

**Montgomery County School District**  
**Audited Financial Statements**  
**and Required Supplementary Information**  
**June 30, 2021**

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**TABLE OF CONTENTS**  
**JUNE 30, 2021**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net position	13
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Special Revenue Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Fiduciary Net Position - Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Basic Financial Statements	23-65

**MONTGOMERY COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS - CONTINUED  
JUNE 30, 2021**

	<u>Page</u>
Required Supplementary Information:	
Schedule of District's Proportionate Share of Net Pension Liability	66
Schedule of District Contributions - Pension	67
Notes to Required Supplementary Information - Pension	68
Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan	69
Schedule of District Contributions – Medical Insurance Plan	70
Notes to Required Supplementary Information – Medical Insurance Plan	71
Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan	72
Schedule of District Contributions – Life Insurance Plan	73
Notes to Required Supplementary Information – Life Insurance Plan	74
Supplemental Schedules:	
Combining Balance Sheet – Non-major Governmental Funds	75
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Non-major Governmental Funds	76
Combining Statement of Receipts, Disbursements and Fund Balances – School Activity Funds	77
Statement of Receipts, Disbursements and Fund Balances – Montgomery County High School Activity Funds	78-79
Schedule of Expenditures of Federal Awards by Grant	80-81
Notes to Schedule of Expenditures of Federal Awards	82
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	83-84
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	85-86
Schedule of Findings and Questioned Costs	87-88
Schedule of Prior Year Audit Findings	89
Management Letter Comments	90-91

# SUMMERS, MCCRARY & SPARKS, P.S.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

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 Montgomery County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3-9 and 66-74 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 Montgomery County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditure 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 schedule of expenditures of federal awards, combining and individual nonmajor fund financial statements 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 12, 2021, on our consideration of Montgomery 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 Montgomery 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 District's internal control over financial reporting and compliance.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
November 12, 2021

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

As management of the Montgomery County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS**

- The beginning General Fund balance for the District was \$4,612,665. With a increase of \$1,811,586, the ending balance for FY2021 was \$6,424,251.
- Average Daily Attendance (ADA), is used to calculate base SEEK funding. Our funding ADA was 3,959.631 for 2019-20.
- Due to COVID-19, KDE maintained the same level of SEEK funding for school year 2020-21 as was given in 2019-20.
- The Guaranteed SEEK base was maintained at \$4,000 per pupil.
- For the 2020-21 school year KY Legislatures funded full day Kindergarten in the state budget.
- Per the SEEK formula, transportation is only funded at nearly 55%.
- CERS Employer Contribution Rate increase
  - 18-19 - 21.48%
  - 19-20 - 24.06%
  - 20-21 – 24.06% (maintained due to COVID-19 Pandemic)
  - 21-22 – 26.95%
- The Board voted to maintain the same property tax rate as the previous year to preserve same level of local revenues.
- Due current economic climate interest rates plummeted, decreasing interest income.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

The statement of net position presents information on all of the District's assets 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 principally supported by property taxes and intergovernmental revenues (governmental activities).

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

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

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds.

Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 12-22 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-65 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$12,609,492 as of June 30, 2021 as compared to \$9,584,593 in the prior year. The prior year net position was revised to recognize a correction of a government wide adjustment for debt service. The prior year fund balance has been restated from \$9,974,280 to \$9,584,593 to reflect this correction.

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

Although the District's investment in its capital assets is reported net of related debt, 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, the depreciation of capital assets.

The breakdown of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position can be seen on page 10 in the statement of net position, Governmental Wide Basis.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**Net position for the years ending June 30, 2021 and 2020**

	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>Change</b></u>
Current Assets	\$ 15,842,203	\$ 11,890,262	\$ 3,951,941
Noncurrent Assets	<u>69,433,074</u>	<u>71,763,438</u>	<u>(2,330,364)</u>
<b>Total Assets</b>	<u>85,275,277</u>	<u>83,653,700</u>	<u>1,621,577</u>
 <b>Deferred Outflows of Resources</b>	 <u>6,708,965</u>	 <u>6,131,675</u>	 <u>577,290</u>
 Current Liabilities	 4,239,711	 3,943,598	 296,113
Noncurrent Liabilities	<u>69,373,888</u>	<u>70,496,783</u>	<u>(1,122,895)</u>
<b>Total Liabilities</b>	<u>73,613,599</u>	<u>74,440,381</u>	<u>(826,782)</u>
 <b>Deferred Inflows of Resources</b>	 <u>5,761,151</u>	 <u>5,370,714</u>	 <u>390,437</u>
 Net Position			
Investment in capital assets (net)	28,037,729	27,832,095	205,634
Restricted	8,560,680	6,509,417	2,051,263
Unrestricted	<u>(23,988,917)</u>	<u>(24,367,232)</u>	<u>378,315</u>
<b>Total Net Position</b>	<u>\$ 12,609,492</u>	<u>\$ 9,974,280</u>	<u>\$ 2,635,212</u>



**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2021 and 2020, government wide basis.

	<b>Summary of Revenue and Expenditures</b>					
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Revenues:</b>						
Local revenue sources	\$11,776,222	\$11,552,706	\$144,067	\$500,572	\$11,920,289	\$12,053,278
State revenue sources	24,603,712	24,790,402	353,979	349,656	24,957,691	25,140,058
Federal revenue sources	5,687,210	4,588,783	3,101,585	2,815,222	8,788,795	7,404,005
Tuition	4,380	27,266	0	0	4,380	27,266
Gain/(Loss) on sale of assets	292,808	1,011	0	(127,215)	292,808	(126,204)
Investments	176,601	343,444	3,191	6,051	179,792	349,495
<b>Total Revenue</b>	<b>42,540,933</b>	<b>41,303,612</b>	<b>3,602,822</b>	<b>3,544,286</b>	<b>46,143,755</b>	<b>44,847,898</b>
<b>Expenses:</b>						
Instruction	20,535,446	22,312,466	0	0	20,535,446	22,312,466
Student support services	2,712,429	3,024,017	0	0	2,712,429	3,024,017
Instructional support	2,515,460	1,567,380	0	0	2,515,460	1,567,380
District administration	1,297,133	1,260,021	0	0	1,297,133	1,260,021
School administration	1,500,404	1,928,746	0	0	1,500,404	1,928,746
Business support	1,819,488	1,714,571	0	0	1,819,488	1,714,571
Plant operations	5,090,448	4,328,775	0	0	5,090,448	4,328,775
Student transportation	2,524,913	3,059,961	0	0	2,524,913	3,059,961
Community service	444,394	778,754	0	0	444,394	778,754
Interest on long-term debt	1,659,758	1,718,114	0	0	1,659,758	1,718,114
Day care	0	0	318,739	565,827	318,739	565,827
Food service	0	0	2,700,244	2,917,306	2,700,244	2,917,306
<b>Total Expenses</b>	<b>40,099,873</b>	<b>41,692,805</b>	<b>3,018,983</b>	<b>3,483,133</b>	<b>43,118,856</b>	<b>45,175,938</b>
Transfers	139,028	150,326	(139,028)	(150,326)	0	0
Change in net position	2,580,088	(238,867)	444,811	(89,173)	3,024,899	(328,040)
Beginning net position	10,903,991	10,986,787	(929,711)	(840,538)	9,974,280	10,146,249
Prior period adjustment	(389,687)	156,071	0	0	(389,687)	156,071
Beginning net position restated	10,514,304	11,142,858	(929,711)	(840,538)	9,584,593	10,302,320
<b>Ending net position</b>	<b>\$13,094,392</b>	<b>\$10,903,991</b>	<b>(\$484,900)</b>	<b>(\$929,711)</b>	<b>\$12,609,492</b>	<b>\$9,974,280</b>

**Governmental Activities**

Instruction comprises 51% of governmental program expenses. Plant Operations expense makes up 13% of government expenses. District and School Administration total 8% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 29% of total governmental expense.

**Business-Type Activities**

The business-type activities include the food service and day care operations. These programs had total revenues of \$3,602,822 and expenses of \$3,018,983 for fiscal year 2021. Of the revenues, \$144,067 was charges for services, and \$3,455,564 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**FUND FINANCIAL ANALYSIS**

The following table presents a summary of revenue and expense, excluding transfers, for selected funds (including on-behalf payments). Food service and day care amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

**For the Year ending June 30, 2021**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 5,398,886	\$ 0	\$ 0	\$ 0
Motor vehicle	1,114,053	0	0	0
Utilities	1,890,896	0	0	0
Earnings on investments	66,124	208	3,191	0
Tuition & fees	4,380	0	0	0
Other local revenues	494,329	22,726	0	0
Intergovernmental - state	27,458,277	2,733,175	2,600,945	186,073
Intergovernmental - federal	260,689	5,426,521	167,906	500,640
Gain/(Loss) on asset disposal	0	0	0	0
Lunchroom sales	0	0	87,670	0
Day care revenue	0	0	0	56,397
TOTAL REVENUES	<u>36,687,634</u>	<u>8,182,630</u>	<u>2,859,712</u>	<u>743,110</u>
EXPENDITURES:				
Instruction:	20,440,713	4,650,745	0	0
Support Services:				
Student	3,124,558	267,430	0	0
Instructional staff	1,409,586	1,805,726	0	0
District administration	653,547	567,753	0	0
School administration	2,118,438	0	0	0
Business	1,732,863	4,879	0	0
Plant operations and maintenance	4,289,210	371,555	0	0
Student transportation	1,537,576	233,995	0	0
Food Service	0	0	2,700,244	0
Day care service	0	0	0	318,739
Community Service	2,000	361,340	0	0
Capital outlay	422,000	0	0	0
Debt service	440,994	0	0	0
TOTAL EXPENDITURES	<u>36,171,485</u>	<u>8,263,423</u>	<u>2,700,244</u>	<u>318,739</u>
Excess (Deficit) of Revenues over Expenditures	\$ <u>516,149</u>	\$ <u>(80,793)</u>	\$ <u>159,468</u>	\$ <u>424,371</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**For the Year ending June 30, 2020**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 5,265,777	\$ 0	\$ 0	\$ 0
Motor vehicle	789,312	0	0	0
Utilities	1,751,187	0	0	0
Earnings on investments	148,258	634	6,051	0
Tuition & fees	27,266	0	0	0
Other local revenues	470,795	66,505	0	0
Intergovernmental - state	28,962,762	1,639,315	206,578	143,078
Intergovernmental - federal	227,759	3,688,852	2,585,349	229,873
Gain/(Loss) on asset disposal	0	0	(127,215)	0
Lunchroom sales	0	0	229,859	0
Day care revenue	0	0	0	270,713
TOTAL REVENUES	<u>37,643,116</u>	<u>5,395,306</u>	<u>2,900,622</u>	<u>643,664</u>
EXPENDITURES:				
Instruction:	22,003,140	3,872,202	0	0
Support Services:				
Student	3,188,843	262,448	0	0
Instructional staff	1,594,950	803,578	0	0
District administration	1,308,026	0	0	0
School administration	2,071,132	0	0	0
Business	1,647,325	5,713	0	0
Plant operations and maintenance	4,036,964	7,829	0	0
Student transportation	2,248,341	194,222	0	0
Food Service	0	0	2,917,306	0
Day care service	0	0	0	565,827
Community Service	4,036	325,583	0	0
Capital outlay	155,240	0	0	0
Debt service	441,554	0	0	0
TOTAL EXPENDITURES	<u>38,699,551</u>	<u>5,471,575</u>	<u>2,917,306</u>	<u>565,827</u>
Excess (Deficit) of Revenues over Expenditures	\$ <u>(1,056,435)</u>	\$ <u>(76,269)</u>	\$ <u>(16,684)</u>	\$ <u>77,837</u>

**Debt**

At June 30, 2021, the School District had \$41,375,142 in bond and capital lease debt outstanding; of this amount \$451,110 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$2,992,000 is due within one year.

