

**BREATHITT COUNTY SCHOOL DISTRICT**  
**Jackson, Kentucky**

---

**FINANCIAL STATEMENTS**  
**June 30, 2021**

## CONTENTS

Independent Auditors' Report .....	1-2
Management's Discussion and Analysis.....	3-7
Government-wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities .....	9
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	11
Statement of Net Position – Proprietary Funds .....	12
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	13
Statement of Cash Flows – Proprietary Funds.....	14
Notes to Financial Statements .....	15-49
Required Supplementary Information	
Budget Information – Major Governmental Funds .....	50-51
Proportionate Share of Net Pension Liability .....	52-53
Proportionate Share of Net OPEB Liability .....	54-56
Schedule of Pension Contributions .....	57-58
Schedule of OPEB Contributions .....	59-61
Notes to Required Supplementary Information .....	62-65
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds .....	66
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds .....	67
Combining Statement of Receipts, Disbursements and Due to Student Groups – School Activity Funds.....	68
Statement of Receipts, Disbursements, and Due to Student Groups Breathitt County High School.....	69-70
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71-72
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	73-74
Schedule of Expenditures of Federal Awards.....	75
Schedule of Findings and Questioned Costs.....	76-77
Management Letter .....	78-80



## INDEPENDENT AUDITORS' REPORT

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

### 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 Breathitt 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 Breathitt County School District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

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

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 3-7 and 50-61 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 Breathitt County School District's basic financial statements. The combining nonmajor fund financial statements and the school activity fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 nonmajor fund financial statements, school activity fund statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the school activity fund statements and the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
November 11, 2021

BREATHITT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED June 30, 2021

The management of Breathitt County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2021. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$17,553,068 in 2021 and \$3,075,460 in 2020.
- The General Fund had \$16,046,328 in revenue, excluding interfund transfers and proceeds from the sale of assets, which primarily consisted of the state program (SEEK) and property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$15,199,687 in General Fund expenditures.
- Governmental Capital Assets had a net increase of \$3,125,602 during the current fiscal year. Business-Type Activities Capital Assets had a net decrease of \$41,919 during the current fiscal year.
- The District faced significant challenges during the FY21 school year due to the Covid-19 Pandemic. The District continues to provide virtual instruction for students when in person classes are not recommended by the local Health Department or the Kentucky Department for Public Health. Meals are continuing to be provided to students who learn virtually by providing weekly meal boxes. The National School Lunch Program has been flexible in allowing Districts to follow Summer Food Program guidelines for providing meals to students during the school year.
- The District began construction on a new elementary school during the 2020-2021 school year. The School is planned for Grades PK-2 and is located at the LBJ Elementary School Site (The LBJ Elementary School was demolished in order to make room for the new school). The New School is scheduled to open sometime during the 2022-2023 school year.
- The District has been awarded additional funds to address issues related to the Covid-19 Pandemic and Learning Loss. Spending Plans have been developed with input from all stakeholders in order to spend the funds in the most effective, efficient way possible.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental and proprietary funds. The proprietary funds are our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 8 to 14 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

BREATHITT COUNTY SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
 YEAR ENDED June 30, 2021

**Fiscal year 2021 government-wide net position compared to 2020 is as follows:**

	<b>2021</b>	<b>2020</b>
Current assets	\$ 7,497,201	\$ 6,170,331
Noncurrent assets	<u>32,495,081</u>	<u>16,923,289</u>
Total assets	<u>39,992,282</u>	<u>23,093,620</u>
Total deferred outflows	<u>2,799,561</u>	<u>2,516,935</u>
Current liabilities	3,391,491	2,514,531
Noncurrent liabilities	<u>38,885,206</u>	<u>25,028,604</u>
Total liabilities	<u>42,276,697</u>	<u>27,543,135</u>
Total deferred inflows	<u>2,658,450</u>	<u>2,737,194</u>
Net position		
Net investment in capital assets	5,600,404	3,491,909
Restricted	1,684,126	935,144
Unrestricted	<u>(9,427,834)</u>	<u>(9,096,827)</u>
Total net position	<u>\$ (2,143,304)</u>	<u>\$ (4,669,774)</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental liabilities and deferred inflows exceeded assets and deferred outflows by approximately \$1,722,416; proprietary liabilities and deferred inflows exceeded assets and deferred outflows by \$420,888 and total liabilities and deferred inflows exceeded assets and deferred outflows by \$2,143,304 at June 30, 2021.

The District had an overall increase in net position of \$2,526,470, comprised of a increase in governmental activities net position of \$2,152,279 and a increase in business-type activities net position of \$374,191.

The following table presents an accounting comparison and summary of revenue and expense for the fiscal years 2021 and 2020.

BREATHITT COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED  
YEAR ENDED June 30, 2021

	2021	2020
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 8,476	\$ 47,580
Operating grants	7,970,344	5,777,216
Capital grants	249,361	71,793
Total program revenues	<u>8,228,181</u>	<u>5,896,589</u>
<b>General revenues</b>		
Taxes	\$ 3,019,030	\$ 3,017,881
State aid-formula grants	14,719,195	14,973,713
Investment earnings	5,486	13,916
Miscellaneous	328,345	104,634
Total general revenues	<u>18,072,056</u>	<u>18,110,144</u>
Total revenues	<u>26,300,237</u>	<u>24,006,733</u>
<b>Expenses</b>		
Instruction	\$ 12,025,402	\$ 11,519,528
Student support services	1,367,995	1,131,823
Instructional support	1,724,492	1,665,334
District administration	807,690	868,197
School administration	1,188,578	1,192,437
Business operations	448,714	408,630
Plant operation and maintenance	2,638,733	3,509,518
Student transportation	1,738,810	1,874,068
Food service operation	1,872,540	1,823,851
Community services	284,310	244,559
Interest on long-term debt	379,184	406,769
Bond issuance cost	292,174	51,146
Total expenses	<u>24,768,622</u>	<u>24,695,860</u>
Extraordinary item - insurance reimbursement	1,181,494	2,154,196
Loss on disposal of assets	<u>(186,639)</u>	<u>9,926</u>
Change in net position	<u>\$ 2,526,470</u>	<u>\$ 1,474,995</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.



## BUDGETARY IMPLICATION

In Kentucky the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$1,276,918 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District. The District is conservative in budgeting for its General Fund; therefore, in an effort to address potential shortfalls in revenue, or other extraordinary events that might occur during the budget cycle, variances between budget and actual amounts are common.

## CAPITAL ASSETS AND LONG-TERM DEBT

	Beginning	Additions	Deductions	Ending
<b>Governmental:</b>				
Capital Assets	\$ 48,551,446	\$ 4,774,715	\$ 3,888,649	\$ 49,437,512
Accumulated Depreciation	\$ 31,924,374	\$ 1,454,762	\$ 3,694,298	\$ 29,684,838
<b>Business-type:</b>				
Capital Assets	\$ 716,596	\$ -	\$ -	\$ 716,596
Accumulated Depreciation	\$ 420,380	\$ 41,919	\$ -	\$ 462,299
<b>Governmental:</b>				
Bonds Payable	\$ 12,730,000	\$14,570,000	\$ 1,130,000	\$ 26,170,000
Capital Lease Payable	\$ 866,242	\$ -	\$ 202,082	\$ 664,160
Compensated Absences	\$ 182,453	\$ 52,152	\$ -	\$ 234,605
KSBIT	\$ 376,636	\$ -	\$ 70,829	\$ 305,807

## Comments on Budget Comparisons

- The District's total general fund revenues, excluding transfers and proceeds from the sale of assets, for the fiscal year ended June 30, 2021 were \$16,046,328.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$970,826 more than budget or 6.5% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2021 was \$15,199,687, excluding transfers.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$2,327,585 less than budget or 13.3% less than budget.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent at 606-666-2491, Director of Financial Services at 606-666-2491, or by mail at 420 Court Street, PO Box 750 Jackson, Kentucky 41339.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2021**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 4,344,199	\$ 720,759	\$ 5,064,958
Accounts receivable	2,378,279	38,710	2,416,989
Inventory	-	15,254	15,254
Total current assets	6,722,478	774,723	7,497,201
Noncurrent assets			
Restricted cash and cash equivalents	12,488,110	-	12,488,110
Land	491,402	-	491,402
Construction in progress	4,156,481	-	4,156,481
Other capital assets, net of depreciation	15,104,791	254,297	15,359,088
Total noncurrent assets	32,240,784	254,297	32,495,081
Total assets	38,963,262	1,029,020	39,992,282
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension - CERS	916,412	186,413	1,102,825
Deferred outflows - OPEB - CERS	861,273	175,197	1,036,470
Deferred outflows - OPEB - KTRS	500,014	-	500,014
Defeasance on refunding	160,252	-	160,252
Total deferred outflows of resources	2,437,951	361,610	2,799,561
Total assets and deferred outflows of resources	\$ 41,401,213	\$ 1,390,630	\$ 42,791,843
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,160,512	\$ 1,413	\$ 1,161,925
Unearned revenues	465,413	-	465,413
Retainage payable	192,304	-	192,304
Interest payable	79,630	-	79,630
KSBIT assessment - current	72,987	-	72,987
KISTA lease - current	179,232	-	179,232
Bond obligations - current	1,240,000	-	1,240,000
Total current liabilities	3,390,078	1,413	3,391,491
Noncurrent liabilities			
Compensated absences	234,605	-	234,605
KSBIT assessment - noncurrent	232,820	-	232,820
KISTA lease - noncurrent	484,928	-	484,928
Bond obligations - noncurrent	25,150,769	-	25,150,769
Net pension liability - CERS	6,133,938	1,247,745	7,381,683
Net OPEB liability - CERS	1,930,566	392,709	2,323,275
Net OPEB liability - KTRS	3,077,126	-	3,077,126
Total noncurrent liabilities	37,244,752	1,640,454	38,885,206
Total liabilities	40,634,830	1,641,867	42,276,697
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension - CERS	309,401	62,937	372,338
Deferred inflows - OPEB - CERS	524,608	106,714	631,322
Deferred inflows - OPEB - KTRS	1,654,790	-	1,654,790
Total deferred inflows of resources	2,488,799	169,651	2,658,450
<b>NET POSITION</b>			
Net investment in capital assets	5,346,107	254,297	5,600,404
Restricted for			
Other	1,684,126	-	1,684,126
Unrestricted	(8,752,649)	(675,185)	(9,427,834)
Total net position	(1,722,416)	(420,888)	(2,143,304)
Total liabilities, deferred inflows of resources and net position	\$ 41,401,213	\$ 1,390,630	\$ 42,791,843

