the year measurement date):

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%.

2018 – No changes

2019 – The discount rate was changed from 5.85% to 5.68%. Annual salary increases and annual rates of retirement, disability, withdrawal and mortality were updated based on the 2018 experience study and the percent of disabilities assumed to occur in the line of duty was updated from 0% to 2% for non-hazardous members.

2020 – The discount rate was changed from 5.68 to 5.34%.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2021

TRS PENSION

Changes of benefit terms. There were no changes in benefit terms for 2015 through 2021.

Changes of assumptions (as of June 30 of the year measurement date):

2014 – In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions. Beginning with the 2014 valuation, the interest smoothing methodology is no longer used. In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

2015 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%. In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

2016 – The Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

2017 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

2018 – The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

2019 and 2020 – No changes

TRS OPEB

Changes of benefit terms.

2018 – MIF – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

LIF – No changes

2019, 2020 and 2021 – No changes for MIF or LIF

Changes of assumptions (as of June 30 of the year measurement date):

2017 – No changes for MIF or LIF

2018 – MIF updated the health care trend rates. No changes for the LIF

2019 – No changes for MIF or LIF

2020 – MIF updated the health care trend rates. No changes for the LIF

SUPPLEMENTARY INFORMATION

LARUE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2021

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:							
Cash and cash equivalents	\$ 85,137	\$ 155,154	\$ 3,784	\$ 2,597	\$ 337,697	\$ 91,910	\$ 676,279
Receivables - other	125						125
Total Assets	<u>\$ 85,262</u>	<u>\$ 155,154</u>	<u>\$ 3,784</u>	<u>\$ 2,597</u>	<u>\$ 337,697</u>	<u>\$ 91,910</u>	<u>\$ 676,404</u>
Liabilities and Fund Balances:							
Liabilities							
Accounts payable	\$ 144	\$ -	\$ -	\$ -	\$ 581	\$ -	\$ 725
Total Liabilities	<u>144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>581</u>	<u>-</u>	<u>725</u>
Fund Balances							
Restricted		155,154	3,784	2,597	337,116	91,910	590,561
Committed	85,118						85,118
Total Fund Balances	<u>85,118</u>	<u>155,154</u>	<u>3,784</u>	<u>2,597</u>	<u>337,116</u>	<u>91,910</u>	<u>675,679</u>
Total Liabilities and Fund Balances	<u>\$ 85,262</u>	<u>\$ 155,154</u>	<u>\$ 3,784</u>	<u>\$ 2,597</u>	<u>\$ 337,697</u>	<u>\$ 91,910</u>	<u>\$ 676,404</u>

LARUE COUNTY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2021

	District Activity Fund	Student Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Construction Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues							
From local sources:							
Property taxes	\$ -	\$ -	\$ -	\$ 430,189	\$ -	\$ -	\$ 430,189
Other local revenue	10,027	123,378	-	-	-	-	133,405
Earnings on investments			34	24	4,545	6,487	11,090
Intergovernmental - State			211,871	540,178		1,037,215	1,789,264
Total Revenues	10,027	123,378	211,905	970,391	4,545	1,043,702	2,363,948
Expenditures							
Instruction	5,140	90,520					95,660
Support services:							
Student		1,539					1,539
Plant operation and maintenance		638					638
Student transportation		(250)					(250)
Facilities acquisition and construction					737,886		737,886
Bond issuance costs						43,360	43,360
Other		838					838
Debt service:							
Principal						2,655,000	2,655,000
Interest						455,907	455,907
Total Expenditures	5,140	93,285	-	-	737,886	3,154,267	3,990,578
Excess (Deficit) of Revenues over Expenditures	4,887	30,093	211,905	970,391	(733,341)	(2,110,565)	(1,626,630)
Other Financing Sources (Uses)							
Bond proceeds from refunding bonds						3,465,000	3,465,000
Bond premium						95,013	95,013
Payments to refunded escrow agent						(3,515,512)	(3,515,512)
Transfers in	35,955					2,015,374	2,051,329
Transfers out		(35,955)	(239,291)	(970,418)			(1,245,664)
Total Other Financing Sources (Uses)	35,955	(35,955)	(239,291)	(970,418)	-	2,059,875	850,166
Net Change in Fund Balances	40,842	(5,862)	(27,386)	(27)	(733,341)	(50,690)	(776,464)
Fund Balance, July 1, 2020	44,276	-	31,170	2,624	1,070,457	142,600	1,291,127
Restatement		161,016					161,016
Fund Balance, July 1, 2020, as restated	44,276	161,016	31,170				1,452,143
Fund balance, June 30, 2021	\$ 85,118	\$ 155,154	\$ 3,784	\$ 2,597	\$ 337,116	\$ 91,910	\$ 675,679