**Capital Assets**

The Board added \$488,234 in new assets during the year, primarily for new buses and purchase of equipment.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2021**

**Comments on Budget Comparisons**

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being \$10,219,133 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being \$7,883,699 more than budget. This overage is caused by on-behalf payments that are recorded at year end but not included in the budget appropriations. This overage is offset by additional on-behalf revenues from the state. The District's total general fund revenues for the fiscal year ended June 30, 2021, before interfund transfers, was \$36,687,633, a decrease of \$955,483 from the total revenues of \$37,643,116 for 2020.

**FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. Significant board actions that impacted finances include; Section 7 allocations, funding all-day Kindergarten, funding all athletic and a majority of extracurricular trips, expenditures for an alternative school. Gateway in our only remaining KECSAC program. Hope Hill & Hillcrest group home have closed in the 19-20 school year. Due to budget planning based on decreased enrollment for the 2020-21 school year there were staffing, programming and other reductions. Due to this planning the District is on track to a balanced budget and even adding to fund balance. Another contributing factor is the COVID-19 pandemic and the closure of in person instruction for the majority of the school year the district was able to increase fund balance significantly simply due to not have having the usual expenditures that would occur during a normal school year. For the 2020-21 fiscal year the Board maintained the same property tax rate to preserve the same level of funding. The state has cut flex focus funding by awarding zero funds for PD and Instructional Resources for 2020-21.

The CERS retirement employer rate will did remain 24.06% for 2020-21 due to the COVID-19 pandemic but will increase to 26.95% for 2021-22. The KTRS retirement employer contribution to the retiree medical insurance fund is 3.00% and federally funded employees 16.105% as mandated. Federal Programs Health Insurance/Life Insurance reimbursements to the State of Kentucky are included in the District's budget. For the upcoming FY2020-21 school year, the district remains committed to maintaining the 187 day contracts for certified teachers.

Management and the Board will review the operating budget and seek areas to reduce costs while maintaining a quality education. We will also aggressively pursue new grant funding and local community support. The support and fundraising efforts of the Montgomery School District, Alumni, and Community Leaders positively impact the educational accomplishments of this district. The Board and management believe these actions will establish an adequate cash reserve in fiscal year 2022 and future years. The District continues to receive positive feedback from the community, faculty, staff, parents and students regarding the leadership initiatives of the current Superintendent, Dr. Matthew Thompson.

Questions regarding this report should be directed to Angela Rhodes, Director of Finance, (859) 497-8760 ext. 6003, email: [angela.rhodes@montgomery.kyschools.us](mailto:angela.rhodes@montgomery.kyschools.us) , or by mail at the Montgomery County Schools, 3400 Indian Mound Drive Mt. Sterling, KY 40353.

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 11,786,316	\$ 1,574,298	\$ 13,360,614
Accounts receivable			
Taxes	423,333	-	423,333
Accounts	53,804	84,785	138,589
Intergovernmental - Federal	1,902,139	-	1,902,139
Inventory	-	17,528	17,528
Total Current Assets	14,165,592	1,676,611	15,842,203
Noncurrent Assets			
Non-depreciated capital assets	4,463,435	-	4,463,435
Net depreciated capital assets	64,156,960	812,679	64,969,639
Total Noncurrent Assets	68,620,395	812,679	69,433,074
<b>TOTAL ASSETS</b>	<b>82,785,987</b>	<b>2,489,290</b>	<b>85,275,277</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension	2,579,542	291,238	2,870,780
OPEB	3,268,976	319,711	3,588,687
Deferred Gain/Loss on Bond Refinance	249,498	-	249,498
Total deferred outflow of resources	6,098,016	610,949	6,708,965
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	136,572	16	136,588
Current portion of bond obligations	2,635,000	-	2,635,000
Current portion of accrued sick leave	98,699	-	98,699
Accrued interest payable	291,740	-	291,740
Unearned revenues	720,684	-	720,684
Current Portion of Capital Leases	357,000	-	357,000
Total Current Liabilities	4,239,695	16	4,239,711
Noncurrent Liabilities			
Noncurrent portion of bond obligations	37,480,701	-	37,480,701
Net pension liability	14,743,333	2,534,077	17,277,410
Net OPEB liability	12,144,600	809,199	12,953,799
Noncurrent portion Capital Leases	1,172,142	-	1,172,142
Noncurrent portion of accrued sick leave	489,836	-	489,836
Total Noncurrent Liabilities	66,030,612	3,343,276	69,373,888
<b>TOTAL LIABILITIES</b>	<b>70,270,307</b>	<b>3,343,292</b>	<b>73,613,599</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	482,653	111,186	593,839
OPEB	5,036,651	130,661	5,167,312
Total deferred inflow of resources	5,519,304	241,847	5,761,151
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,225,050	812,679	28,037,729
Restricted			
Debt Service	6,381,363	-	6,381,363
Capital projects	299,158	-	299,158
Other purposes	203,564	1,676,595	1,880,159
Unrestricted	(21,014,743)	(2,974,174)	(23,988,917)
<b>TOTAL NET POSITION</b>	<b>\$ 13,094,392</b>	<b>\$ (484,900)</b>	<b>\$ 12,609,492</b>

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 20,535,446	\$ 4,380	\$ 5,687,210	\$ -	\$ (14,843,856)	\$ -	\$ (14,843,856)
Support Services:							
Student	2,712,429	-	-	-	(2,712,429)	-	(2,712,429)
Instructional staff	2,515,460	-	-	-	(2,515,460)	-	(2,515,460)
District administration	1,297,133	-	-	-	(1,297,133)	-	(1,297,133)
School administration	1,500,404	-	-	-	(1,500,404)	-	(1,500,404)
Business	1,819,488	-	-	-	(1,819,488)	-	(1,819,488)
Plant operations and maintainance	5,090,448	-	-	-	(5,090,448)	-	(5,090,448)
Student transportation	2,524,913	-	-	-	(2,524,913)	-	(2,524,913)
Community services	444,394	-	-	-	(444,394)	-	(444,394)
Interest on long-term debt	1,659,758	-	-	851,919	(807,839)	-	(807,839)
Total Governmental Activities	40,099,873	4,380	5,687,210	851,919	(33,556,364)	-	(33,556,364)
Business Type Activities:							
Food Service	2,700,244	87,670	2,768,851	-	-	156,277	156,277
Child Care	318,739	56,397	686,713	-	-	424,371	424,371
Total Business Type Activities	3,018,983	144,067	3,455,564	-	-	580,648	580,648
Total Primary Government	\$ <u>43,118,856</u>	\$ <u>148,447</u>	\$ <u>9,142,774</u>	\$ <u>851,919</u>	\$ <u>(33,556,364)</u>	\$ <u>580,648</u>	\$ <u>(32,975,716)</u>
General Revenues:							
Taxes:							
Property					\$ 7,959,794	\$ -	\$ 7,959,794
Motor vehicle					1,114,053	-	1,114,053
Utilities					1,890,896	-	1,890,896
State and formula grants					23,751,793	-	23,751,793
Interest and investment earnings					176,601	3,191	179,792
Other Local revenues					811,479	-	811,479
Gain/(loss) on sale of assets					292,808	-	292,808
Transfers					139,028	(139,028)	0
Total General Revenues and Transfers					36,136,452	(135,837)	36,000,615
Change in Net Position					2,580,088	444,811	3,024,899
Net Position - beginning of year					10,903,991	(929,711)	9,974,280
Prior Period Adjustment					(389,687)	-	(389,687)
Net Position - beginning of year retated					10,514,304	(929,711)	9,584,593
Net Position - end of year					\$ <u>13,094,392</u>	\$ <u>(484,900)</u>	\$ <u>12,609,492</u>

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 4,907,202	\$ -	\$ 6,381,363	\$ 497,751	\$ 11,786,316
Interfund receivable	1,180,596	-	-	-	1,180,596
Accounts receivable					
Taxes	423,333	-	-	-	423,333
Accounts	46,943	-	-	6,861	53,804
Intergovernmental - Federal	-	1,902,139	-	-	1,902,139
<b>TOTAL ASSETS</b>	<b>\$ 6,558,074</b>	<b>\$ 1,902,139</b>	<b>\$ 6,381,363</b>	<b>\$ 504,612</b>	<b>\$ 15,346,188</b>
<b>LIABILITIES:</b>					
Interfund payable	\$ -	\$ 1,180,596	\$ -	\$ -	\$ 1,180,596
Accounts payable	133,823	859	-	1,890	136,572
Accrued sick leave	-	-	-	-	-
Unearned revenue	-	720,684	-	-	720,684
<b>TOTAL LIABILITIES</b>	<b>133,823</b>	<b>1,902,139</b>	<b>-</b>	<b>1,890</b>	<b>2,037,852</b>
<b>FUND BALANCES:</b>					
Restricted	-	-	6,381,363	502,722	6,884,085
Committed	529,123	-	-	-	529,123
Unassigned	5,895,128	-	-	-	5,895,128
<b>TOTAL FUND BALANCES</b>	<b>6,424,251</b>	<b>-</b>	<b>6,381,363</b>	<b>502,722</b>	<b>13,308,336</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,558,074</b>	<b>\$ 1,902,139</b>	<b>\$ 6,381,363</b>	<b>\$ 504,612</b>	<b>\$ 15,346,188</b>