The accompanying notes are an integral part  
of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
for the year ended June 30, 2021**

<b>Functions/Programs</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary government</b>							
<b>Governmental activities</b>							
Instruction	\$ 12,025,402	\$ -	\$ 3,540,518	\$ 164,043	\$ (8,320,841)	\$ -	\$ (8,320,841)
Support Services:							
Student	1,367,995	8,355	475,378	-	(884,262)	-	(884,262)
Instruction staff	1,724,492	-	669,580	-	(1,054,912)	-	(1,054,912)
District administrative	807,690	-	325,777	-	(481,913)	-	(481,913)
School administrative	1,188,578	-	-	-	(1,188,578)	-	(1,188,578)
Business	448,714	-	30,795	-	(417,919)	-	(417,919)
Plant operation and maintenance	2,638,733	-	114,821	-	(2,523,912)	-	(2,523,912)
Student transportation	1,738,810	-	220,755	-	(1,518,055)	-	(1,518,055)
Community service activities	284,310	-	285,548	-	1,238	-	1,238
Interest on long-term debt	379,184	-	-	85,318	(293,866)	-	(293,866)
Bond issuance cost	292,174	-	-	-	(292,174)	-	(292,174)
Total governmental activities	<u>22,896,082</u>	<u>8,355</u>	<u>5,663,172</u>	<u>249,361</u>	<u>(16,975,194)</u>	<u>-</u>	<u>(16,975,194)</u>
<b>Business-type activities</b>							
Food service	<u>1,872,540</u>	<u>121</u>	<u>2,307,172</u>	<u>-</u>	<u>-</u>	<u>434,753</u>	<u>434,753</u>
Total business-type activities	<u>1,872,540</u>	<u>121</u>	<u>2,307,172</u>	<u>-</u>	<u>-</u>	<u>434,753</u>	<u>434,753</u>
<b>Total school district</b>	<b>\$ 24,768,622</b>	<b>\$ 8,476</b>	<b>\$ 7,970,344</b>	<b>\$ 249,361</b>	<b>(16,975,194)</b>	<b>434,753</b>	<b>(16,540,441)</b>
<b>General revenues</b>							
Taxes:							
Property taxes					2,076,010	-	2,076,010
Motor vehicle taxes					358,175	-	358,175
Utility taxes					584,845	-	584,845
State aid-formula grants					14,719,195	-	14,719,195
Investment earnings					5,061	425	5,486
Miscellaneous					<u>328,345</u>	<u>-</u>	<u>328,345</u>
Total general revenues					18,071,631	425	18,072,056
Extraordinary item - insurance reimbursement					1,181,494	-	1,181,494
Operating transfers in (out)					60,987	(60,987)	-
Loss on disposal of assets					<u>(186,639)</u>	<u>-</u>	<u>(186,639)</u>
<b>Change in Net Position</b>					<b>2,152,279</b>	<b>374,191</b>	<b>2,526,470</b>
Net position-beginning, as restated					<u>(3,874,695)</u>	<u>(795,079)</u>	<u>(4,669,774)</u>
<b>NET POSITION-ENDING</b>					<b>\$ (1,722,416)</b>	<b>\$ (420,888)</b>	<b>\$ (2,143,304)</b>

The accompanying notes are an integral part of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,670,872	\$ -	\$ 14,064,343	\$ 97,094	\$ 16,832,309
Accounts receivable	157,634	1,250,088	970,557	-	2,378,279
Due from other funds	635,288	-	-	-	635,288
Total assets	<u>\$ 3,463,794</u>	<u>\$ 1,250,088</u>	<u>\$ 15,034,900</u>	<u>\$ 97,094</u>	<u>\$ 19,845,876</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 51,367	\$ 149,387	\$ 959,758	\$ -	\$ 1,160,512
Due to other funds	-	635,288	-	-	635,288
Unearned revenues	-	465,413	-	-	465,413
Total liabilities	<u>51,367</u>	<u>1,250,088</u>	<u>959,758</u>	<u>-</u>	<u>2,261,213</u>
<b>FUND BALANCE</b>					
Restricted					
Other	-	-	14,075,142	97,094	14,172,236
Committed					
Compensated absences	117,303	-	-	-	117,303
Assigned	-	-	-	-	-
Purchase orders	-	-	-	-	-
Unassigned	3,295,124	-	-	-	3,295,124
Total fund balance	<u>3,412,427</u>	<u>-</u>	<u>14,075,142</u>	<u>97,094</u>	<u>17,584,663</u>
Total liabilities and fund balance	<u>\$ 3,463,794</u>	<u>\$ 1,250,088</u>	<u>\$ 15,034,900</u>	<u>\$ 97,094</u>	<u>\$ 19,845,876</u>

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

Fund balance reported above	\$ 17,584,663
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,752,674
Long-term retainage payable is not due and payable in the current period and is not reported in the funds.	(192,304)
Interest accrued on general long term debt is not a current expenditure and is not reported in the funds.	(79,630)
Net deferred inflows/outflows related to the long-term net pension and OPEB liabilities are not reported in the funds.	(50,848)
Long-term liabilities, including bond obligations, KSBIT assessment, net pension liability, net OPEB liability, capital leases and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	<u>(38,736,971)</u>
Net position of governmental activities	<u>\$ (1,722,416)</u>

The accompanying notes are an integral part  
of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2021**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
From local sources					
Property taxes	\$ 1,650,768	\$ -	\$ -	\$ 425,242	\$ 2,076,010
Motor vehicle taxes	358,175	-	-	-	358,175
Utility taxes	584,845	-	-	-	584,845
Earnings on investments	5,061	-	-	-	5,061
Other local revenues	187,048	196,264	7,578	133,719	524,609
Intergovernmental - State	13,200,174	1,215,026	-	1,544,082	15,959,282
Intergovernmental - Federal	60,257	4,401,280	-	-	4,461,537
	<u>16,046,328</u>	<u>5,812,570</u>	<u>7,578</u>	<u>2,103,043</u>	<u>23,969,519</u>
<b>Total revenues</b>	<u>16,046,328</u>	<u>5,812,570</u>	<u>7,578</u>	<u>2,103,043</u>	<u>23,969,519</u>
<b>EXPENDITURES</b>					
Instruction	8,036,160	3,570,145	-	128,854	11,735,159
Support services					
Student	834,126	487,781	-	-	1,321,907
Instructional staff	1,074,443	675,183	-	-	1,749,626
District administration	476,547	328,503	-	-	805,050
School administration	1,165,126	-	-	-	1,165,126
Business	402,380	31,053	-	-	433,433
Plant operation and maintenance	1,595,744	115,782	103,014	-	1,814,540
Student transportation	1,093,365	222,602	-	-	1,315,967
Community service activities	-	287,937	-	-	287,937
Capital outlay	230,729	141,043	4,187,639	-	4,559,411
Debt service	291,067	-	-	1,474,740	1,765,807
Bond issuance costs	-	-	292,174	-	292,174
	<u>15,199,687</u>	<u>5,860,029</u>	<u>4,582,827</u>	<u>1,603,594</u>	<u>27,246,137</u>
<b>Total expenditures</b>	<u>15,199,687</u>	<u>5,860,029</u>	<u>4,582,827</u>	<u>1,603,594</u>	<u>27,246,137</u>
Excess (deficiency) of revenues over expenditures	<u>846,641</u>	<u>(47,459)</u>	<u>(4,575,249)</u>	<u>499,449</u>	<u>(3,276,618)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	7,711	-	-	-	7,711
Proceeds from bonds	-	-	14,570,000	-	14,570,000
Proceeds from bond premium	-	-	203,395	-	203,395
Operating transfers in	222,574	48,745	999,284	1,134,088	2,404,691
Operating transfers out	(368,442)	(1,286)	-	(1,973,976)	(2,343,704)
	<u>(138,157)</u>	<u>47,459</u>	<u>15,772,679</u>	<u>(839,888)</u>	<u>14,842,093</u>
<b>Total other financing sources and uses</b>	<u>(138,157)</u>	<u>47,459</u>	<u>15,772,679</u>	<u>(839,888)</u>	<u>14,842,093</u>
<b>EXTRAORDINARY ITEM - INSURANCE</b>	<u>-</u>	<u>-</u>	<u>1,181,494</u>	<u>-</u>	<u>1,181,494</u>
<b>Net change in fund balance</b>	708,484	-	12,378,924	(340,439)	12,746,969
Fund balance-beginning, as restated	2,703,943	-	1,696,218	437,533	4,837,694
	<u>\$ 3,412,427</u>	<u>\$ -</u>	<u>\$ 14,075,142</u>	<u>\$ 97,094</u>	<u>\$ 17,584,663</u>
<b>Reconciliation to government-wide change in net position:</b>					
Net change in fund balance					\$ 12,746,969
add: capital outlay expenditures capitalized					4,559,411
add: contributed capital - donated property					23,000
add: debt service expenditures					1,765,807
less: change in long term compensated absences					(52,152)
less: proceeds from bonds					(14,570,000)
less: proceeds from bond premium					(203,395)
less: proceeds from sale of capital assets					(7,711)
less: change in net pension liability					(326,379)
Add: change in net OPEB liability					237,314
less: loss from disposal of assets					(186,639)
less: depreciation on governmental activities assets					(1,454,762)
less: interest on long term debt					(379,184)
					<u>\$ 2,152,279</u>
<b>Change in net position governmental activities</b>					<u>\$ 2,152,279</u>