LARUE COUNTY SCHOOL DISTRICT
SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
ALL SCHOOLS
YEAR ENDED JUNE 30, 2021

SCHOOL	CASH BALANCE JULY 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCE JUNE 30, 2021	RECEIVABLES JUNE 30, 2021	ACCOUNTS PAYABLE JUNE 30, 2021	DUE TO STUDENT STUDENT GROUPS JUNE 30, 2021
LARUE CO. HIGH SCHOOL	\$ 97,705	\$ 100,987	\$ 104,838	\$ 93,854	\$ -	\$ -	\$ 93,854
LARUE CO. MIDDLE	26,198	13,327	11,824	27,701	-	-	27,701
ABRAHAM LINCOLN ELEMENTARY	11,183	3,147	3,892	10,438	-	-	10,438
HODGENVILLE ELEMENTARY	25,930	6,499	9,268	23,161	-	-	23,161
	<u>\$ 161,016</u>	<u>\$ 123,960</u>	<u>\$ 129,822</u>	<u>\$ 155,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,154</u>

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES
 LARUE COUNTY HIGH SCHOOL

YEAR ENDED JUNE 30, 2021

NAME OF ACTIVITY	CASH BALANCE JULY 1, 2020	RECEIPTS	DISBURSE- MENTS	CASH BALANCE JUNE 30, 2021	RECEIVABLES JUNE 30, 2021	ACCOUNTS PAYABLE JUNE 30, 2021	DUE TO STUDENT GROUPS JUNE 30, 2021
GENERAL	\$ 5,101	\$ 3,250	\$ 1,033	\$ 7,318	\$ -	\$ -	\$ 7,318
DONATION/STUDENT AWARD	-	-	-	-	-	-	-
FACULTY COKE	460	161	598	23	-	-	23
GUIDANCE	1,739	1,505	1,539	1,705	-	-	1,705
STUDENT COKE	486	-	-	486	-	-	486
BETA CLUB	373	180	547	6	-	-	6
FCA	791	-	-	791	-	-	791
FFA	11,255	7,043	7,523	10,775	-	-	10,775
FBLA	100	-	-	100	-	-	100
SOS CLUB	1,775	-	-	1,775	-	-	1,775
SPEECH	578	8,186	4,106	4,658	-	-	4,658
YCLUB	-	-	-	-	-	-	-
STLP/ROBOTICS	-	-	-	-	-	-	-
YEARBOOK	1,267	4,247	4,549	965	-	-	965
LIBRARY CLUB	-	-	-	-	-	-	-
PEP CLUB	500	-	219	281	-	-	281
SPANISH CLUB	80	-	-	80	-	-	80
ACT - FRYSC	272	-	-	272	-	-	272
AGRISCIENCE	977	-	447	530	-	-	530
FMD ACTIVITY	60	-	-	60	-	-	60
BUSINESS DEPT	-	66	-	66	-	-	66
ATHLETIC ACCOUNT	64,221	61,094	69,948	55,367	-	-	55,367
CHANGE FUND	-	800	800	-	-	-	-
SENIOR CLASS	2,405	866	692	2,579	-	-	2,579
JUNIOR CLASS	2,024	7,070	6,461	2,633	-	-	2,633
LIFE CONNECTION	1,408	-	-	1,408	-	-	1,408
BAND	1,833	7,933	7,790	1,976	-	-	1,976
BACKGROUND CHECKS DAF	-	-	-	-	-	-	-
YEARBOOK DAF	-	4,297	4,297	-	-	-	-
LIBRARY DAF	-	-	-	-	-	-	-
ATHLETIC DAF	-	27,052	27,052	-	-	-	-
GENERAL DAF	-	1,548	1,548	-	-	-	-
TOTALS	<u>97,705</u>	<u>135,298</u>	<u>139,149</u>	<u>93,854</u>	<u>-</u>	<u>-</u>	<u>93,854</u>
TRANSFERS	-	34,311	34,311	-	-	-	-
TOTALS	<u>\$ 97,705</u>	<u>\$ 100,987</u>	<u>\$ 104,838</u>	<u>\$ 93,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,854</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
School Breakfast Program	10.553	7760005-20		\$ 2,117
Summer Food Service Program for Children	10.559	7690024-20		35,825
		7690024-21		95,057
		7740023-20		256,731
		7740023-21		984,701
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		108,157
TOTAL CHILD NUTRITION CLUSTER				1,482,588
Passed Through State Department of Education:				
State Administrative	10.560	7700001-19		1,201
TOTAL U.S. DEPT. OF AGRICULTURE				1,483,789
<u>U.S. DEPARTMENT OF TREASURY</u>				
Passed Through State Department of Education:				
COVID-19 - Coronavirus Relief Fund	21.019	CARES		598,867
TOTAL U.S. DEPT. OF TREASURY				598,867
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-18		635
		3810002-19		148,395
		3810002-20		337,062
				486,092
Passed Through State Department of Education:				
Special Education - Preschool Grants	84.173	3800002-18		20
		3800002-19		15,650
		3800002-20		19,323
				34,993
TOTAL SPECIAL EDUCATION CLUSTER				521,085
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Passed Through Kentucky Council on Postsecondary Education				
Adult Education - State Grant Program	84.002	3840001-19		20,105
		3840001-20		11,983
				32,088
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-18		4,122
		3100002-19		232,840
		3100002-20		481,215
				718,177
Career and Technical Education - Basic Grants to States				
	84.048	3710002-19		2,183
		3710002-20		27,708
				29,891