See Accompanying Notes to the Financial Statements

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

Total Governmental Fund Balances	\$ 13,308,336
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	68,620,395
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	
Deferred loss on refunding	249,498
Pension	2,579,542
OPEB	3,268,976
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position.	
Net pension liability	(14,743,333)
Net OPEB liability	(12,144,600)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension	(482,653)
OPEB	(5,036,651)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position.	
Bond obligations	(40,115,701)
Capital Lease obligations	(1,529,142)
Accrued interest	(291,740)
Accrued sick leave	(588,535)
Net Position of Governmental Activities	\$ <u><u>13,094,392</u></u>

See Accompanying Notes to the Financial Statements



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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 5,398,886	\$ -	\$ -	\$ 2,560,908	\$ 7,959,794
Motor vehicle	1,114,053	-	-	-	1,114,053
Utilities	1,890,896	-	-	-	1,890,896
Earnings on investments	66,124	208	110,269	-	176,601
Tuition	4,380	-	-	-	4,380
Other local revenues	494,329	22,726	-	294,425	811,480
Intergovernmental - State	27,458,277	2,733,175	65,558	2,555,681	32,812,691
Intergovernmental - Indirect federal	260,689	5,426,521	786,361	-	6,473,571
TOTAL REVENUES	<u>36,687,634</u>	<u>8,182,630</u>	<u>962,188</u>	<u>5,411,014</u>	<u>51,243,466</u>
EXPENDITURES:					
Current:					
Instruction:	20,440,713	4,650,745	-	248,347	25,339,805
Support Services:					
Student	3,124,558	267,430	-	20,436	3,412,424
Instructional staff	1,409,586	1,805,726	-	48,101	3,263,413
District administration	653,547	567,753	-	-	1,221,300
School administration	2,118,438	-	-	-	2,118,438
Business	1,732,863	4,879	-	-	1,737,742
Plant operations and maintainance	4,289,210	371,555	-	-	4,660,765
Student transportation	1,537,576	233,995	-	-	1,771,571
Community Services	2,000	361,340	-	-	363,340
Other Non-Instructional	-	-	-	13,803	13,803
Capital Outlay	422,000	-	-	66,234	488,234
Debt service	440,994	-	4,159,801	-	4,600,795
TOTAL EXPENDITURES	<u>36,171,485</u>	<u>8,263,423</u>	<u>4,159,801</u>	<u>396,921</u>	<u>48,991,630</u>
Excess (Deficit) of Revenues over Expenditures	<u>516,149</u>	<u>(80,793)</u>	<u>(3,197,613)</u>	<u>5,014,093</u>	<u>2,251,836</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,310,084	88,151	3,952,891	349,683	5,700,809
Operating transfers out	(437,835)	(7,358)	-	(5,116,589)	(5,561,782)
Proceeds from sale of fixed assets	423,188	-	-	-	423,188
TOTAL OTHER FINANCING SOURCES (USES):	<u>1,295,437</u>	<u>80,793</u>	<u>3,952,891</u>	<u>(4,766,906)</u>	<u>562,215</u>
Net Change in Fund Balances	1,811,586	-	755,278	247,187	2,814,051
Fund balance - beginning of year	<u>4,612,665</u>	<u>-</u>	<u>5,626,085</u>	<u>255,535</u>	<u>10,494,285</u>
Fund balance - end of year	<u>\$ 6,424,251</u>	<u>\$ -</u>	<u>\$ 6,381,363</u>	<u>\$ 502,722</u>	<u>\$ 13,308,336</u>

See Accompanying Notes to the Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds \$ 2,814,051

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

Bond discounts are expensed as incurred in the fund financial  
statement, but are amortized over the life of the bond in the statement  
of activities:

Amortization expense 33,459

The proceeds from the disposal of capital assets provide current  
financial resources and are reported in the fund financial statements.  
However, for governmental activities the proceeds are reported net of  
the cost less any accumulated depreciation. (130,380)

Governmental funds do not report the effect of gain or loss on refunding  
debt, whereas these amounts are deferred and amortized in the statement  
of activities. (72,083)

Capital outlays are reported as expenditures in the fund financial  
statement because they are current financial resources, but they  
are presented as assets in the statement of activities and depreciated  
over their estimated economic lives. The difference is the amount  
by which capital outlays exceeds depreciation expense for the year.

Capital outlays 488,234  
Depreciation expense (2,580,897)

Generally, expenditures recognized in the fund financial statement are  
limited to only those that use current financial resources, but expenses are  
recognized in the statement of activities when they are incurred.

Accrued interest 15,349  
Sick leave (173,503)  
KSBIT payable 75,778

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

KTRS on-behalf revenue (8,995,340)  
KTRS on-behalf pension expense 8,565,249  
KTRS on-behalf OPEB expense 430,091  
Pension expense (1,280,495)  
OPEB expense 426,264

Bond and lease payments are recognized as  
expenditures of current financial resources in the fund financial  
statement, but are reductions of liabilities in the statement of net position. 2,964,311

Change in Net Position of Governmental Activities \$ 2,580,088

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 4,890,925	\$ 5,325,000	\$ 5,398,886	\$ 73,886
Motor vehicle	835,000	800,000	1,114,053	314,053
Utilities	1,775,000	1,700,000	1,890,896	190,896
Tuition and fees	15,000	10,000	4,380	(5,620)
Earnings on investments	170,000	50,000	66,124	16,124
Other local revenues	195,500	202,500	494,329	291,829
Intergovernmental - State	19,094,000	18,241,000	27,458,277	9,217,277
Intergovernmental - Indirect federal	140,000	140,000	260,689	120,689
TOTAL REVENUES	27,115,425	26,468,500	36,687,634	10,219,134
EXPENDITURES:				
Current:				
Instruction:	14,701,164	13,552,720	20,440,713	(6,887,993)
Support Services:				
Student	2,647,915	2,624,605	3,124,558	(499,953)
Instructional staff	1,312,435	1,229,505	1,409,586	(180,081)
District administration	1,395,460	1,467,325	653,547	813,778
School administration	1,470,825	1,500,600	2,118,438	(617,838)
Business	1,390,425	1,300,595	1,732,863	(432,268)
Plant operations and maintenance	3,920,391	3,952,255	4,312,110	(359,855)
Student transportation	2,397,825	2,212,470	1,936,676	275,794
Community Services	6,900	5,900	2,000	3,900
Debt service	441,810	441,810	440,994	816
TOTAL EXPENDITURES	29,685,150	28,287,785	36,171,485	(7,883,700)
Excess (Deficit) of Revenues over Expenditures	(2,569,725)	(1,819,285)	516,149	2,335,434
OTHER FINANCING SOURCES (USES):				
Operating transfers in	130,000	330,000	1,310,084	980,084
Operating transfers out	(135,000)	(150,000)	(437,835)	(287,835)
Proceeds from Sale of Assets	500	500	423,188	422,688
Contingency	(2,500,000)	(2,725,000)	-	2,725,000
TOTAL OTHER FINANCING SOURCES (USES):	(2,504,500)	(2,544,500)	1,295,437	3,839,937
Net Change in Fund Balances	(5,074,225)	(4,363,785)	1,811,586	6,175,371
Fund balance - beginning of year	5,074,225	4,363,785	4,612,665	248,880
Fund balance - end of year	\$ -	\$ -	\$ 6,424,251	\$ 6,424,251

See Accompanying Notes to the Financial Statements

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

	SPECIAL REVENUE FUND			VARIANCE
	BUDGETED AMOUNTS			Favorable
	ORIGINAL	FINAL	ACTUAL	(Unfavorable)
REVENUES:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 208	\$ 208
Other local revenues	36,675	10,305	22,726	12,421
Intergovernmental - State	1,738,316	1,868,304	2,733,175	864,871
Intergovernmental - Indirect federal	3,390,271	3,378,307	5,426,521	2,048,214
TOTAL REVENUES	5,165,262	5,256,916	8,182,630	2,925,714
EXPENDITURES:				
Current:				
Instruction:	3,837,963	3,961,289	4,650,745	(689,456)
Support Services:				
Student	155,153	289,178	267,430	21,748
Instructional staff	724,707	549,190	1,805,726	(1,256,536)
District administration	-	-	567,753	(567,753)
Business	5,713	4,924	4,879	45
Plant operations and maintenance	83,596	94,709	371,555	(276,846)
Student transportation	111,880	112,475	233,995	(121,520)
Community services	332,535	340,151	361,340	(21,189)
TOTAL EXPENDITURES	5,251,548	5,351,916	8,263,423	(2,911,507)
Excess (Deficit) of Revenues over Expenditures	(86,286)	(95,000)	(80,793)	14,207
OTHER FINANCING SOURCES (USES):				
Operating transfers in	120,000	175,000	88,151	(86,849)
Operating transfers out	(25,000)	(80,000)	(7,358)	72,642
TOTAL OTHER FINANCING SOURCES (USES):	95,000	95,000	80,793	(14,207)
Net Change in Fund Balances	8,714	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ 8,714	\$ -	\$ -	\$ -

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 960,255	\$ 614,043	\$ 1,574,298
Accounts receivable	80,715	4,070	84,785
Inventory	17,528	-	17,528
Total Current Assets	<u>1,058,498</u>	<u>618,113</u>	<u>1,676,611</u>
Noncurrent Assets			
Machinery & equipment	3,097,015	2,700	3,099,715
Accumulated depreciation	(2,284,336)	(2,700)	(2,287,036)
Total Noncurrent Assets	<u>812,679</u>	<u>-</u>	<u>812,679</u>
<b>TOTAL ASSETS</b>	<u>1,871,177</u>	<u>618,113</u>	<u>2,489,290</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension Plan	209,254	81,984	291,238
OPEB	242,619	77,092	319,711
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>451,873</u>	<u>159,076</u>	<u>610,949</u>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	2	14	16
Noncurrent Liabilities			
Net pension liability	1,794,506	739,571	2,534,077
Net OPEB liability	609,598	199,601	809,199
<b>TOTAL LIABILITIES</b>	<u>2,404,106</u>	<u>939,186</u>	<u>3,343,292</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	81,372	29,814	111,186
OPEB	81,281	49,380	130,661
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>162,653</u>	<u>79,194</u>	<u>241,847</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	812,679	-	812,679
Restricted	1,058,496	618,099	1,676,595
Unrestricted	(2,114,884)	(859,290)	(2,974,174)
<b>TOTAL NET POSITION</b>	<u>\$ (243,709)</u>	<u>\$ (241,191)</u>	<u>\$ (484,900)</u>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Lunchroom sales	\$ 52,670	\$ -	\$ 52,670
Other operating revenues	35,000	56,397	91,397
TOTAL OPERATING REVENUES	<u>87,670</u>	<u>56,397</u>	<u>144,067</u>
OPERATING EXPENSES:			
Salaries and wages	715,402	172,621	888,023
Employee benefits	578,028	131,772	709,800
Contract services	51,615	2,153	53,768
Materials and supplies	1,240,848	8,709	1,249,557
Miscellaneous	7,029	3,484	10,513
Depreciation	107,322	-	107,322
TOTAL OPERATING EXPENSES	<u>2,700,244</u>	<u>318,739</u>	<u>3,018,983</u>
Operating income (loss)	(2,612,574)	(262,342)	(2,874,916)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	2,505,273	500,640	3,005,913
Federal commodities	95,672	-	95,672
State grants	167,906	186,073	353,979
Interest income	3,191	-	3,191
Loss on disposal	-	-	-
NON-OPERATING REVENUES (EXPENSES)	<u>2,772,042</u>	<u>686,713</u>	<u>3,458,755</u>
Net income (loss) before operating transfers	159,468	424,371	583,839
Operating transfers	<u>(139,028)</u>	<u>-</u>	<u>(139,028)</u>
Change in net position	20,440	424,371	444,811
Total net position - beginning of year	<u>(264,149)</u>	<u>(665,562)</u>	<u>(929,711)</u>
Total net position - end of year	<u>\$ (243,709)</u>	<u>\$ (241,191)</u>	<u>\$ (484,900)</u>