The accompanying notes are an integral part  
of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2021**

---

	<b>Food Service Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 720,759
Accounts receivable	38,710
Inventory	15,254
Total current assets	774,723
Noncurrent assets	
Capital assets, net of depreciation	254,297
Total assets	1,029,020
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pension - CERS	186,413
Deferred outflows - OPEB - CERS	175,197
Total deferred outflows of resources	361,610
Total assets and deferred outflows of resources	\$ 1,390,630
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 1,413
Noncurrent liabilities	
Net pension liability - CERS	1,247,745
Net OPEB liability - CERS	392,709
Total noncurrent liabilities	1,640,454
Total liabilities	1,641,867
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pension - CERS	62,937
Deferred inflows - OPEB - CERS	106,714
Total deferred inflows of resources	169,651
<b>NET POSITION</b>	
Net investment in capital assets	254,297
Unrestricted net position	(675,185)
Total net position	(420,888)
Total liabilities, deferred inflows of resources and net position	\$ 1,390,630

The accompanying notes are an integral part  
of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
for the year ended June 30, 2021**

---

	<b>Food Service Fund</b>
<b>Operating revenues</b>	
Lunchroom sales	\$ 121
Other revenues	-
	121
Total operating revenues	121
<b>Operating expenses</b>	
Salaries and wages	761,250
Contract services	40,955
Materials and supplies	1,024,007
Other expenses	4,409
Depreciation	41,919
	1,872,540
Total operating expenses	1,872,540
Operating (loss)	(1,872,419)
<b>Nonoperating revenues</b>	
Federal grants	2,126,624
Commodities received	59,187
State grants	10,638
State on-behalf payments	110,723
Interest income	425
	2,307,597
Total nonoperating revenue	2,307,597
Income (loss) before transfers	435,178
Transfers in	-
Transfers (out)	(60,987)
	374,191
<b>Change in net position</b>	374,191
Total net position-beginning of year	(795,079)
<b>TOTAL NET POSITION-ENDING</b>	<b>\$ (420,888)</b>

The accompanying notes are an integral part  
of the financial statements.

**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
for the year ended June 30, 2021**

---

	<b>Food Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 121
Cash paid to employees, including benefits	(599,671)
Cash paid to suppliers	<u>(1,000,155)</u>
Net cash (used) by operating activities	<u>(1,599,705)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers (to) other funds	(60,987)
Cash received from government funding	<u>2,133,022</u>
Net cash provided by noncapital financing activities	<u>2,072,035</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>425</u>
Net cash provided by investing activities	<u>425</u>
Net increase (decrease) in cash and cash equivalents	472,755
Balances-beginning of the year	<u>248,004</u>
<b>BALANCES-END OF THE YEAR</b>	<b><u>\$ 720,759</u></b>
<b>Reconciliation of operating (loss) to net cash provided (used) by operating activities:</b>	
Operating (loss)	\$ (1,872,419)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:	
Depreciation expense	41,919
Net change in pension liability	43,971
Net change in OPEB liability	6,885
Commodities received	59,187
State on-behalf payments	110,723
Change in assets and liabilities	
(Increase) decrease in inventory	12,524
Increase (decrease) in accounts payable	<u>(2,495)</u>
Net cash (used) by operating activities	<b><u>\$ (1,599,705)</u></b>
<b>Schedule of non-cash activities</b>	
Donated commodities received from federal government	<u>\$ 59,187</u>
On-behalf payments received from the state government	<u>\$ 110,723</u>

The accompanying notes are an integral part  
of the financial statements.



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Breathitt County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

Breathitt County School District Finance Corporation - The Breathitt County Board of Education resolved to authorize the establishment of the Breathitt County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes) (the “Corporation”) to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

**B. Basis of Presentation**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (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.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, continued**

The following is a summary of the basis of presentation:

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 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. 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.

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

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation, continued**

The District has the following funds:

Governmental Fund Types:

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) 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.

The School Activity Fund is a special revenue fund used to account for funds collected at individual schools for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Project Funds account for revenue and expenditures from three sources:

- A. 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.
- B. 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.
- C. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

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

Proprietary Fund Types (Enterprise Funds):

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, 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. The Food Service Fund is a major fund.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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 funds also use the accrual basis of accounting.

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

Unearned Revenue/Advances from grantors - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental fund's balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental fund's balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting, continued**

Property Taxes

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

The property tax rates (including exonerations) assessed for the year ended June 30, 2021, to finance the General Fund operations were \$.627 per \$100 valuation for real property, \$.627 per \$100 valuation for business personal property and \$.492 per \$100 valuation for motor vehicles.

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

**D. Prepaid Assets**

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

**E. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. 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 asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Capital Assets, continued**

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

**F. Interfund Receivables and Payables**

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

**G. Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a committed portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the General Fund. The noncurrent portion of the liability is not reported.

**H. Bonds and Related Premiums, Discounts, and Issuance Costs**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Bonds and Related Premiums, Discounts, and Issuance Costs, continued**

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**I. Budgetary Process**

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 on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

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

**J. Cash and Cash Equivalents**

The District considers demand deposits, certificates of deposit, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. As of June 30, 2021, the District did not have any cash equivalents.

**K. Receivables**

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

**L. Inventories**

The Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Accrued Liabilities and Long-Term Obligations**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

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

**N. Fund Balance**

Fund balance is separated into five categories, as follows:

*Nonspendable fund balance* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted fund balance* - 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.

*Committed fund balance* - 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.

*Assigned fund balance* - 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.

*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.



**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Fund Balance, continued**

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

**O. Encumbrances**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2021, in the governmental funds balance sheet.

**P. Net Position**

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

**Q. Operating and Non-Operating Revenues and Expenses**

Proprietary fund operating revenues are those revenues that are generated directly from the respective primary activity. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

**R. Contributions of Capital**

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

**S. Interfund Activity**

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

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**T. 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, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**U. Deferred Inflows and Deferred Outflows of Resources**

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

**V. Pensions**

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

**W. Postemployment Benefits Other Than OPEBs (OPEB)**

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

**X. Change in Accounting Policy**

In February 2017, the GASB issued Statement No. 84, Fiduciary Activities ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. GASB 84 is effective for the District beginning with its year ending June 30, 2021. The District applied the amendments of GASB No. 84 retrospectively. The implementation of GASB 84 resulted in a change in reporting for the school activity funds. Previously, school activity funds were reported as a fiduciary fund (agency fund). In accordance with GASB 84, the school activity funds are now reported as a special revenue fund. See Note 20 for the effect of this adoption on beginning fund balance/net position.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Y. Management's Review of Subsequent Events**

The District has evaluated and considered the need to recognize or disclose subsequent events through November 11, 2021 which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2021, have not been evaluated by the District.

**2. CASH AND INVESTMENTS**

Interest rate risk – In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk – The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk – The District may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

At year end, the bank balances of the District's total cash and investments was \$18,825,401. Of the total cash balance, \$500,000 was covered by Federal Depository insurance and the remainder was covered by collateral agreements and collateral held by the pledging banks' trust department in the District's name.

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

	<u>Bank Balance</u>	<u>Book Balance</u>
General checking account		
General Fund		\$ 2,670,872
Special Revenue Fund		-
SEEK Capital Outlay Fund		-
Construction Fund		1,576,233
Food Service Fund		<u>720,759</u>
Total general checking account	\$ 6,234,247	4,967,864
Construction fund checking account	12,488,110	12,488,110
School activity fund bank accounts	<u>103,044</u>	<u>97,094</u>
Total	<u>\$ 18,825,401</u>	<u>\$ 17,553,068</u>

Cash and investments by fund type are as follows:

Governmental funds	\$ 16,832,309
Proprietary funds	<u>720,759</u>
Total	<u>\$ 17,553,068</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**3. CAPITAL ASSETS**

	June 30, 2020		June 30, 2021	
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land	\$ 491,402	\$ -	\$ -	\$ 491,402
Land improvements	1,140,103	-	-	1,140,103
Buildings	35,943,430	230,242	3,888,649	32,285,023
Technology equipment	4,176,385	29,905	-	4,206,290
Vehicles	4,805,549	111,684	-	4,917,233
General equipment	1,994,577	246,403	-	2,240,980
Construction work in progress	-	4,156,481	-	4,156,481
Total historical cost	<u>48,551,446</u>	<u>4,774,715</u>	<u>3,888,649</u>	<u>49,437,512</u>
Less accumulated				
depreciation	<u>31,924,374</u>	<u>1,454,762</u>	<u>3,694,298</u>	<u>29,684,838</u>
Governmental capital assets, net	<u>\$ 16,627,072</u>	<u>\$ 3,319,953</u>	<u>\$ 194,351</u>	<u>\$ 19,752,674</u>
<b>Business-type Activities</b>				
Buildings	\$ 67,500	\$ -	\$ -	\$ 67,500
Technology equipment	15,873	-	-	15,873
General equipment	586,763	-	-	586,763
Vehicles	46,460	-	-	46,460
Total historical cost	<u>716,596</u>	<u>-</u>	<u>-</u>	<u>716,596</u>
Less accumulated				
depreciation	<u>420,380</u>	<u>41,919</u>	<u>-</u>	<u>462,299</u>
Business-type capital assets, net	<u>\$ 296,216</u>	<u>\$ (41,919)</u>	<u>\$ -</u>	<u>\$ 254,297</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 379,040
Student support	21,540
District administrative	311
School administrative	53
Plant operation and maintenance	748,522
Student transportation	305,296
	<u>\$ 1,454,762</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**4. CAPITAL LEASE PAYABLE**