The accompanying notes are an integral part of this schedule.

LARUE COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

YEAR ENDED JUNE 30, 2021

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
Rural Education	84.358B	3140002-18 3140002-19 3140002-20		3,296 34,173 5,059 <hr/> 42,528
English Language Acquisition State Grants	84.365	3300002-19 3300002-20		1,961 2,015 <hr/> 3,976
Supporting Effective Instruction - State Grants	84.367A	3230002-19 3230002-20		30,657 76,468 <hr/> 107,125
Striving Readers	84.371	3220002-18		<hr/> 76,485
Student Support and Academic Enrichment	84.424	3420002-19 3420002-20		32,429 26,772 <hr/> 59,201
COVID 19 - Elementary and Secondary School Emergency Relief Fun	84.425	4000002-20 4000002-21 4000003-20 GEER		540,110 11,101 183,591 100,796 <hr/> 835,598
TOTAL U.S. DEPARTMENT OF EDUCATION				<hr/> <hr/> 2,426,154
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through Kentucky Cabinet for Families and Children: COVID-19 Child Care Development Block Grant	93.575	KCFC-20 KCFC-21		13,437 39,960 <hr/> 53,397
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<hr/> 53,397
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ -</u>	<u>\$ 4,562,207</u>

The accompanying notes are an integral part of this schedule.

LARUE COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – INDIRECT COST RATE

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results - Continued

Identification of major programs:

CFDA Number	Federal Program or Cluster
	DEPARTMENT OF TREASURY
21.019	COVID-19 - Coronavirus Relief Fund
	DEPARTMENT OF AGRICULTURE
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

LARUE COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended June 30, 2021

There were no prior findings.

**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***



HCA

Heartland CPAs and Advisors PLLC

**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
LaRue County School District
Hodgenville, Kentucky

We have audited, in accordance with the 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 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 LaRue County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise LaRue County School District's basic financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LaRue County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LaRue County School 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 instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted certain matters that we reported to management of LaRue County School District in a separate letter dated November 12, 2021.

Purpose of this Report

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



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
November 12, 2021

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



HCA

Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits
Members of the Board of Education
LaRue County School District
Hodgenville, Kentucky

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that 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 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.



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
November 12, 2021

MANAGEMENT LETTER AND COMMENTS



HCA

Heartland CPAs and Advisors PLLC

Kentucky State Committee for School District Audits
Members of the Board of Education
LaRue County School District
Hodgenville, Kentucky

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

However, during our audit we became aware of several 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. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated November 12, 2021, contains our report on the District's internal control. This letter does not affect our report dated November 12, 2021, on the financial statements of the LaRue County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various 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.

This report is intended solely for the information and use of management, the members of the LaRue County Board of Education, 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.

Heartland CPAs and Advisors, PLLC

Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
November 12, 2021

LARUE COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2021

UNCORRECTED PRIOR YEAR COMMENTS – NONE

CURRENT YEAR COMMENTS

LARUE COUNTY HIGH SCHOOL

DISBURSEMENTS

We noted that a check written on 2/05/2021 to the Future Farmers of America had a purchase order that did not have an approval date on it. Redbook requires each check have a purchase order that has been signed, dated, and approved prior to the check being written.

MANAGEMENT RESPONSE

The Finance Director will work with the Office Manager and Principal to ensure correct forms are used and will ensure the proper procedures are followed in the future.