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 68,319	\$ 55,327	\$ 123,646
Cash paid to suppliers	(1,179,034)	(14,508)	(1,193,542)
Cash paid to employees	(946,029)	(224,160)	(1,170,189)
Net Cash Provided (Used) by Operating Activities	<u>(2,056,744)</u>	<u>(183,341)</u>	<u>(2,240,085)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	(139,028)	-	(139,028)
Governmental grants	2,529,944	655,787	3,185,731
Net Cash Provided (Used) by Noncapital Activities	<u>2,390,916</u>	<u>655,787</u>	<u>3,046,703</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	-	-	-
Loss on disposal	-	-	-
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	3,191	-	3,191
Net Cash Provided (Used) by Investing Activities	<u>3,191</u>	<u>-</u>	<u>3,191</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	337,363	472,446	809,809
<b>Cash and cash equivalents - beginning of year</b>	622,892	141,597	764,489
<b>Cash and cash equivalents - end of year</b>	<u>\$ 960,255</u>	<u>\$ 614,043</u>	<u>\$ 1,574,298</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (loss)	\$ (2,612,574)	\$ (262,342)	\$ (2,874,916)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Federal commodities	95,672	-	95,672
On-behalf payments	143,235	30,926	174,161
Depreciation	107,322	-	107,322
Changes in Assets and Liabilities:			
Accounts Receivable	(19,351)	(1,070)	(20,421)
Inventory	24,784	-	24,784
Deferred outflows	(36,436)	(8,800)	(45,236)
Accounts payable	2	(162)	(160)
Deferred inflows	(55,693)	(13,452)	(69,145)
Net pension liability	120,820	29,179	149,999
Net OPEB liability	175,475	42,380	217,855
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,056,744)</u>	<u>\$ (183,341)</u>	<u>\$ (2,240,085)</u>
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 95,672	\$ -	\$ 95,672
On-behalf payments	\$ 143,235	\$ 30,926	\$ 174,161

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021**

	SPECIAL PURPOSE TRUST FUNDS
ASSETS:	
Cash and cash equivalents	\$ 218,855
Accounts receivable	<u>-</u>
TOTAL ASSETS	<u>\$ 218,855</u>
LIABILITIES:	
Accounts payable	\$ <u>271</u>
TOTAL LIABILITIES	<u>271</u>
NET POSITION:	
Net position - Held in trust	<u>218,584</u>
TOTAL NET POSITION	<u>218,584</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 218,855</u>

See Accompanying Notes to the Financial Statements



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

	SPECIAL PURPOSE TRUST FUNDS
ADDITIONS	
Contributions	\$ 240,542
Interest Income	473
Total Additions	<u>241,015</u>
DEDUCTIONS	
Instruction	170,629
Instructional staff	50,907
Community service	1,500
Total Deductions	<u>223,036</u>
Change in Net Position	17,979
Total net position - beginning of year	<u>200,605</u>
Total net position - end of year	<u><u>\$ 218,584</u></u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Montgomery County School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

**Reporting Entity**

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Montgomery County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself, such as Boosters Club, Parent-Teacher Associations and other student association entities.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**Blended Component Unit**

**Montgomery County Board of Education Finance Corporation** - In a prior year, the Board resolved to authorize the establishment of the Montgomery County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Montgomery County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Basis of Presentation

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

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. Governmental Fund Types

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

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

- 1) The Special Revenue Fund includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- 2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

- 3) The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2020 after the District implemented GASBS No. 84, *Fiduciary Activities*. This is a non-major fund of the District.

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

- 1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK), Fund 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. This is a non-major fund of the District.
- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a non-major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

**II. Proprietary Fund Types (Enterprise Fund)**

(A) The Food Service Fund accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture ("USDA"). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

(B) The Day Care Fund is used to account for child care revenue and expenditures. The Day Care Fund is a major fund.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

III. Fiduciary Fund Type (Agency)

(A) The Private Purpose Trust Fund is maintained within MUNIS and accounts for revenues generated by trusts set up to benefit students in Montgomery County.

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer. However, the actual due 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 when tax revenues are restricted to a specific purpose.

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$0.523 per \$100 valuation for real property, \$0.523 per \$100 valuation for business personal property and \$0.469 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 delivery, within the district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Cash and Cash Equivalents

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

Inventory

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Capital Assets (Cont'd)

Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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

Buildings and improvements	25-50	years
Land improvements	20	years
Technology equipment	5	years
Vehicles	5-10	years
Audio-visual equipment	15	years
Food service equipment	12	years
Furniture and fixtures	20	years
Rolling Stock	15	years
Other	10	years

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

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accrued sick leave" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Budgetary Process

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

- a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund advances 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.

Accrued Liabilities and Long-Term Obligations

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

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System 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 CERS and KTRS, respectively. 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. Both systems publish separate financial statements as described in Note 6.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System 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 these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 7.

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District's governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the Construction, SEEK Capital Outlay, and FSPK Building funds are restricted for capital projects with a total of \$299,158 at June 30, 2021. Fund balance in the Debt Service fund is restricted for debt service with a total of \$6,381,363 at June 30, 2021. Fund balance in the District Activity Fund is restricted for district activities with a total balance of \$64,891 at June 30, 2021.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fund Balances (Cont'd)

Fund balance in the Student Activity Fund is restricted for student activities with a total balance of \$138,673 at June 30, 2021

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. At June 30, 2021, The District had committed fund balance for District activities for Site-Based Decision Making Council of \$234,855 and Sick Leave Liability of \$294,268.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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.

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its 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.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Operating Revenues and Expenses

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

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

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 the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Issuance Costs

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

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 in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 6 and 7), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 4).

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until appropriate period. The District reports one type of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 6 and 7).

**New Accounting Pronouncements**

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for fiscal years beginning after June 15, 2021. The District has not determined the financial impact of the implementation of GASBS No. 87.

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District will review its current IT subscription services to evaluate the impact of this standard, but since the recognized value for the intangible assets is generally the same as the corresponding subscription liability, there will be minimal financial impact for the District.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, effective for fiscal years beginning after June 15, 2021 (457 plan reporting). This standard replaces the guidance in GASBS No. 32, the current standard for 457 plan reporting. The District will evaluate the impact of this standard on the District's deferred compensation plan offered to employees, but is likely to have minimal impact since the Kentucky Deferred Compensation Authority has its own governing board and provides the trust reporting for the plans offered to state and local government employees in Kentucky.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Deposits and Investments

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits. As of June 30, 2021, the District did not hold any invested funds.

Cash and Cash Equivalents

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240 (4), having a current quoted market value at least equal to uninsured deposits.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 2 - CASH AND CASH EQUIVALENTS (Cont'd)**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$13,579,469. The bank balance for the same time was \$17,375,255.

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

**NOTE 3 - CAPITAL ASSETS**

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$3,620,522	\$0	\$0	\$3,620,522
Construction in Progress	776,679	66,234	0	842,913
Total Capital Assets not being depreciated	4,397,201	66,234	0	4,463,435
Other Capital Assets				
Land Improvements	4,519,148	0	0	4,519,148
Buildings & Improvements	100,277,801	0	172,000	100,105,801
Technological Equipment	2,214,289	0	0	2,214,289
Vehicles	6,564,462	399,100	603,758	6,359,804
General Equipment	3,595,542	22,900	3,228	3,615,214
Infrastructure	136,126	0	0	136,126
Total Other Assets	117,307,368	422,000	778,986	116,950,382
Less accumulated depreciation for:				
Land Improvements	(3,392,504)	(121,189)	0	(3,513,693)
Buildings & Improvements	(37,743,134)	(2,033,492)	(73,960)	(39,702,666)
Technological Equipment	(2,172,516)	(12,517)	0	(2,185,033)
Vehicles	(4,010,242)	(382,895)	(571,418)	(3,821,719)
General Equipment	(3,406,609)	(30,804)	(3,228)	(3,434,185)
Infrastructure	(136,126)	0	0	(136,126)
Total accumulated depreciation	(50,861,131)	(2,580,897)	(648,606)	(52,793,422)
Other Capital Assets, net	66,446,237	(2,158,897)	130,380	64,156,960
Governmental Activities, net	<u>\$70,843,438</u>	<u>(\$2,092,663)</u>	<u>\$130,380</u>	<u>\$68,620,395</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 3 - CAPITAL ASSETS (Cont'd)**

Business Activities:

Buildings & Improvements	\$1,613,076	\$0	\$0	\$1,613,076
Technological Equipment	24,427	0	0	24,427
Vehicles	36,702	0	0	36,702
General Equipment	1,425,510	0	0	1,425,510
Total	<u>3,099,715</u>	<u>0</u>	<u>0</u>	<u>3,099,715</u>
Less accumulated depreciation for:				
Buildings & Improvements	(977,269)	(47,378)	0	(1,024,648)
Technological Equipment	(24,427)	0	0	(24,427)
Vehicles	(36,702)	0	0	(36,702)
General Equipment	(1,141,316)	(59,944)	0	(1,201,260)
Total accumulated depreciation	<u>(2,179,714)</u>	<u>(107,322)</u>	<u>0</u>	<u>(2,287,036)</u>
Business Activities, net	<u>\$920,001</u>	<u>(\$107,322)</u>	<u>\$0</u>	<u>\$812,679</u>

Depreciation expense was charged to functions of the governmental activities of the District as follows:

**Governmental Activities:**

Instruction	\$1,965,006
Support Services:	
Student	7,059
District Administration	38,356
School Administration	17,557
Business	11,901
Plant Operations & Maintenance	131,462
Student Transportation	409,556
Total depreciation expense, governmental activities	<u>\$2,580,897</u>

**NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS**

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Montgomery County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into "Participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

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

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2021
2010 QSBC	\$12,576,000	5.88%	12/1/2027	\$12,576,000
2011	5,035,000	1.70%    2.90%	6/1/2023	2,070,000
2014	14,960,000	3.00%    -    3.50%	9/1/2034	14,390,000
2014A	4,000,000	2.00%    -    3.25%	12/1/2030	3,710,000
2014B	4,230,000	1.00%    -    3.00%	3/1/2025	2,495,000
2015	2,385,000	2.00%    -    2.50%	4/1/2026	1,545,000
2016	4,255,000	2.00%	9/1/2027	3,060,000
	<u>\$47,441,000</u>			<u>\$39,846,000</u>

The bonds which 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	Montgomery County School District		Kentucky School Construction Commission		Federal Rebate QSCB	Total
	Principal	Interest	Principal	Interest	Interest	
2022	\$2,582,256	\$801,696	\$52,744	\$12,815	\$714,317	\$4,163,828
2023	2,610,827	738,224	54,173	11,385	714,317	4,128,926
2024	2,649,805	656,202	35,195	9,916	714,317	4,065,435
2025	2,713,889	585,507	36,111	8,998	714,317	4,058,822
2026	2,232,947	508,736	37,053	8,056	714,317	3,501,109
2027-3030	19,527,788	1,420,825	108,212	23,696	1,785,792	22,866,313
2031-2035	7,077,378	601,466	127,622	10,996	0	7,817,462
	<u>\$39,394,890</u>	<u>\$5,312,656</u>	<u>\$451,110</u>	<u>\$85,862</u>	<u>\$5,357,376</u>	<u>\$50,601,894</u>

**Defeased Bonds**

The District defeased the 2003, 2010, 2006 and 2007 School Building Revenue Bond by depositing the proceeds of new debt into an irrevocable trust with an escrow agent for future debt service payments. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt created a deferred outflow resources in the amount of \$874,408. The deferred balance will be amortized to operations yearly for \$72,083 through 2029. The balance of the deferred loss on refunding as of June 30, 2021 was \$249,498.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

Capital Leases

Following is an analysis of the leased property under capital lease through KISTA:

			2020			2021
	Maturity	Interest	Outstanding			Outstanding
<u>KISTA Issue</u>	<u>Dates</u>	<u>Rates</u>	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
1st Issue of 2011	3/1/2021	4%	\$7,583	\$0	\$7,583	\$0
2nd Issue of 2011B	3/1/2021	3.60%	19,178	0	19,178	0
2nd Series of 2012	3/1/2022	.95-2.5%	68,829	0	34,093	34,736
First Series of 2013	3/1/2023	2%	176,018	0	65,184	110,834
Issue of 2014	3/1/2024	2-3%	238,155	0	62,369	175,786
Issue of 2015	3/1/2025	1-2.65%	309,565	0	63,451	246,114
Issue of 2016	3/1/2026	2-2.625%	235,208	0	38,668	196,540
Issue of 2017	3/1/2027	2.55%	160,497	0	22,276	138,221
Issue of 2019	3/1/2029	2.55%	391,264	0	47,593	343,671
Issue of 2020	3/1/2030	2%	317,156	0	33,916	283,240
Totals			<u>\$1,923,453</u>	<u>\$0</u>	<u>\$394,311</u>	<u>\$1,529,142</u>

The following is a schedule by years of the future minimum lease payments under KISTA capital lease together with the present value of the net minimum lease payments as of June 30, 2021:

<u>Fiscal Year</u>			
<u>Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$357,000	\$37,702	\$394,702
2023	314,672	29,443	344,115
2024	255,011	21,910	276,921
2025	199,467	15,348	214,815
2026	135,961	10,206	146,167
2027-2029	267,031	13,513	280,544
	<u>\$1,529,142</u>	<u>\$128,120</u>	<u>\$1,657,262</u>

The following is an analysis of the leased property under capital leases by class at June 30, 2021:

<u>Class of Property</u>	<u>Amount</u>
Buses Book Value	\$1,049,564

KSBIT

The District elected to finance the worker's compensation and property and liability insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-Local School Transportation Association (KISTA). The final payment of \$75,778 was made during the year ended June 30, 2021.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

The following is a summary of the District's long-term debt transactions for the year ended June 30, 2021:

	06/30/20 Beginning Balance	Additions	Reductions	06/30/21 Ending Balance	Amounts Due Within One Year
Bonds	\$ 42,416,000	\$ -	\$ 2,570,000	\$ 39,846,000	\$ 2,635,000
Net Bond Premium (Discounts)	302,710	-	33,459	269,251	-
Capital Leases	1,923,453	-	394,311	1,529,142	357,000
Sick Leave	415,032	218,468	44,965	588,535	98,699
KSBIT Payable	75,778	-	75,778	-	-
Total	<u>\$ 45,132,973</u>	<u>\$ 218,468</u>	<u>\$ 3,118,513</u>	<u>\$ 42,232,928</u>	<u>\$ 3,090,699</u>

**NOTE 5 - COMMITMENTS UNDER NON-CAPITALIZED LEASES**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$61,070

Expenditures for equipment under operating leases for the year ended June 30, 2021 totaled \$136,037.

**NOTE 6 - RETIREMENT PLAN**

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

**General information about the County Employees Retirement System Non-Hazardous ("CERS")**

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2021, Kentucky Revised Statute ("KRS") Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. 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.

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.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

Employer Contributions – For the year ended June 30, 2021, employer contributions were established by the Kentucky Retirement Systems (the governing board for CERS prior to April 1, 2021). The governing Board establishes employer contribution rates based on the annual actuarial valuation. In 2017, KRS substantially increased the employer contributions as a result of changes to key actuarial assumptions. However, the Kentucky General Assembly allowed employers participating in CERS to phase this increase over a 10-year period, and restricted annual increases in the employer contribution rate to no more than 12% over the prior year's rate. In addition, the 2020 Kentucky General Assembly froze employer contribution rates for 1 year to help local employers deal with the financial impact of the COVID pandemic. For fiscal year 2021, the employer contribution rate for CERS nonhazardous pensions was 19.30% and hazardous pensions was 30.06%. In fiscal year 2020, these rates were also 19.30% and 30.06%, respectively.

Employee Contributions- Required contributions by the employee are based on the tier:

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

**General information about the Kentucky Teachers' Retirement System ("KTRS")**

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

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

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

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

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. The annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

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

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement.

This extended allowance will not be less than \$6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is \$2,880 per year unless the spouse has income from other sources that exceed \$6,600 which will reduce this death benefit to \$2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

If an employee terminates 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.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 15.335% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.335% for those hired after July 1, 2008, for pension benefits. (See OPEB discussion for additional contribution rates.) The actuarially determined employer contribution rate is 30.155% for non-university members hired before July 1, 2008, and 31.155% for those hired after July 1, 2008.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District in a special funding situation.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

District's proportionate share of the net CERS pension liability	\$ 17,277,409
Commonwealth's proportionate share of the net KTRS pension liability associated with the District	<u>79,068,544</u>
	<u>\$ 96,345,953</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was .225262%. For the year ended June 30, 2021, the District recognized pension expense of \$1,487,646 related to CERS and a negative expense of \$8,773,340 related to KTRS. The District also recognized negative on-behalf revenue of \$8,565,249 for KTRS support provided by the Commonwealth paid directly to KTRS. KTRS has reported negative pension expense since the 2018 measurement period.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 430,844	\$ -
Changes of assumptions	674,654	-
Net difference between projected and actual earnings on pension plan investments	748,918	316,572
Changes in proportion and differences between District contributions and proportionate share of contributions	-	277,268
District contributions subsequent to the measurement date	<u>1,016,365</u>	<u>-</u>
	<u>\$ 2,870,781</u>	<u>\$ 593,840</u>

\$1,016,365 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and  
Deferred Inflows of Resources Related to Pensions (cont'd)**

Year ended June 30:

2021	\$543,898
2022	\$346,205
2023	\$196,832
2024	\$173,641
2025	\$0

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

	<u>CERS</u>	<u>TRS of Ky</u>
Price inflation	2.30%	3.0%
Cost-of-living adjustment	0.0%	1.5%
Salary increases	3.30% - 10.30%	3.5-7.3%
Investment rate of return	6.25%	7.5%

For CERS, mortality tables were revised for the 2019 measurement based on an experience study completed in March 2019. The mortality table used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS of Ky, 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 RP-2000 Disabled Mortality Table (set forward two years for males and seven years for females) is used for death after disability retirement. The last experience study for the period July 1, 2010 – June 30, 2015, was performed in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
<b>Growth:</b>	<b>62.50%</b>	
U. S. Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Credit	10.00%	6.65%
High Yield Credit	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>		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Total	100.00%	
<b>Expected Real Return</b>		<b>3.96%</b>
<b>Long Term Inflation Assumption</b>		<b>2.30%</b>

For TRS of Ky, 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 of Ky's investment consultant, are summarized in the following table:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

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

*\*Includes High Yield, Non-US Developed Bonds, and Private Credit Strategies*

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Beginning 2018, the Kentucky General Assembly allowed CERS employers to use a ten-year phase-in for the significant contribution increases that resulted when the earnings assumption was lowered from 7.5% to 6.25%. This phased-in approach is the current “statutory contribution rates” based on actuarial projections, but limited to no more than a 12% annual increase. In 2020, the General Assembly froze employer contribution rates for local governments participating in CERS for fiscal year 2021. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS of Ky, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the statutorily required rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 6 - RETIREMENT PLAN (cont'd)**

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

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
CERS	5.25%		6.25%		7.25%
District's proportionate share of net pension liability	\$ 21,306,805	\$	17,277,409	\$	13,940,916
KTRS	6.50%		7.50%		8.50%
District's proportionate share of net pension liability	\$ 0	\$	0	\$	0

**Other Retirement Plans**

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. These plans are administered by independent third-party administrators.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plans during the year totaled \$192,290. The District does not contribute to these plans.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB)**

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The change in governance for CERS discussed in Note 6 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from <http://kyret.ky.gov/>. TRS of Ky issues a publicly available financial report that can be obtained at [http://www.TRSofKy.ky.gov/05\\_publications/index.htm](http://www.TRSofKy.ky.gov/05_publications/index.htm).

**CERS Other Postemployment Benefits**

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

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service. Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2019 measurement period, CERS allocated 4.76% of the 19.30% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 6% employee contributions are allocated to the health insurance plan.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

*CERS 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 \$5,437,799 for its proportionate share of the collective net CERS OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.225196%

The amount recognized by the District as its proportionate share of the OPEB liability was \$5,437,799 as of June 30, 2021 and \$3,873,290 as of June 30, 2020. The District recognized OPEB expense of \$332,651 as the OPEB liability and the related deferred inflows of resources decreased while deferred outflows of resources increased.