The District has entered into a capital lease agreement for buses under which the buses will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2021:

Maturity	Interest Rates	Original Issue	Balance June 30, 2020	Debt Issued	Debt Paid	Balance June 30, 2021	Due Within One Year
March, 2020	2.0% - 3.9%	240,039	22,392	-	22,392	-	-
March, 2022	2.00% - 2.6%	559,152	101,644	-	50,070	51,574	51,574
March, 2023	2.00% - 3.00%	258,815	73,633	-	27,268	46,365	22,953
March, 2024	2.00% - 3.00%	279,368	109,242	-	28,609	80,633	29,321
June, 2034	3.00% - 3.50%	213,648	165,718	-	9,590	156,128	9,878
March, 2025	1.00% - 2.625%	201,361	99,990	-	20,290	79,700	20,674
March, 2026	2.00% - 2.625%	182,336	107,597	-	18,044	89,553	18,378
March, 2027	2.00% - 2.625%	<u>268,845</u>	<u>186,026</u>	-	<u>25,819</u>	<u>160,207</u>	<u>26,454</u>
		<u>\$ 2,203,564</u>	<u>\$ 866,242</u>	<u>\$ -</u>	<u>\$ 202,082</u>	<u>\$ 664,160</u>	<u>\$ 179,232</u>

The following table presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2021:

Year	Principal	Interest	Total
2022	\$ 179,232	\$ 17,688	\$ 196,920
2023	125,899	13,364	139,263
2024	102,836	10,306	113,142
2025	74,416	7,634	82,050
2026	52,698	5,682	58,380
2027-2031	86,832	14,609	101,441
2032-2034	<u>42,247</u>	<u>2,991</u>	<u>45,238</u>
Totals	<u>\$ 664,160</u>	<u>\$ 72,274</u>	<u>\$ 736,434</u>
		Less: amounts representing interest	<u>(72,274)</u>
		Net capital lease liability	<u>\$ 664,160</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**5. LONG-TERM OBLIGATIONS**

KSBIT

During a prior fiscal year, the District was notified that the Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. On June 4, 2014, the Franklin Circuit Court issued an order informing the former members of the Kentucky School Board Insurance Trust Workers' Compensation Fund that they would be assessed a portion of the fund's unfunded liability. The court approved assessment requires the District to pay the following future amount that is included in long term debt:

FY 2022	\$ 72,987
FY 2023	75,209
FY 2024	77,549
FY 2025	<u>80,062</u>
Total	<u>\$ 305,807</u>

Bond Obligations

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make debt payments relating to the bonds issued by the Breathitt County School District Finance Corporation.

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

2007R	\$ 2,690,000	3.5% - 4.3%
2012	\$ 765,000	1.5% - 2.375%
2013R	\$ 750,000	2.15%
2014	\$ 295,000	2.00% - 3.00%
2015R	\$ 2,150,000	1.00% - 2.00%
2015	\$ 7,990,000	2.00% - 3.25%
2015WW	\$ 530,000	3.10%
2016R	\$ 2,350,000	2.00% - 3.00%
2019R	\$ 1,235,000	2.00% - 2.85%
2021R	\$ 14,570,000	2.00% - 2.25%

During 2021, the District issued \$14,570,000 of School Building Revenue Bonds, Series 2021. The proceeds are to be used to finance construction of a new Elementary School. The bonds are to be repaid over 20 years and bear interest at 2.00% - 2.25%.

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 Breathitt 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.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**5. LONG-TERM OBLIGATIONS (CONTINUED)**

The District entered into “participation agreements” with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission’s option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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	Breathitt County School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2022	\$ 676,168	\$ 248,182	\$ 563,832	\$ 366,282	\$ 1,240,000	\$ 614,464
2023	701,734	232,654	583,266	349,379	1,285,000	582,033
2024	731,897	217,014	598,103	337,542	1,330,000	554,556
2025	687,591	200,443	642,409	325,297	1,330,000	525,740
2026	653,418	185,478	721,582	312,223	1,375,000	497,701
2027	683,933	169,393	741,067	297,337	1,425,000	466,730
2028	732,821	150,359	747,179	280,526	1,480,000	430,885
2029	486,991	128,691	943,009	263,472	1,430,000	392,163
2030	523,703	114,405	956,297	243,484	1,480,000	357,889
2031	550,250	99,099	989,750	223,133	1,540,000	322,232
2032	526,662	83,626	1,073,338	202,045	1,600,000	285,671
2033	587,834	67,703	1,072,166	179,117	1,660,000	246,820
2034	633,885	49,871	1,091,115	156,168	1,725,000	206,039
2035	684,635	29,737	1,160,365	132,617	1,845,000	162,354
2036	54,686	8,207	1,035,314	107,594	1,090,000	115,801
2037	59,000	6,990	1,091,000	86,508	1,150,000	93,498
2038	63,221	5,645	1,111,779	64,229	1,175,000	69,874
2039	62,399	4,187	617,601	40,138	680,000	44,325
2040	77,330	2,535	607,670	26,689	685,000	29,224
2041	46,884	-	598,116	13,458	645,000	13,458
	<u>\$ 9,225,042</u>	<u>\$ 2,004,219</u>	<u>\$ 16,944,958</u>	<u>\$ 4,007,238</u>	<u>\$ 26,170,000</u>	<u>\$ 6,011,457</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**5. LONG-TERM OBLIGATIONS (CONTINUED)**

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

Long-term debt	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
2007R	\$ 35,000	\$ -	\$ 5,000	\$ 30,000
2012	485,000	-	45,000	440,000
2013R	660,000	-	15,000	645,000
2014	175,000	-	35,000	140,000
2015R	610,000	-	610,000	-
2015	7,020,000	-	260,000	6,760,000
2015WW	420,000	-	10,000	410,000
2016R	2,090,000	-	105,000	1,985,000
2019R	1,235,000	-	45,000	1,190,000
2021R	-	14,570,000	-	14,570,000
Premium on bonds	22,762	203,395	5,388	220,769
Direct Placement - KISTA leases	866,242	-	202,082	664,160
Net pension liability	6,946,749	434,934	-	7,381,683
Net OPEB - CERS	1,660,897	662,378	-	2,323,275
Net OPEB - KTRS	3,645,776	-	568,650	3,077,126
KSBIT bonded debt	376,636	-	70,829	305,807
Accrued sick leave	182,453	52,152	-	234,605
	<u>\$ 26,431,515</u>	<u>\$ 15,922,859</u>	<u>\$ 1,976,949</u>	<u>\$ 40,377,425</u>

**6. RETIREMENT PLANS**

The School District is a participating employer of the County Employees' Retirement System (CERS) and the Kentucky Teachers' Retirement System (KTRS). KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by the Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS. CERS covers employees whose position does not require a college degree or teaching certificate.

KTRS

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



**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

KTRS, continued

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

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

Non-university members 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. Non-university members who became members on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 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.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. 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.

*Benefits provided* - For members who have established an account in a retirement system by the Commonwealth on or after July 1, 2008:

- 1.) Attain age sixty (60) and complete five (5) years of Kentucky service, or
- 2.) Complete 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 credited service greater than 30 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 earlier of age 60 or the date the member would have completed 27 years of service.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

KTRS, continued

*Other benefits* – KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members, and TRS also provides post-employment healthcare benefits to eligible members and dependents.

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

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

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

CERS

The District is a participating employer of the County Employees' Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of state legislature.

*Contributions* – For the year ended June 30, 2021, plan members were required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. 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 proceeding the 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 contributions rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2021, participating employers contributed 24.06% of each employee's wages, for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 7. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

CERS, continued

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The District contributed \$561,791 for the year ended June 30, 2021, or 100% of the required contribution. The contribution was allocated \$450,647 to the CERS pension fund and \$111,144 to the CERS insurance fund.

*Benefits* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service.

For retirement purposes, employees are grouped into three tiers based on hire date:

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

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

CERS and KTRS:

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* - At June 30, 2021, the District reported a liability of \$7,381,683 for its proportionate share of the net pension liability for CERS. 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 June 30, 2019, and rolled forward using generally accepted actuarial procedures. 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 entities, actuarially determined. At June 30, 2020 and June 30, 2021, the District's proportion was .10 percent.

The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The Commonwealth of Kentucky recognized \$31,871,503 as its proportionate share of the net pension liability for KTRS. 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 June 30, 2019, and rolled forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the State's proportion was .2249 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$815,483 related to CERS and \$2,306,930 related to KTRS. The District also recognized revenue of \$2,306,930 for KTRS support provided by the Commonwealth of Kentucky. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 184,076	\$ -
Changes of assumptions	288,242	-
Net difference between projected and actual earnings on plan investments	184,717	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	372,338
District contributions subsequent to the measurement date	<u>445,790</u>	<u>-</u>
 Total	 <u>\$ 1,102,825</u>	 <u>\$ 372,338</u>

The \$445,790 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date 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 at June 30, 2021 will be recognized in pension expense as follows:

**Year ending June 30,**

2022	\$	42,783
2023	\$	84,640
2024	\$	83,087
2025	\$	74,187

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

CERS and KTRS, continued:

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

CERS:

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

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

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

KTRS:

Valuation date	6/30/19
Actuarial cost method	Entry age
Investment rate of return	7.50%, net of plan investment expense, including inflation
Projected salary increases	3.50 – 7.30%, including inflation
Inflation rate	3.00%
Municipal Bond Index Rate	3.50%
Single Equivalent Interest Rate	7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015, adopted by the board on September 16, 2016. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year weekly by the Board of Governors of the Federal Reserve System.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

*Target Allocations*

CERS

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

KTRS

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
U.S. Equity	40%	4.60%
International Equity	22%	5.60%
Fixed Income	15%	0.00%
Additional Categories	7%	2.50%
Real Estate	7%	4.30%
Private Equity	7%	7.70%
Cash	<u>2%</u>	(0.50)%
<b>Total</b>	<b>100%</b>	

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**6. RETIREMENT PLANS (CONTINUED)**

*Discount Rate*

CERS

*Discount Rate* – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the closed 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

KTRS

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

*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 current discount rate, 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:

	<b>CERS Discount rate</b>	<b>CERS District’s proportionate share of net pension liability</b>
1% decrease	5.25%	\$ 9,103,220
Current discount rate	6.25%	\$ 7,381,683
1% increase	7.25%	\$ 5,956,183

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - CERS**

*Plan Description* – As more fully described in Note 6, the District participates in the County Employees’ Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

*Contributions* – As more fully described in Note 6, plan members contribute to CERS for non-hazardous job classifications. For the year ended June 30, 2021, the employer’s contribution was 4.76% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are 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 proceeding the 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2021, the District contributed \$111,144 or 100% of the required contribution for non-hazardous job classifications.

*Benefits* – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

*OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2021, the District reported a liability for its proportionate share of the net OPEB liability of \$2,323,275.

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 and rolled forward using generally accepted actuarial procedures. 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 entities, actuarially determined. The District’s proportionate share at June 30, 2020 and June 30, 2019 was .10%.



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

For the year ended June 30, 2021, the District recognized OPEB expense of \$252,607. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 388,171	\$ 388,474
Changes of assumptions	404,113	2,457
Net difference between projected and actual earnings on Plan investments	77,222	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	240,391
District contributions subsequent to the measurement date	166,964	-
 Total	 \$ 1,036,470	 \$ 631,322

The \$166,964 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. This includes an adjustment of \$57,018 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

**Year ending June 30,**

2022	\$	65,310
2023	\$	88,162
2024	\$	44,520
2025	\$	54,134
2026	\$	(13,942)

*Actuarial Assumptions* – The total OPEB liability reported at June 30, 2020, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**Non-hazardous**

Inflation	2.30%	
Salary increases	3.30% to 10.30%, varies by service, including inflation	
Investment rate of return	6.25%, net of Plan investment expense, including inflation	
Healthcare trend		
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.	

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

The mortality table used for active members was 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 assumption used in the June 30, 2019, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Growth</b>	<b>62.50%</b>	
US Equity	18.75%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
<b>Total</b>	<b>100.00%</b>	<b>3.96%</b>
<b>Long term inflation assumption</b>		<b>2.30%</b>
<b>Expected nominal return for portfolio</b>		<b>6.25%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability as of June 30, 2020, was 5.34%, for non-hazardous classifications. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. As of June 30, 2020, 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". 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.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**7. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – CERS (CONTINUED)**

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate* – The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount rate</b>		<b>District's proportionate share of net OPEB liability</b>
1% decrease	4.34%	\$	2,984,727
Current discount rate	5.34%	\$	2,323,275
1% increase	6.34%	\$	1,780,003

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate* – The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		<b>District's proportionate share of net OPEB liability</b>
1% decrease	\$	1,798,796
Current trend rate	\$	2,323,275
1% increase	\$	2,959,744

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

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS**

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

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

Medical Insurance Plan

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

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

*Contributions* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) 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 \$3,077,126 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 rolled forward using generally accepted actuarial procedures. The District’s proportion of 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 and June 30, 2019, the District’s proportion was .12 percent and .13 percent, respectively.

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	\$ 3,077,126
State’s proportionate share of the net OPEB liability associated with the District	<u>2,465,000</u>
 Total	 <u>\$ 5,542,126</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

For the year ended June 30, 2021, the District recognized OPEB expense of \$(90,000) and revenue of \$172,487 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ -	\$ 1,311,790
Changes of assumptions	186,546	-
Net difference between projected and actual earnings on Plan investments	100,159	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	343,000
District contributions subsequent to the measurement date	<u>213,309</u>	<u>-</u>
 Total	 <u>\$ 500,014</u>	 <u>\$ 1,654,790</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$213,309 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,**

2022	\$ (290,000)
2023	\$ (283,000)
2024	\$ (284,000)
2025	\$ (245,000)
2026	\$ (194,000)
2027	\$ (72,085)

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

Investment rate of return	8.0%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including wage inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
KEHP Group	7.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2029
MEHP Group	5.25% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B Premiums	6.49% for FY 2020 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	2.2%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019, valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Real Rate of Return</b>
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 Additional Categories	17.0%	2.5%
Cash	1.0%	(.5)%
Total	100%	

*Discount rate* - The discount rate used to measure the total OPEB liability was 8.0%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

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:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
District's net OPEB liability	\$ <u>3,719,049</u>	\$ <u>3,077,126</u>	\$ <u>2,541,131</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

*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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's net OPEB liability	\$ 2,438,878	\$ 3,077,126	\$ 3,863,396

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

Life Insurance Plan

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

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

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

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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, 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	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>75,000</u>
<b>Total</b>	<b><u>\$ 75,000</u></b>

For the year ended June 30, 2021, the District recognized revenue of \$3,589 for support provided by the State.

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – KTRS (CONTINUED)**

*Actuarial assumptions* – The total OPEB liability reported at June 30, 2020, 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 – 7.2%, including wage inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	2.20%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Expected Real Rate of Return</b>
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%
Additional Categories	6.0%	2.5%
Cash	2.0%	(.5)%
Total	100%	

*Discount rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74.

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



**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**9. DEFERRED COMPENSATION**

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

**10. 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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

**11. LITIGATION**

The District is subject to legal actions in various states 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 financial statements as a result of the cases presently in progress.

**12. RISK MANAGEMENT**

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

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

**13. COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

**14. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	Food Service	General	Indirect Costs	\$ 60,987
Operating	Special Revenue	General	Indirect Costs	\$ 1,286
Matching	General	Special Revenue	KETS Match	\$ 33,663
Operating	Student Activity	Special Revenue	COFT	\$ 15,082
Operating	General	Debt Service	Bond Payments	\$ 334,780
Operating	Capital Outlay	General	COFT	\$ 160,302
Operating	Building	Construction	Construction	\$ 999,284
Operating	Building	Debt Service	Bond Payments	\$ 799,308

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

---

**15. ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of activities:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$ 2,306,930
Medical insurance contributions to KTRS	176,076
Health and Life insurance	1,873,135
Other	(97,294)
Technology	100,561
Debt Service	<u>340,653</u>
	<u>\$ 4,700,061</u>

**16. INTERFUND RECEIVABLES AND PAYABLES**

The General Fund presented an interfund receivable from the Special Revenue Fund of \$635,288 and there was a corresponding presentation of an interfund payable in the Special Revenue Fund. The interfund receivable/payable is the result of timing at fiscal year end between when funds are expended in the Special Revenue Fund and when the related grant funds are received. The Special Revenue Fund repaid to the General Fund the interfund balance in full in July 2021.

**17. COVID-19 PANDEMIC**

Since early 2020, various restrictions have been placed on school districts across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The District is evaluating the impact of COVID-19 and related responses on the operations and finances of the District. Restrictions placed on the District, including restrictions on in-person instruction could negatively impact the District's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

**18. SUBSEQUENT EVENTS**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

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

**BREATHITT COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

---

**18. SUBSEQUENT EVENTS (CONTINUED)**

Second Series of 2021 School Building Revenue Bonds

In July 2021, the District issued \$1,055,000 of School Building Revenue Bonds, Second Series of 2021. The proceeds are to be used to finance the roof replacement at Sebastian Elementary School. The bonds are to be repaid over 20 years and bear interest at 2.00% - 2.125%.

**19. EXTRAORDINARY ITEM**

In early May 2020, the Coliseum at Breathitt County High School experienced significant fire damage. As of the date of these financial statements the District has recovered over \$3 million from the insurance company, proceeds of which are being used for necessary repairs. On the financial statements, the insurance proceeds are reported on a separate line item "Extraordinary item – insurance reimbursement". The amount recognized related to fiscal year 2021 totaled \$1,181,494.