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

<b>CERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 908,542	\$ 909,252
Changes of assumptions	945,856	5,752
Net difference between projected and actual earnings on OPEB plan investments	291,698	110,958
Changes in proportion and differences between District contributions and proportionate share of contributions	-	170,350
District contributions subsequent to the measurement date	250,668	-
	<u>\$ 2,396,764</u>	<u>\$ 1,196,312</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$250,668 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

Year ended June 30:

2021	\$254,446
2022	\$307,935
2023	\$205,551
2024	\$199,046
2025	(\$17,193)
Thereafter	\$0

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service 3.55% to 19.05%, for hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend starting at 6.40%, January 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	Initial trend starting at 2.90%, January 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Municipal Bond Index Rate	2.45%
Discount Rate	5.34% non-hazardous and 5.30% hazardous

Mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used 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 PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees 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.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2020 for use with the June 30, 2020 valuation in order to reflect future economic expectations.

The long-term expected rate of return on OPEB plan investments was determined 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 class are summarized in the table below.

However, the expected returns in the following table are based on ten-year yields developed by the investment consultant based on their capital market analysis prior to the impact of COVID.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Ten-Year Expected Real Rate of Return</u>
<b>Growth:</b>	<b><u>62.50%</u></b>	
U. S. Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Credit	10.00%	6.65%
High Yield Credit	15.00%	3.90%
<b>Liquidity:</b>	<b><u>14.50%</u></b>	
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
<b>Diversifying Strategies:</b>		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	
<b>Expected Real Return</b>		<b>3.96%</b>
<b>Long Term Inflation Assumption</b>		<b><u>2.30%</u></b>
<b>Expected Nominal Return for Portfolio</b>		<b><u>6.26%</u></b>

*Discount rate* – The single discount rate of 5.34% for CERS nonhazardous and 5.30% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2020. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

*CERS Other Postemployment Benefits (cont'd)*

Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy is not currently included in the calculation of the System's actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

	<u>1% Decrease</u> 4.34%	<u>Current Discount Rate</u> 5.34%	<u>1% Increase</u> 6.34%
CERS			
District's proportionate share			
of net OPEB liability	\$ 6,985,975	\$ 5,437,799	\$ 4,166,230

*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:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

	1% Decrease	Current Health Care Trend Rate	1% Increase
	6.00% decreasing to 3.05%	7.00% decreasing to 4.05%	8.00% decreasing to 5.05%
CERS			
District's proportionate share of net OPEB liability	\$ 4,210,215	\$ 5,437,799	\$ 6,927,500

The Kentucky Retirement System's publicly available financial report may be obtained from <http://kyret.ky.gov/>.

**TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS**

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

**Plan description**—In addition to the pension benefits described in Note 7, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS 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 KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS 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 (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

At June 30, 2021, the District reported a liability of \$7,516,000 for its proportionate share of the collective net OPEB liability for medical insurance. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was .297822%.

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 KTRS OPEB liability	\$ 7,516,000
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District	<u>6,021,000</u>
Total	<u>\$ 13,537,000</u>

For the year ended June 30, 2021, the District recognized a decrease in OPEB expense of \$712,594 as the liability decreased, deferred outflows and inflows increased, and deferred contributions increased. In addition, the District recognized on-behalf revenue and expenses of \$430,091 for support provided by the State as a nonemployer contributing entity. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

<b>KTRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 3,204,000
Changes of assumptions	456,000	-
Net difference between projected and actual earnings on OPEB plan investments	245,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	767,000
District contributions subsequent to the measurement date	<u>490,924</u>	<u>-</u>
	<u>\$ 1,191,924</u>	<u>\$ 3,971,000</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

Of the total amount reported as deferred outflows of resources related to OPEB, \$490,924 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:

2021	(\$711,000)
2022	(\$692,000)
2023	(\$696,000)
2024	(\$575,000)
2025	(\$443,000)
Thereafter	(\$153,000)

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.0% for FYE 2022 decreasing to an ultimate rate of 5.00% by FY 2032
Ages 65 and Older	5.125% for FYE 2022 decreasing to an ultimate rate of 5.00% by FY 2032
Medicare Part B Premiums	4.40% for FYE 2022 with an ultimate rate of 5.00% by 2032
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience which covered the five year period ending June 30, 2015. A new experience study was conducted for the period ended June 30, 2020, and be used for the June 30, 2021 actuarial valuation.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.40%
Fixed Income	9.0%	0.0%
Additional Categories*	17.0%	2.5%
Real Estate	6.5%	4.3%
Private Equity	8.5%	7.7%
Cash	<u>1.0%</u>	-0.5%
Total	<u>100.0%</u>	

\* Includes high yield, non-US developed bonds, and private credit strategies

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

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	7.00%	8.00%	9.00%
District's proportionate share of MIF net OPEB liability	\$ 9,084,000	\$ 7,516,000	\$ 6,207,000

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

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
	6.25% decreasing to 4%	7.25% decreasing to 5%	8.25% decreasing to 6%
KTRS			
District's proportionate share of net OPEB liability	\$ 5,957,000	\$ 7,516,000	\$ 9,437,000

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

**TRS 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 (.07%) of the gross annual payroll of members is contributed by the state.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

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

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

District's proportionate share of the net KTRS OPEB liability	\$ -
Commonwealth's proportionate share of the net KTRS OPEB liability associated with the District	182,000
	<u>\$ 182,000</u>

For the year ended June 30, 2021, the District recognized OPEB revenue and expense of \$7,160 for support provided by the State.

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Municipal Bond Index Rate	3.89%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB plan investment expense, including inflation.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFIT PLANS (OPEB) (cont'd)**

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

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience which covered the five-year period ending June 30, 2015.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>2.0%</u>	-0.50%
Total	<u>100.0%</u>	

\* Includes high yield, non-US developed bonds, and private credit strategies

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

*OPEB plan fiduciary net position* – TRS issues a publicly available financial report that can be obtained at [http://www.trs.ky.gov/05\\_publications/index.htm](http://www.trs.ky.gov/05_publications/index.htm).



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2021, this amount totaled \$588,535. The District follows a policy of funding up to one-half of the total amount accrued as a commitment of the General Fund balance.

**NOTE 9 - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 10 - CONTINGENCIES**

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to refuse to reimburse the District for its disbursements. The amount of such future refunds and un-reimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs. In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 11 - RISK MANAGEMENT (cont'd)**

Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

**NOTE 12 - COBRA**

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

**NOTE 13 - DEFICIT OPERATING/ FUND BALANCES**

As of June 30, 2021 the Food Service and Day Care Funds are operating as deficit fund balances of \$243,709 and \$241,191, respectively. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) resulting in the following reductions of fund balances:

District Activity Fund	\$117
Student Activity Fund	\$30,754

**NOTE 14 – INTERFUND TRANSACTIONS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS & Grant Match	\$88,152
General	District Activity	Athletics	\$5,391
General	Construction	Insurance proceeds	\$344,292
Special Revenue	General	Indirect Costs	\$7,358
Capital Outlay	Debt Service	Debt Service	\$395,963
Building Fund	Debt Service	Debt Service	\$3,556,928
Building Fund	General	Capital Outlay	\$1,163,698
Food Service	General	Indirect Costs	\$139,028

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 15 - ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2021, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$ 6,153,231
Health & Life Insurance	4,074,599
Technology	109,582
Debt Service	<u>65,558</u>
<b>Recognized at the Fund Level</b>	<u>10,402,970</u>
Additional pension & OPEB expense recognized	
at the Government-Wide Level	<u>(8,995,340)</u>
<b>Total On-Behalf</b>	<u><u>\$ 1,407,630</u></u>

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$ 10,163,251
Food Service Fund	143,235
Childcare Fund	30,926
Debt Service Fund	<u>65,558</u>
Total	<u><u>\$ 10,402,970</u></u>

**NOTE 16– LITIGATION**

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

**NOTE 17– SUBSEQUENT EVENTS**

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through November 12, 2021, the date the financial statements were available to be issued.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2021**

**NOTE 18 – RISKS AND UNCERTAINTIES**

Prior to the year ended June 30, 2021, the World Health Organization declared the coronavirus disease (COVID-19) outbreak to be a pandemic. COVID -19 continues to spread across the globe and is impacting worldwide economic activity. The continued spread of the disease represents a significant risk that operations will continue to be disrupted for the foreseeable future. The full extent to which COVID-19 impacts the District will depend on future developments which are highly uncertain and cannot be predicted.

**NOTE 19 – PRIOR PERIOD ADJUSTMENT**

The District has determined that capital leases were understated and deferred loss on bond refinance was overstated in the government-wide financial statements in the prior year.

Upon reconciliation of the capital leases payable outstanding and deferred loss on bond refinance to the financial statement balances it was discovered that capital leases were understated and deferred loss on bond refinance was overstated. These misstatements were corrected in the current year resulting in the prior period adjustment as shown in the Government Wide Statement of Activities.

The adjustments affected beginning balances for the year ended June 30, 2021 as shown in the following table:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Governmental activities:</u>			
Deferred gain/loss on bond refinance	\$ 393,664	\$ (72,531)	\$ 321,133
Noncurrent portion of capital leases	\$ 1,245,902	\$ 317,156	\$ 1,563,058
Net investment in capital assets	\$ 26,912,094	\$ (389,687)	\$ 26,522,407

MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTAL SCHEDULES

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

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
District's proportion of the net pension liability	0.225262%	0.230344%	0.234754%	0.235486%	0.236870%	0.242120%	0.244600%
District's proportionate share of the net pension liability	\$ 17,277,409	\$ 16,200,196	\$ 14,297,234	\$ 13,783,720	\$ 11,662,793	\$ 10,410,081	\$ 7,936,000
District's covered-employee payroll	\$ 5,547,644	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.44%	290.05%	248.08%	246.32%	204.69%	184.23%	139.42%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 79,068,544	\$ 76,606,483	\$ 77,750,825	\$ 172,778,606	\$ 188,334,884	\$ 144,885,786	\$ 132,528,897
Total	<u>\$ 79,068,544</u>	<u>\$ 76,606,483</u>	<u>\$ 77,750,825</u>	<u>\$ 172,778,606</u>	<u>\$ 188,334,884</u>	<u>\$ 144,885,786</u>	<u>\$ 132,528,897</u>
District's covered-employee payroll	\$ 19,656,907	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.80%	59.30%	56.40%	54.60%	55.30%	53.60%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017	2016	2015	2014
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ 1,016,365	\$ 1,128,452	\$ 954,712	\$ 842,496	\$ 799,824	\$ 672,973	\$ 722,892	\$ 1,060,021
Contributions in relation to the contractually required contribution	<u>1,016,365</u>	<u>1,128,452</u>	<u>954,712</u>	<u>842,496</u>	<u>799,824</u>	<u>672,973</u>	<u>722,892</u>	<u>1,060,021</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,266,146	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548	\$ 5,692,338
District's contributions as a percentage of its covered-employee payroll	19.30%	19.30%	16.22%	14.62%	14.29%	11.81%	12.79%	18.62%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 18,954,454	\$ 19,656,907	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288	\$ 20,360,393
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION  
FOR THE YEAR ENDED JUNE 30, 2021**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Changes of Benefit Terms -

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for member whose participation date is on or after January 1, 2014

Actuarial Methods and Assumptions:

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed. The Kentucky General Assembly reset the amortization period for the unfunded liability as of July 1, 2020, to a closed 30-year period in an effort to help local governments address funding concerns caused by the Covid-19 pandemic.

The 2020 actuarial valuation used update mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2020, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used 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 PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees 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. Previous valuations were based on RP-2000 Combined Mortality Tables.

For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2017 and 2016 to determine contribution rates reported for all systems:

<b>Assumption</b>	<b>2017 Valuation</b>	<b>2016 Valuation</b>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	<b>2.30%</b>	<b>3.25%</b>
Salary Increase	<b>3.3% to 11.55%</b> varies by service), average, including Inflation	<b>4%</b> , average, including Inflation
Investment Rate of Return	<b>6.25%</b> , Net of Pension Plan Investment Expense, including Inflation	<b>7.5%</b> , Net of Pension Plan Investment Expense, including Inflation

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Changes of Benefit Terms - None

Changes of Assumptions:

2014 Changes of Assumptions – The Single Equivalent Interest Rate was increased from 5.16% to 5.23%.

2015 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 5.23% to 4.88%.

2016 Changes of Assumptions – The Single Equivalent Interest Rate was decreased from 4.88% to 4.20%. Rates of withdrawal, retirement, disability and mortality were adjusted based on an experience study conducted in 2015. The Assumed Salary Scale, Price Inflation, and Wage Inflation were also decreased.

2017 Changes of Assumptions – The Single Equivalent Interest Rate was increased from 4.20% to 4.49%.

2018 Changes of Assumptions – The 2018 actuarial analysis for TRS of Ky indicated that cash flow for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038. The actuarial gains for this change will be recognized over the average remaining service lives for active members (10.6 years for the 2020 valuation) and are creating negative pension expense for the TRS pension system.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>				
District's proportion of the net OPEB liability	0.225196%	0.230285%	0.234754%	0.235486%
District's proportionate share of the net OPEB liability	\$ 5,437,799	\$ 3,873,290	\$ 4,167,851	\$ 4,734,074
District's covered-employee payroll	\$ 5,547,644	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	98.02%	69.35%	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>				
District's proportion of the net OPEB liability	0.297822%	0.297907%	0.304759%	0.335595%
District's proportionate share of the net OPEB liability	\$ 7,516,000	\$ 8,719,000	\$ 10,574,000	\$ 11,967,000
State's proportionate share of the net OPEB liability associated with the District	\$ 6,021,000	\$ 7,041,000	\$ 9,113,000	\$ 9,775,000
Total	<u>\$ 13,537,000</u>	<u>\$ 15,760,000</u>	<u>\$ 19,687,000</u>	<u>\$ 21,742,000</u>
District's covered-employee payroll	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	42.99%	50.44%	54.21%	58.95%
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	32.58%	25.50%	26.70%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>					
Contractually required contribution	\$ 250,668	\$ 278,312	\$ 309,605	\$ 273,462	\$ 271,195
Contributions in relation to the contractually required contribution	<u>250,668</u>	<u>278,312</u>	<u>309,605</u>	<u>273,462</u>	<u>271,195</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 5,266,146	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830
District's contributions as a percentage of its covered-employee payroll	4.76%	4.76%	5.26%	4.75%	4.85%
 <b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>					
Contractually required contribution	\$ 490,924	\$ 526,330	\$ 518,738	\$ 542,872	\$ 574,968
Contributions in relation to the contractually required contribution	<u>490,924</u>	<u>526,330</u>	<u>518,738</u>	<u>542,872</u>	<u>574,968</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	3.01%	3.01%	3.00%	2.78%	2.83%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Valuation Date: June 30, 2020

**Changes in actuarial assumptions:**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal bond index rate	3.56%
Discount rate	5.84%

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2020

**2017 Changes to benefit terms:**

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

**2019 Changes to assumptions:**

The State's biennial budget for the two years ended June 30, 2020, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

**2020 Changes to assumptions:**

The actuary updated the health care trend rates based on current economic data.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>				
District's proportion of the net OPEB liability	0%	0%	0%	0%
District's proportionate share of the net OPEB liability	-	-	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 182,000	\$ 164,000	\$ 156,000	\$ 131,000
Total	<u>\$ 182,000</u>	<u>\$ 164,000</u>	<u>\$ 156,000</u>	<u>\$ 131,000</u>
District's covered-employee payroll	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	73.40%	75.00%	87.80%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

	2021	2020	2019	2018	2017
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - LIFE INSURANCE  
PLAN  
FOR THE YEAR ENDED JUNE 30, 2021**

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2020

**Changes to benefit terms:**

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

MONTGOMERY COUNTY SCHOOL DISTRICT  
SUPPLEMENTAL SCHEDULES

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS:						
Cash and cash equivalents	\$ 60,618	\$ 137,975	\$ -	\$ 21,100	\$ 278,058	\$ 497,751
Accounts receivable	<u>6,163</u>	<u>698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,861</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>66,781</u></b>	<b>\$ <u>138,673</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>21,100</u></b>	<b>\$ <u>278,058</u></b>	<b>\$ <u>504,612</u></b>
LIABILITIES:						
Accounts payable	\$ <u>1,890</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,890</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,890</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,890</u></b>
FUND BALANCES:						
Restricted	<u>64,891</u>	<u>138,673</u>	<u>-</u>	<u>21,100</u>	<u>278,058</u>	<u>502,722</u>
<b>TOTAL FUND BALANCES</b>	<b><u>64,891</u></b>	<b><u>138,673</u></b>	<b><u>-</u></b>	<b><u>21,100</u></b>	<b><u>278,058</u></b>	<b><u>502,722</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>66,781</u></b>	<b>\$ <u>138,673</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>21,100</u></b>	<b>\$ <u>278,058</u></b>	<b>\$ <u>504,612</u></b>



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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	CONSTRUCTION FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ 2,560,908	\$ -	\$ 2,560,908
Earnings on investments	-	-	-	-	-	-
Fees	1,482	59,771	-	-	-	61,253
Other	146,728	86,444	-	-	-	233,172
Intergovernmental - State	-	-	395,963	2,159,718	-	2,555,681
TOTAL REVENUES	<u>148,210</u>	<u>146,215</u>	<u>395,963</u>	<u>4,720,626</u>	<u>-</u>	<u>5,411,014</u>
EXPENDITURES:						
Current:						
Instruction	106,934	141,413	-	-	-	248,347
Instructional staff support	46,784	1,317	-	-	-	48,101
Student Support	-	20,436	-	-	-	20,436
Other Non Instructional	-	13,803	-	-	-	13,803
Capital Outlay	-	-	-	-	66,234	66,234
TOTAL EXPENDITURES	<u>153,718</u>	<u>176,969</u>	<u>-</u>	<u>-</u>	<u>66,234</u>	<u>396,921</u>
Excess (Deficit) of Revenues over Expenditures	<u>(5,508)</u>	<u>(30,754)</u>	<u>395,963</u>	<u>4,720,626</u>	<u>(66,234)</u>	<u>5,014,093</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	5,391	-	-	-	344,292	349,683
Operating transfers out	-	-	(395,963)	(4,720,626)	-	(5,116,589)
TOTAL OTHER FINANCING SOURCES (USES):	<u>5,391</u>	<u>-</u>	<u>(395,963)</u>	<u>(4,720,626)</u>	<u>344,292</u>	<u>(4,766,906)</u>
Net Change in Fund Balances	(117)	(30,754)	-	-	278,058	247,187
Fund balance - beginning of year	<u>65,008</u>	<u>169,427</u>	<u>-</u>	<u>21,100</u>	<u>-</u>	<u>255,535</u>
Fund balance - end of year	<u>\$ 64,891</u>	<u>\$ 138,673</u>	<u>\$ -</u>	<u>\$ 21,100</u>	<u>\$ 278,058</u>	<u>\$ 502,722</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
For The Year Ended June 30, 2021**

	Due to Student Groups June 30, 2020	Revenues	Expenses	Due to Student Groups June 30, 2021
Montgomery Co. High School	\$ 79,207	\$ 89,141	\$ 86,316	\$ 82,031
McNabb Middle School	25,158	18,994	31,198	12,955
Northview Elementary	17,098	5,491	11,578	11,011
Mapleton Elementary	17,803	18,852	27,034	9,621
Mt Sterling Elementary	17,740	6,197	11,059	12,878
Camargo Elementary	12,221	7,540	9,684	10,077
Camargo Charitable Gaming	100	-	100	0
Mt. Sterling Elem. Charitable Gaming	100	-	-	100
	<u>\$ 169,427</u>	<u>\$ 146,215</u>	<u>\$ 176,969</u>	<u>\$ 138,673</u>

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

ACCOUNTS:	Due to Student Groups June 30, 2020	Revenues	Expenses	Due to Student Groups June 30, 2021
Musical	\$ 3,589	\$ 240	\$ -	\$ 3,829
Student Scholarship Fund	-	-	-	-
Art	232	30	-	262
Bass Fishing	71	-	71	-
Boys Bowling	1,527	1,550	1,493	1,584
Girls Bowling	1,368	1,000	505	1,863
Band	3,209	5,984	7,666	1,527
Boys Basketball	147	3,252	3,274	125
BETA	679	2,005	2,421	263
Black & Hispanic Achiever	10,688	200	650	10,238
Chess	1,089	-	83	1,006
Co-Ed-Y	1,794	315	340	1,769
Social Fund	751	726	1,197	280
FFA	-	2,754	1,308	1,446
FCCLA	942	666	-	1,608
French	-	-	-	-
General	1,508	1,186	2,269	425
Kids Count (YSC)	2,849	3,291	4,673	1,467
Mock Trial	1,055	475	942	588
Family & Consumer Science	5,181	844	1,481	4,544
Horticulture	-	935	-	935
English Department	-	-	-	-
JORTC	6,277	708	2,849	4,136
Guidance	4,816	22,911	20,352	7,375
STLP	631	-	-	631
Student Vending	-	-	-	-
Faculty Vending	1,514	1,187	1,205	1,496
Newspaper	-	-	-	-
Orchestra	2,614	725	1,243	2,096
Class of 2020	-	-	-	-
Class of 2021	5,356	1,049	6,405	-
Class of 2022	4,242	8,139	1,875	10,506
Class of 2023	822	4,975	2,398	3,399
Class of 2024	-	4,466	442	4,024
Class of 2025	-	56	-	56
Spanish	-	-	-	-
Acedemic Team	120	-	-	120
Student Council	96	-	-	96
Vocal Music	870	733	140	1,463
Vocational Agriculture	1,779	-	-	1,779
Engineering Class	735	150	223	662
Drama Club	-	-	-	-
The Tribe Shop	186	6,468	5,145	1,509