**20. RESTATEMENT OF FUND BALANCE/NET POSITION**

The beginning fund balance of the other governmental funds and the beginning net position of the governmental activities has been restated to reflect the Student Activity Fund balance for the implementation of GASB Statement No. 84, *Fiduciary Activities*. The effect of this restatement on fund balance and net position is as follows:

Other Governmental Funds

Fund balance, beginning of year	\$ 330,222
GASB 84 implementation – student activity fund	<u>107,311</u>
Fund balance, beginning of year, as restated	<u>\$ 437,533</u>

Governmental Activities

Net position, beginning of year	\$ (3,982,006)
GASB 84 implementation – student activity fund	<u>107,311</u>
Net position, beginning of year, as restated	<u>\$ 3,874,695</u>

## SUPPLEMENTARY INFORMATION

**BREATHITT COUNTY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
for the year ended June 30, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 2,201,392	\$ 2,201,392	\$ 2,593,788	\$ 392,396
Other local sources	28,500	24,500	192,109	167,609
State sources	12,792,288	12,782,892	13,200,174	417,282
Federal sources	<u>75,000</u>	<u>66,718</u>	<u>60,257</u>	<u>(6,461)</u>
<b>TOTAL REVENUES</b>	<u>15,097,180</u>	<u>15,075,502</u>	<u>16,046,328</u>	<u>970,826</u>
<b>EXPENDITURES</b>				
Instruction	8,208,110	8,345,457	8,036,160	309,297
Support services				
Student	938,129	973,044	834,126	138,918
Instructional staff	873,395	920,199	1,074,443	(154,244)
District administration	926,425	998,768	476,547	522,221
School administration	1,031,713	1,034,347	1,165,126	(130,779)
Business	350,613	356,493	402,380	(45,887)
Plant operation and maintenance	1,679,420	1,757,642	1,595,744	161,898
Student transportation	1,297,021	1,413,035	1,093,365	319,670
Contingency	1,095,129	1,276,918	-	1,276,918
Capital outlay (Note 1)	-	-	230,729	(230,729)
Debt service	<u>291,067</u>	<u>451,369</u>	<u>291,067</u>	<u>160,302</u>
<b>TOTAL EXPENDITURES</b>	<u>16,691,022</u>	<u>17,527,272</u>	<u>15,199,687</u>	<u>2,327,585</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,593,842)</u>	<u>(2,451,770)</u>	<u>846,641</u>	<u>3,298,411</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	2,500	2,500	7,711	5,211
Operating transfers in	61,122	221,424	222,574	1,150
Operating transfers out	<u>(369,780)</u>	<u>(374,780)</u>	<u>(368,442)</u>	<u>6,338</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(306,158)</u>	<u>(150,856)</u>	<u>(138,157)</u>	<u>12,699</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,900,000)	(2,602,626)	708,484	3,311,110
Fund balances-beginning	<u>1,900,000</u>	<u>2,602,626</u>	<u>2,703,943</u>	<u>101,317</u>
<b>Fund balances-ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,412,427</u>	<u>\$ 3,412,427</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**  
for the year ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Local sources	\$ 154,549	154,549	\$ 196,264	\$ 41,715
State sources	1,214,952	1,289,087	1,215,026	(74,061)
Federal sources	<u>2,703,051</u>	<u>3,521,260</u>	<u>4,401,280</u>	<u>880,020</u>
<b>TOTAL REVENUES</b>	<u>4,072,552</u>	<u>4,964,896</u>	<u>5,812,570</u>	<u>847,674</u>
<b>EXPENDITURES</b>				
Instruction	2,812,111	3,280,177	3,570,145	(289,968)
Support services				
Student	90,822	136,497	487,781	(351,284)
Instructional staff	739,634	772,540	675,183	97,357
District administration	-	328,121	328,503	(382)
Business	-	-	31,053	(31,053)
Plant operation and maintenance	101,821	127,352	115,782	11,570
Student transportation	81,223	231,380	222,602	8,778
Food Service Operation	-	-	-	-
Community services activities	270,819	283,083	287,937	(4,854)
Capital outlay (Note 1)	<u>-</u>	<u>6,867</u>	<u>141,043</u>	<u>(134,176)</u>
<b>TOTAL EXPENDITURES</b>	<u>4,096,430</u>	<u>5,166,017</u>	<u>5,860,029</u>	<u>(694,012)</u>
Excess (Deficit) of Revenues Over Expenditures	(23,878)	(201,121)	(47,459)	153,662
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	35,000	65,000	48,745	(16,255)
Operating transfers out	<u>(11,122)</u>	<u>(25,000)</u>	<u>(1,286)</u>	<u>23,714</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>23,878</u>	<u>40,000</u>	<u>47,459</u>	<u>7,459</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	(161,121)	-	161,121
Fund balances-beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances-ending</b>	<u>\$ -</u>	<u>\$ (161,121)</u>	<u>\$ -</u>	<u>\$ 161,121</u>

Note 1: Capital outlay expenditures were budgeted with their respective function.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Seven Fiscal Years**

---

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2015 (2014)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
District's proportion of the net pension liability	0.13%	0.12%	0.12%	0.12%	0.11%	0.10%	0.10%
District's proportionate share of the net pension liability (asset)	\$ 4,111,000	\$ 5,006,264	\$ 5,827,679	\$ 6,805,114	\$ 6,662,184	\$ 6,946,749	\$ 7,381,683
District's covered employee payroll	\$ 2,960,407	\$ 2,960,407	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291	\$ 2,468,639
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	138.87%	169.11%	204.79%	236.81%	245.72%	282.01%	299.02%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	59.97%	55.50%	53.32%	53.54%	50.45%	47.81%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Six Fiscal Years**

---

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset)	<u>61,724,475</u>	<u>78,611,888</u>	<u>69,382,889</u>	<u>31,940,686</u>	<u>31,564,055</u>	<u>31,871,503</u>
	<u>\$ 61,724,475</u>	<u>\$ 78,611,888</u>	<u>\$ 69,382,889</u>	<u>\$ 31,940,686</u>	<u>\$ 31,564,055</u>	<u>\$ 31,871,503</u>
<b>Total</b>						
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745	\$ 7,179,467
District's share of the net pension liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	35.22%	39.83%	59.30%	58.80%	58.30%

The above schedule will present 10 years of historical data, once available.



**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Five Fiscal Years**

---

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
District's proportion of the net OPEB liability	0.10%	0.10%	0.10%	0.10%	0.10%
District's proportionate share of the net OPEB liability (asset)	\$ 5,968,055	\$ 2,337,244	\$ 1,942,127	\$ 1,660,897	\$ 2,323,275
District's covered employee payroll	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291	\$ 2,468,639
District's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	209.73%	81.33%	71.63%	67.43%	94.11%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	52.39%	57.62%	60.44%	51.67%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Five Fiscal Years**

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
District's proportion of the collective net OPEB liability	0.14%	0.14%	0.13%	0.13%	0.12%
District's proportionate share of the collective net OPEB liability (asset)	\$ 4,850,000	\$ 4,899,000	\$ 4,423,076	\$ 3,645,776	\$ 3,077,126
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>3,962,000</u>	<u>4,002,000</u>	<u>3,811,727</u>	<u>2,944,000</u>	<u>2,464,876</u>
Total	<u>\$ 8,812,000</u>	<u>\$ 8,901,000</u>	<u>\$ 8,234,803</u>	<u>\$ 6,589,776</u>	<u>\$ 5,542,002</u>
District's covered employee payroll	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745	\$ 7,179,467
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	unavailable	unavailable	49.79%	50.30%	42.86%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	21.20%	25.50%	32.60%	39.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY SCHEDULE OF  
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Five Fiscal Years**

<b>Reporting Fiscal Year (Measurement Date)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>
District's proportion of the collective net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>37,000</u>	<u>54,000</u>	<u>65,000</u>	<u>68,000</u>	<u>75,000</u>
Total	<u>\$ 37,000</u>	<u>\$ 54,000</u>	<u>\$ 65,000</u>	<u>\$ 68,000</u>	<u>\$ 75,000</u>
District's covered employee payroll	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745	\$ 7,179,467
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	unavailable	80.00%	74.97%	73.40%	71.60%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF PENSION CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Seven Fiscal Years**

---

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Contractually required employer contribution	\$ 349,012	\$ 353,281	\$ 395,269	\$ 394,918	\$ 403,475	\$ 476,447	\$ 450,647
Contributions relative to contractually required employer contribution	<u>349,012</u>	<u>353,281</u>	<u>395,269</u>	<u>394,918</u>	<u>403,475</u>	<u>476,447</u>	<u>450,647</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered employee payroll	 \$ 2,960,407	 \$ 2,845,655	 \$ 2,873,687	 \$ 2,711,255	 \$ 2,463,291	 \$ 2,468,639	 \$ 2,377,460
Employer contributions as a percentage of covered-employee payroll	11.79%	12.41%	13.75%	14.57%	16.38%	19.30%	18.95%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF PENSION CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Seven Fiscal Years**

---

	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 7,247,745	\$ 7,179,467	\$ 7,109,920
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
Last Seven Fiscal Years**

---

	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ 134,677	\$ 131,983	\$ 134,023	\$ 128,185	\$ 130,843	\$ 117,507	\$ 111,144
Contributions relative to contractually required employer contribution	<u>134,677</u>	<u>131,983</u>	<u>134,023</u>	<u>128,185</u>	<u>130,843</u>	<u>117,507</u>	<u>111,144</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,960,407	\$ 2,845,655	\$ 2,873,687	\$ 2,711,255	\$ 2,463,291	\$ 2,468,639	\$ 2,377,460
Employer contributions as a percentage of covered-employee payroll	4.55%	4.64%	4.66%	4.73%	5.31%	4.76%	4.67%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Four Fiscal Years**

---

	2018	2019	2020	2021
Contractually required employer contribution	\$ 227,076	\$ 217,437	\$ 215,331	\$ 213,309
Contributions relative to contractually required employer contribution	<u>227,076</u>	<u>217,437</u>	<u>215,331</u>	<u>213,309</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered employee payroll	 \$ 8,883,972	 \$ 7,247,745	 \$ 7,179,467	 \$ 7,109,920
Employer contributions as a percentage of covered-employee payroll	2.56%	3.00%	3.00%	3.00%

The above schedule will present 10 years of historical data, once available.

**BREATHITT COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY  
SCHEDULE OF OPEB CONTRIBUTIONS - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
Last Seven Fiscal Years**

---

	2015	2016	2017	2018	2019	2020	2021
Contractually required employer contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions relative to contractually required employer contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	unavailable	unavailable	unavailable	\$ 8,883,972	\$ 8,825,670	\$ 8,578,491	\$ 8,589,160
Employer contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The above schedule will present 10 years of historical data, once available.



**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

---

**1. GENERAL INFORMATION**

**Contributions**

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of the CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to KTRS but allocated to the insurance fund of the KTRS. The insurance contributions are reported on the Schedule of OPEB Contributions.

**Payroll**

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability - CERS and the Proportionate Share of the Net OPEB Liability - CERS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for CERS Pension and CERS OPEB.