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

ACCOUNTS:	Due to Student Groups June 30, 2020	Revenues	Expenses	Due to Student Groups June 30, 2021
FMD	\$ 487	\$ 250	\$ -	\$ 737
MCHS Book Club	1,044	-	-	1,044
Girls Basketball	559	2,590	3,149	-
Softball	1,841	3,481	3,157	2,165
Volleyball	281	-	-	281
Swim	468	-	455	13
Baseball	592	4,400	4,850	142
Cheer	365	-	-	365
Tennis	580	-	-	580
Archery	1,302	-	-	1,302
Football	767	-	-	767
Girls Soccer	694	47	741	-
Cross Country	1,087	1,050	2,113	24
Boys Golf	981	91	152	920
Girls Golf	348	27	375	-
Boys Soccer	281	-	-	281
Wrestling	62	-	-	62
Track	730	185	674	241
TOTALS	\$ <u>79,206</u>	\$ <u>89,141</u>	\$ <u>86,316</u>	\$ <u>82,031</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards By Grant**  
**For the Year Ended June 30, 2021**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Passed through to Subrecipients</i>	<i>Federal Expenditures(\$)</i>
<b>Passed Through Kentucky Department of Education</b>				
<b>United States Department of Agriculture</b>				
<b>Child Nutrition Cluster-Cluster</b>				
National School Lunch Program	10.555	4002833		\$95,672
National School Lunch Program	10.555	7750002-20		2,628
School Breakfast Program	10.553	7760005-20		1,655
Summer School Feeding Program	10.559	7690024-20		33,163
Summer School Feeding Program	10.559	7690024-21		218,842
Summer School Feeding Program	10.559	7740023-20		323,623
Summer School Feeding Program	10.559	7740023-21		1,915,027
<b>Total Child Nutrition Cluster-Cluster</b>				<b>2,590,610</b>
Child and Adult Care	10.558	7790021-21		8,442
Child and Adult Care	10.558	7800016-21		207
				<b>8,649</b>
State Administrative Expenses for Child Nutrition	10.560	7700001-20		1,687
<b>Total United States Department of Agriculture</b>				<b>2,600,946</b>
<b>Passed Through Kentucky Department of Education</b>				
<b>United States Department of Education</b>				
<b>Adult Education - Basic Grants to States</b>				
Adult Education - Basic Grants to States	84.002	COMMUNITY BASED WORK TRANSITION PR--371G		10,736
<b>Total Adult Education - Basic Grants to States</b>				<b>10,736</b>
<b>Special Education_Grants to States</b>				
Special Education_Grants to States	84.027	3810002-19		121,828
Special Education_Grants to States	84.027	3810002-20		595,994
<b>Total Special Education_Grants to States</b>				<b>717,822</b>
Special Education_Preschool Grants				
Special Education_Preschool Grants	84.173	3800002-20		25,670
<b>Total Special Education_Preschool Grants</b>				<b>25,670</b>
<b>Total Special Education Cluster (IDEA)-Cluster</b>				<b>743,492</b>
<b>Title I Grants to Local Educational Agencies</b>				
Title I Grants to Local Educational Agencies	84.010	3100202-19		371,328
Title I Grants to Local Educational Agencies	84.010	3100102-19		18,778
Title I Grants to Local Educational Agencies	84.010	3100102-20		56,775
Title I Grants to Local Educational Agencies	84.010	3100002-18		8,445
Title I Grants to Local Educational Agencies	84.010	3100002-19		161,114
Title I Grants to Local Educational Agencies	84.010	3100002-20		1,301,514
<b>Total Title I Grants to Local Educational Agencies</b>				<b>1,917,954</b>
<b>Migrant Education_State Grant Program</b>				
Migrant Education_State Grant Program	84.011	3110002-19		35,306
Migrant Education_State Grant Program	84.011	3110002-20		91,987
<b>Total Migrant Education_State Grant Program</b>				<b>127,293</b>
<b>Career and Technical Education -- Basic Grants to States</b>				
Career and Technical Education -- Basic Grants to States	84.048	3710002-18		1,428
Career and Technical Education -- Basic Grants to States	84.048	3710002-19		12,620
Career and Technical Education -- Basic Grants to States	84.048	3710002-20		33,025
<b>Total Career and Technical Education -- Basic Grants to States</b>				<b>47,073</b>
<b>Rural Education</b>				
Rural Education	84.358	3140002-20		84,642
<b>Total Rural Education</b>				<b>84,642</b>
<b>English Language Acquisition State Grants</b>				
English Language Acquisition State Grants	84.365	3300002-19		6,592
English Language Acquisition State Grants	84.365	3300002-20		5,791
<b>Total English Language Acquisition State Grants</b>				<b>12,383</b>

The accompanying notes are an integral part of this schedule

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards By Grant**  
**For the Year Ended June 30, 2021**

<i><b>Federal Grantor/Program or Cluster Title</b></i>	<i><b>Federal CFDA Number</b></i>	<i><b>Name of Grant - Grant ID No.</b></i>	<i><b>Passed through to Subrecipients</b></i>	<i><b>Federal Expenditures(\$)</b></i>
<i>Improving Teacher Quality State Grants</i>				
Improving Teacher Quality State Grants	84.367	3230002-19		\$24,157
Improving Teacher Quality State Grants	84.367	3230002-20		170,137
<i>Total Improving Teacher Quality State Grants</i>				<u>194,294</u>
<i>Student Support and Academic Enrichment Program</i>				
Student Support and Academic Enrichment Program	84.424	3420002-18		21,333
Student Support and Academic Enrichment Program	84.424	3420002-19		21,813
Student Support and Academic Enrichment Program	84.424	3420002-20		72,670
<i>Total Student Support and Academic Enrichment Program</i>				<u>115,816</u>
<i>Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act</i>				
COVID-19 ESSER FUNDS	84.425D	4200002-21		1,101,213
COVID- 19 ESSER FUNDS	84.425D	4000003-20		5,385
COVID-19 GEER FUNDS	84.425C	CARES ACT GEER-633F		201,957
COVID- 19 ESSER FUNDS	84.425D	4000002-20	\$11,563	721,854
Total ESSER FUNDS			<u>11,563</u>	<u>2,030,409</u>
<i>Total United States Department of Education</i>			<u>11,563</u>	<u>5,284,092</u>
<i>Passed Through Kentucky Department of Education</i>				
<i>Department of the Treasury</i>				
		LAST MILE INTERNET CVR--		
CARES-Coronavirus Relief Fund	21.019	663G		55,087
		CORONA VIRUS RELIEF FUND--		
CARES-Coronavirus Relief Fund	21.019	17GG		1,029,158
Total Coronavirus Relief Fund				<u>1,084,245</u>
<i>Total Department of the Treasury</i>				<u>1,084,245</u>
<i>Department of Defense</i>				
ROTC	12.000	ROTC--504G		70,352
Total ROTC				<u>70,352</u>
<i>Total Department of Defense</i>				<u>70,352</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$11,563</u>	<u>\$ 9,039,635</u>

The accompanying notes are an integral part of this schedule

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021**

**NOTE 1- BASIS OF PRESENTATION**

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

**NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Montgomery School District did not elect to use the 10% de minimus indirect cost rate.

**NOTE 3 – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$95,672.

**NOTE 4 – SUBRECIPIENTS**

The District did pass through federal awards to a subrecipient in the current fiscal year of \$11,563.

# SUMMERS, MCCRARY & SPARKS, P.S.C.

## CERTIFIED PUBLIC ACCOUNTANTS

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### MEMBERS:

AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

KENTUCKY SOCIETY  
OF CERTIFIED PUBLIC ACCOUNTANTS

PRIVATE COMPANIES  
PRACTICE SECTION OF THE AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS

STUART K. McCRARY, JR., CPA  
THOMAS S. SPARKS, CPA  
RYAN R. LASKI, CPA

---

SUSAN A. LACY, CPA  
JUSTIN B. NICHOLS, CPA  
EMILY N. JACKSON, CPA  
ALEX R. LEE, CPA

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LAURENCE T. SUMMERS  
1961-1992

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

To the Kentucky State Committee for School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

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 Montgomery 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 Montgomery County School District's basic financial statements, and have issued our report thereon dated November 12, 2021.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montgomery County School District's internal control over financial reporting (internal control) as a basis for designing 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 Montgomery County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montgomery 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 Montgomery County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 for the District in a separate letter dated November 12, 2021.

## **Purpose of this Report**

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

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
November 12, 2021

# SUMMERS, MCCRARY & SPARKS, P.S.C.

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## CERTIFIED PUBLIC ACCOUNTANTS

### MEMBERS:

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1961-1992

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

To the Kentucky State Committee for School District Audits  
Members for the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

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

We have audited the Montgomery 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 Montgomery County School District's major federal programs for the year ended June 30, 2021. Montgomery County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Montgomery 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); and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities* and *State Compliance Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montgomery 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 Montgomery County School District's compliance.

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

In our opinion, the Montgomery 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 Montgomery 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 Montgomery 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 Montgomery County School District's internal control over compliance.

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

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

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

***Summers, McCrary & Sparks, PSC***

Lexington, KY  
November 12, 2021



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

**Section II – Financial Statement Findings**

No findings in the current year.

**Section III – Federal Award Findings and Questioned Costs**

No findings in the current year.

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

**Financial Statement Findings**

No findings in the prior year.

**Federal Award Findings and Questioned Costs**

No findings in the prior year.

SUMMERS, MCCRARY & SPARKS, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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LAURENCE T. SUMMERS  
1961-1992

Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, Kentucky

In planning and performing our audit of the financial statements of Montgomery 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 several 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 12, 2021 on the financial statements of the Montgomery County School District

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

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
November 12, 2021

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2021**

**BOARD**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**SCHOOL ACTIVITY FUNDS**

**MONTGOMERY COUNTY HIGH SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**McNABB MIDDLE SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MAPLETON ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MT. STERLING ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**CAMARGO ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**NORTHVIEW ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.