The District's covered payroll reported on the Proportionate Share of the Net Pension Liability - KTRS and the Proportionate Share of the Net OPEB Liability - KTRS Schedules is one year prior to the District's fiscal year payroll as reported on the Schedule of Contributions for KTRS Pension and KTRS OPEB.

**2. CHANGES OF ASSUMPTIONS**

**June 30, 2020 – CERS Pension and CERS OPEB Nonhazardous**

The following change in assumptions was made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for OPEB:

- The initial healthcare trend rate for pre-65 was changed from 7% to 6.40%. The initial healthcare trend rate for post-65 was changed from 5% to 2.90%, which increases to 6.30% in 2023.

**June 30, 2020 – KTRS Pension and KTRS OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for KTRS OPEB – Medical Insurance Plan:

- The assumed investment rate of return increased from 7.50% to 8.0%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for KTRS OPEB – Life Insurance Plan:

- The assumed projected salary increases decreased from a range of 3.50% – 7.45% to 3.50% – 7.2%.
- The assumed municipal bond index rate was decreased from 3.5% to 2.2%.

**June 30, 2019 – CERS Pension and CERS OPEB Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both CERS pension and CERS OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

---

**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2019 – KTRS Pension and KTRS OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS pension:

- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS OPEB – Medical Insurance Plan:

- The assumed projected salary decreased from 4.0% -8.10%, including wage inflation, to 3.50% - 7.20%, including wage inflation.
- The assumed wage inflation dropped from 4.0% to 3.5%.
- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for KTRS OPEB – Life Insurance Plan:

- The assumed net investment rate of return decreased from 8.0% to 7.5%.
- The assumed municipal bond index rate was decreased from 3.89% to 3.5%.

**June 30, 2018 – CERS Pension and CERS OPEB – Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either CERS pension or CERS OPEB.

**June 30, 2018 – KTRS Pension and KTRS OPEB**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for KTRS pension and KTRS OPEB:

- For KTRS Pension the assumed discount rate was increased from 4.49% to 7.50%.
- For KTRS OPEB – Medical Insurance Plan health care trend rates were updated.

**June 30, 2017 – CERS Pension – Nonhazardous**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

---

**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2017 – KTRS Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

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

**June 30, 2016 – CERS Pension and CERS OPEB – Nonhazardous**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either CERS pension or CERS OPEB.

**June 30, 2016 – KTRS Pension**

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for KTRS pension:

- The assumed municipal bond index rate decreased from 3.82% to 3.01%, resulting in a change in the Single Equivalent Interest Rate from 4.88% to 4.20%.

**June 30, 2015 – CERS Pension – Nonhazardous**

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

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

**June 30, 2015 – KTRS Pension**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015 for KTRS pension.

**BREATHITT COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

---

**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**June 30, 2014 – CERS Pension –Nonhazardous and KTRS Pension**

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

**June 30, 2013 – CERS Pension – Nonhazardous**

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2021**

	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Fund</b>	<b>Debt Service Fund</b>	<b>Student Activity Fund</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 97,094	\$ 97,094
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 97,094</u></u>	<u><u>\$ 97,094</u></u>
<b>LIABILITIES</b>					
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Restricted					
Other	-	-	-	97,094	97,094
SFCC escrow	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,094</u>	<u>97,094</u>
Total liabilities and fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 97,094</u></u>	<u><u>\$ 97,094</u></u>

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 for the year ended June 30, 2021**

	<b>SEEK Capital Outlay Fund</b>	<b>FSPK Fund</b>	<b>Debt Service Fund</b>	<b>Student Activity Fund</b>	<b>Total</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ 425,242	\$ -	\$ -	\$ 425,242
Other local sources	-	-	-	133,719	133,719
Intergovernmental-State	<u>160,302</u>	<u>1,043,128</u>	<u>340,652</u>	<u>-</u>	<u>1,544,082</u>
 Total revenues	 <u>160,302</u>	 <u>1,468,370</u>	 <u>340,652</u>	 <u>133,719</u>	 <u>2,103,043</u>
<b>EXPENDITURES</b>					
Instruction	-	-	-	128,854	128,854
Instructional staff support services	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>1,474,740</u>	<u>-</u>	<u>1,474,740</u>
 Total expenditures	 <u>-</u>	 <u>-</u>	 <u>1,474,740</u>	 <u>128,854</u>	 <u>1,603,594</u>
 Excess (deficit) revenues over expenditures	 <u>160,302</u>	 <u>1,468,370</u>	 <u>(1,134,088)</u>	 <u>4,865</u>	 <u>499,449</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	1,134,088	-	1,134,088
Operating transfers out	<u>(160,302)</u>	<u>(1,798,592)</u>	<u>-</u>	<u>(15,082)</u>	<u>(1,973,976)</u>
 Total other financing sources (uses)	 <u>(160,302)</u>	 <u>(1,798,592)</u>	 <u>1,134,088</u>	 <u>(15,082)</u>	 <u>(839,888)</u>
 Excess (deficit) revenues and other financing sources over expenditures and other financing uses	 <u>-</u>	 <u>(330,222)</u>	 <u>-</u>	 <u>(10,217)</u>	 <u>(340,439)</u>
 Fund balance-beginning, restated	 <u>-</u>	 <u>330,222</u>	 <u>-</u>	 <u>107,311</u>	 <u>437,533</u>
 <b>Fund balance-ending</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 97,094</u>	 <u>\$ 97,094</u>

**BREATHITT COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
 SCHOOL ACTIVITY FUNDS  
 for the year ended June 30, 2021**

	<b>Cash Balances</b>			<b>Cash Balances</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balances</b>
	<b>July 01, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>June 30, 2021</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2021</b>
					<b>June 30, 2021</b>	<b>June 30, 2021</b>	<b>June 30, 2021</b>
Breathitt County High School	\$ 60,305	\$ 120,854	\$ (127,730)	\$ 53,429	\$ -	\$ -	\$ 53,429
Highland-Turner Elementary	29,685	3,819	(4,140)	29,364	-	-	29,364
Sebastian Elementary School	7,717	6,075	(6,639)	7,153	-	-	7,153
Marie Roberts-Caney Elementary	<u>9,604</u>	<u>2,971</u>	<u>(5,427)</u>	<u>7,148</u>	<u>-</u>	<u>-</u>	<u>7,148</u>
<b>TOTAL ACTIVITY FUNDS</b>	<b><u>\$ 107,311</u></b>	<b><u>\$ 133,719</u></b>	<b><u>\$ (143,936)</u></b>	<b><u>\$ 97,094</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 97,094</u></b>

**BREATHITT COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS**  
**BREATHITT COUNTY HIGH SCHOOL**  
**for the year ended June 30, 2021**

	<b>Cash Balances</b>				<b>Cash Balances</b>	<b>Accounts</b>	<b>Accounts</b>	<b>Fund Balances</b>
	<b>July 01, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Year End</b>	<b>Receivable</b>	<b>Payable</b>	<b>June 30, 2021</b>
						<b>Year End</b>	<b>Year End</b>	
ALL A BOYS BASKETBALL	\$ -	\$ 70	\$ -	\$ (70)	\$ -	\$ -	\$ -	\$ -
AP/PSAT EXAM	623	-	-	(623)	-	-	-	-
ART	86	-	-	(86)	-	-	-	-
BAND/CHORUS	2,303	5,265	(6,248)	(1,320)	-	-	-	-
BASEBALL	727	5,271	(1,418)	(2,185)	2,395	-	-	2,395
BASS FISHING CLUB	200	-	-	-	200	-	-	200
BETA	119	-	-	-	119	-	-	119
BHS CHEERLEADERS	409	261	(261)	-	409	-	-	409
BOBCATS 55TH DIST TOURN	-	1,485	(1,529)	44	-	-	-	-
BOYS BASKETBALL	360	10,846	(10,793)	1,544	1,957	-	-	1,957
CHROMEBOOK REPAIRS	-	3,732	-	(3,732)	-	-	-	-
CLASS OF 2020	200	-	(200)	-	-	-	-	-
CONCESSIONS	4,890	7,552	(6,208)	(1,934)	4,300	-	-	4,300
DISTRICT SWEEP	-	4,244	(10,726)	6,482	-	-	-	-
DRAMA	1,248	-	-	-	1,248	-	-	1,248
FACULTY	69	713	(675)	-	107	-	-	107
FFA	2,903	1,730	(2,146)	1,320	3,807	-	-	3,807
FFA GRANT	4,864	467	-	-	5,331	-	-	5,331
FOOTBALL	8,672	6,537	(17,096)	1,887	-	-	-	-
GENERAL FUND	5,310	1,125	(13,414)	8,311	1,332	-	-	1,332
GIRLS ALL A BASKETBALL	-	770	-	(770)	-	-	-	-
GOLF	162	638	(410)	-	390	-	-	390
GRADE SCHOOL TOURNAMENT	-	875	(730)	-	145	-	-	145
GRADUATION	21	-	-	-	21	-	-	21
GREENHOUSE	4,462	-	-	-	4,462	-	-	4,462
GUIDANCE	29	-	-	(29)	-	-	-	-
HOME IMPROVEMENT/WOOD SHP	2,534	-	(89)	-	2,445	-	-	2,445
Subtotal	\$ 40,191	\$ 51,581	\$ (71,943)	\$ 8,839	\$ 28,668	\$ -	\$ -	\$ 28,668



**BREATHITT COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS  
BREATHITT COUNTY HIGH SCHOOL  
for the year ended June 30, 2021**

	<b>Cash Balances July 01, 2020</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Transfers</b>	<b>Cash Balances Year End</b>	<b>Accounts Receivable Year End</b>	<b>Accounts Payable Year End</b>	<b>Fund Balances June 30, 2021</b>
JROTC	\$ 625	\$ -	\$ (40)	\$ -	\$ 585	\$ -	\$ -	\$ 585
KY ADVANCE	1,828	-	-	(1,828)	-	-	-	-
LADYCAT SOFTBALL	2,412	5,195	(1,225)	(1,261)	5,121	-	-	5,121
LADYCATS BASKETBALL	1,821	13,063	(11,537)	(1,505)	1,842	-	-	1,842
MIDDLE SCHOOL ACADEMICS	-	90	(155)	65	-	-	-	-
MIDDLE SCHOOL CHEERLEADING	112	-	-	-	112	-	-	112
MIDDLE SCHOOL FOOTBALL	338	3,685	(1,620)	-	2,403	-	-	2,403
MIDDLE SCHOOL SOFTBALL	823	3,808	(2,090)	-	2,541	-	-	2,541
MS ACADEMIC	1,847	-	-	-	1,847	-	-	1,847
MS BASEBALL	-	677	(428)	-	249	-	-	249
MS BOYS BASKETBALL	-	4,538	(1,143)	(1,961)	1,434	-	-	1,434
MS LADYCAT BASKETBALL	-	973	(160)	-	813	-	-	813
14TH REGION BOYS	-	18,470	(15,585)	(2,885)	-	-	-	-
PROM	2,472	990	(2,479)	-	983	-	-	983
SCIENCE ACTIVITY	72	-	-	-	72	-	-	72
SOCCER	72	-	-	(72)	-	-	-	-
STARTUP MONEY	-	200	(200)	-	-	-	-	-
STUDENT ACTIVITIES FUND	50	-	(30)	-	20	-	-	20
TEENS FOR CHRIST	120	-	-	(120)	-	-	-	-
TOURNAMENT	594	122	-	-	716	-	-	716
TRACK	476	76	(215)	-	337	-	-	337
TSA	-	-	-	-	-	-	-	-
VOLLEYCATS	965	14,556	(12,843)	728	3,406	-	-	3,406
YEARBOOK	2,985	2,330	(3,141)	-	2,174	-	-	2,174
YSC CATCHING DREAMS	31	-	-	-	31	-	-	31
YSC/FRYSC	2,471	500	(2,896)	-	75	-	-	75
Total	<u>\$ 60,305</u>	<u>\$ 120,854</u>	<u>\$ (127,730)</u>	<u>\$ -</u>	<u>\$ 53,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,429</u>



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

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Breathitt 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 Breathitt County School District's basic financial statements, and have issued our report thereon dated November 11, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Breathitt County School District, in a separate letter dated November 11, 2021.

**Purpose of this Report**

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

**RFH**

RFH, PLLC  
Lexington, Kentucky  
November 11, 2021



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

To the State Committee for School District Audits and  
Members of the Board of Education  
Breathitt County School District

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

## Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be significant deficiency.

The Breathitt County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Breathitt County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
November 11, 2021

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

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass Through Grantor's Number	Expenditures
U.S. Department of Agriculture (USDA)			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
Summer Food Service Program for Children	10.559	7690024/ 7740023	2,063,770
Passed through Kentucky Department of Agriculture			
Commodities (Note 2)	10.555	Note 5	59,187
Passed through Kentucky Department of Education			
Fresh Fruit and Vegetable Program	10.582	7720012	59,902
State Administrative Expenses for Child Nutrition	10.560	7700001	<u>2,952</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>2,185,811</u></b>
U.S. Department of Education			
Passed through Kentucky Department of Education			
Title I, Part A Cluster	84.010	3100002/3220002	<u>1,256,185</u>
Title I, Neglected and Delinquent Children and Youth	84.013	Note 5	<u>25,000</u>
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	328,637
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	<u>85,612</u>
<b>Total Special Education Cluster (IDEA)</b>			<u>414,249</u>
Vocational Education	84.048	3710002	<u>19,534</u>
Twenty-First Century Community Learning Centers	84.287	3400002	<u>35,094</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	Note 5	<u>303,510</u>
Rural Education	84.358	3140002	<u>39,645</u>
Striving Readers/Comprehensive Literacy Development	84.371C	Note 5	<u>120,552</u>
Race to the Top - Early Learning Challenge	84.416A	Note 5	<u>3,926</u>
Student Support and Academic Enrichment Grant	84.424	3420002	<u>63,167</u>
Improving Teacher Quality State Grants	84.367	3230002	<u>56,458</u>
COVID -19 - Education Stabilization Fund - Governor's Emergency Relief (GEER) Fund	84.425C	GEER-20	156,712
COVID -19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	4000002/4000003	<u>1,320,900</u>
<b>Total Education Stabilization Fund</b>			<u>1,477,612</u>
<b>Total U.S. Department of Education</b>			<b><u>3,814,932</u></b>
U.S. Department of Homeland Security			
Passed through Kentucky Department of Education			
COVID - 19 - Disaster Grants - Public Assistance	97.036	Note 5	<u>7,000</u>
<b>Total U.S. Department of Homeland Security</b>			<b><u>7,000</u></b>
U.S. Department of the Treasury			
Passed through Kentucky Department of Education			
COVID-19 - Coronavirus Relief Fund	21.019	CARES-20	<u>546,260</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>546,260</u></b>
U.S. Department of Defense			
Direct Grant			
ROTC	12.000	Direct	<u>33,088</u>
<b>Total U.S. Department of Defense</b>			<b><u>33,088</u></b>
<b>Total expenditures of federal awards</b>			<b><u>\$ 6,587,091</u></b>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Breathitt County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used, in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Nonmonetary assistance is reported in the schedule at the fair market value of the commodities disbursed.

Note 3 - The District did not pass through any funds to subrecipients.

Note 4 - Indirect Cost Rates

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

Note 5 - Passthrough entity numbers are presented when available. Pass through grantor's number not available.

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

---

**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not considered to be material weaknesses \_\_Yes XNone reported

Non-compliance material to financial statements noted \_\_Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified \_\_Yes XNo

Significant deficiencies identified that are not considered to be material weaknesses XYes \_\_None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in

accordance with Section 2 CFR 200.516(a)? XYes \_\_No

**Major Programs:**

**CFDA Number**

10.553, 10.555 and 10.559

84.425C & 84.425D

**Name of Federal Program or Cluster**

Child Nutrition Cluster

COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

XYes \_\_No

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS**

NONE

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding 2021-001 – AL 10.559 – Significant Deficiency – Summer Food Service – Eligibility**

Criteria: In accordance with 7 CFR 225, meals must be served at a food service site for eligible children. During 2021 this requirement was eligible for waiver in certain circumstances.

Condition: The District was approved for the waiver. However, the District did not follow the plan approved by the Kentucky Department of Education to ensure that Summer Food Service Program meals were picked up by an enrolled student's parent or guardian and that duplicate meals were not provided.

Cause: The District failed to provide proper oversight over the approved procedures for parent/guardian meal pick up to ensure procedures were both followed and sufficient documentation was maintained.

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

---

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)**

Effect: The District did not maintain sufficient documentation to demonstrate that the parents or guardians that picked up meals for an enrolled student provided proof of identification. Additionally, the District personnel did not always mark off students on the meal request list as meals were distributed to ensure no duplicate meals were provided.

Recommendation: We recommend the District review its internal controls over the Summer Food Service Program to ensure all approved internal control procedures are followed to ensure only eligible children receive meals.

Management's Response: Our meal pickup process involved our transportation staff loading meals into parent/student vehicles. When this took place, the employee verbally or visually verified the student/family picking up the meal. In the future, this process will be modified to possibly include an app that each person/family would complete when picking up meals to verify that they are picking up for a student and/or they are 18 or under; or staff loading the meals would check off each student/family from a list. It was extremely difficult to verify student eligibility during the pick-up process due to our efforts to reduce the spread of Covid-19. The District follows a Continuous Improvement Process that evaluates the effectiveness and efficiency of its programs; and recommends changes, when appropriate. This process would include Food Service so that when deficiencies are noticed, they can be corrected.

**III. PRIOR AUDIT FINDINGS**

NONE





Members of the Board of Education  
Breathitt County School District  
Jackson, Kentucky

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

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 11, 2021 on the financial statements of the Breathitt County Board of Education. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and 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.

Respectfully,

**RFH**

RFH, PLLC  
November 11, 2021

**Breathitt County School District  
Management Letter Comments  
June 30, 2021**

**DISTRICT**

**Current Year Comments**

None.

**Status of Prior Year Comments**

There were no management letter comments at the District level in the prior year.

**Breathitt County School District  
Management Letter Comments  
June 30, 2021**

**SCHOOL ACTIVITY FUNDS**

**BREATHITT COUNTY HIGH SCHOOL**

2021-01:      Purchase Orders

Condition:

During testing, multiple instances of purchases approved after being obligated were noted. Purchase orders should be completed prior to all purchases.

Response:

Training/monitoring and re-training continue to take place regarding the purchasing procedures/Redbook compliance at the BHS (and all schools). District Finance staff conducted training with all teachers on August 5, 2021, in an effort to emphasize the importance of having a purchase order in hand before placing orders or buying any products; as well as review of other Redbook guidance. The District will continue to monitor and follow up on this issue with further review and training, when necessary.

**Status of Prior Year Comments**

Comment 2021-01 is a repeat comment from the previous year.

**Sebastian Elementary School**

No comments in the current year.

**Status of Prior Year Comments**

No comments in the prior year.

**MARIE ROBERTS-CANEY ELEMENTARY**

No comments in the current year.

**Status of Prior Year Comments**

All comments from the prior year were corrected.

**HIGHLAND-TURNER ELEMENTARY**

No comments in the current year.

**Status of Prior Year Comments**

No comments in the prior year.