

WARREN COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year Ended June 30, 2020

WARREN COUNTY SCHOOL DISTRICT

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Heartland CPAs and Advisors PLLC

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Warren County School District
Bowling Green, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Warren County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2020, the District adopted Governmental Accounting Standards Board Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 11, budgetary comparison information on pages 60 to 61, schedule of proportionate share of the net pension and OPEB liabilities on pages 62 to 66 and schedule of contributions on pages 67 to 71 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 Warren County School District's basic financial statements. The combining financial statements, school schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Heartland CPAs and Advisors, PLLC

Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
January 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

The discussion and analysis of Warren County Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2020. The intent of this discussion and analysis is to review the District's financial performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Government issued in June 1999.

Financial Highlights

- In total, net position increased by \$8,205,435. The Net Position of governmental activities increased by \$7,975,986, while the net position of business-type activity increased by \$229,449. Total assets increased by \$26,632,776 and total liabilities increased by \$17,699,028. The increase in total liabilities is primarily attributed to bond issues relating to building a new Cumberland Trace Elementary. Whereas the increase in Total Assets is predominately related to converting the Jennings Creek Elementary construction-in-progress to a capitalized asset.
- General revenues accounted for \$108,464,155 or 84% of all governmental revenues. Program specific revenues in the form of operating grants, grants and contributions accounted for \$21,044,529 or 16% of total governmental revenues of \$129,508,684.
- Governmental Activities: Total assets increased by \$25,434,073. "Capital Assets" increased by \$26,819,179. "Current and Other Assets" decreased by \$1,385,106 in 2020.
- The District had \$121,690,189 in expenses relating to governmental activities; of which \$21,044,529, in expenses, were offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and the State SEEK allocation), were adequate to provide these programs.

Using this Annual Financial Report (AFR)

This annual report consists of three parts – *management's discussion and analysis* (this part), *the basic financial statements*, and *the required supplementary information*. These statements are organized in a manner so that the reader can understand the District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The **Statement of Net Position and Statement of Activities** provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's major funds with all other non-major funds presented in total in one column. The major funds for the District are the general fund, special revenue fund, and the capital projects fund.

Reporting on the District as a Whole

One of the most important questions to ask is "how did the District perform financially during the fiscal year 2020?" The **Statement of Net Position** and the **Statement of Activities**, which appear first in the District's financial statements, report information on the District as a whole and is formatted in such a way that will assist a reader in answering this question. These statements include all assets and liabilities using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

These two statements report the District's net position and the changes therein. This change in net position is important because it tells the reader whether, for the District as a whole, the financial position of the District has improved or diminished. However, the District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the District's property tax base, current property tax laws in Kentucky restricting revenue growth (*4% maximum growth in revenue*), required educational programs and other factors.

In the **Statement of Net Position** and the **Statements of Activities**, the District is divided into two distinct categories:

- **Government Activities** - Most of the District's basic services are included here, such as instructional services (as it relates to elementary, middle and high school educational programs), support services (guidance, attendance, health services, special needs services, etc.), debt service payments, extracurricular activities (sports, band, etc.), operation and maintenance of plant, pupil transportation and other activities.
- **Business-type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods provided. The District's business-type activities are the food service and day care operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 14. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's major funds.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match.

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 statements.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

**(Table 1)
Net Position**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 46,499,699	\$ 47,884,805	\$ 5,923,431	\$ 4,634,932	\$ 52,423,130	\$ 52,519,737
Capital Assets	<u>308,711,473</u>	<u>281,892,294</u>	<u>13,267,793</u>	<u>13,357,589</u>	<u>321,979,266</u>	<u>295,249,883</u>
Total Assets	<u>355,211,172</u>	<u>329,777,099</u>	<u>19,191,224</u>	<u>17,992,521</u>	<u>374,402,396</u>	<u>347,769,620</u>
Deferred Outflows	<u>22,116,026</u>	<u>17,487,211</u>	<u>2,566,207</u>	<u>2,208,048</u>	<u>24,682,233</u>	<u>19,695,259</u>
Long-term Debt	268,943,867	254,347,291	9,343,864	8,211,176	278,287,731	262,558,467
Other Liabilities	<u>19,451,067</u>	<u>18,191,408</u>	<u>788,601</u>	<u>78,496</u>	<u>20,239,668</u>	<u>18,269,904</u>
Total Liabilities	<u>288,394,934</u>	<u>272,538,699</u>	<u>10,132,465</u>	<u>8,289,672</u>	<u>298,527,399</u>	<u>280,828,371</u>
Deferred Inflows	<u>6,721,425</u>	<u>6,721,425</u>	<u>943,653</u>	<u>825,701</u>	<u>7,665,078</u>	<u>7,547,126</u>
Net Position						
Net investment in capital assets	120,067,800	106,135,017	13,267,793	13,357,589	133,335,593	119,492,606
Restricted	17,422,199	18,089,668			17,422,199	18,089,668
Unrestricted	<u>(61,509,827)</u>	<u>(56,220,499)</u>	<u>(1,953,148)</u>	<u>(2,272,393)</u>	<u>(63,462,975)</u>	<u>(58,492,892)</u>
Total Net Position	<u>\$ 75,980,172</u>	<u>\$ 68,004,186</u>	<u>\$ 11,314,645</u>	<u>\$ 11,085,196</u>	<u>\$ 87,294,817</u>	<u>\$ 79,089,382</u>

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

(Table 2)
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program revenues:						
Charges for services	\$ 61,126	\$ 67,497	\$ 1,752,996	\$ 2,085,862	\$ 1,814,122	\$ 2,153,359
Operating grants and contributions	16,087,780	16,982,525	11,439,899	9,712,186	27,527,679	26,694,711
Capital grants	4,895,623	5,220,924	-	-	4,895,623	5,220,924
General revenues:						
Property taxes	41,162,869	38,089,682	-	-	41,162,869	38,089,682
Motor vehicle taxes	4,441,439	4,283,987	-	-	4,441,439	4,283,987
Utility taxes	6,068,609	6,363,381	-	-	6,068,609	6,363,381
Gain on disposal of capital assets	-	-	22	-	22	-
Occupational taxes	9,932,579	9,671,500	-	-	9,932,579	9,671,500
Other taxes	1,164,332	1,201,408	-	-	1,164,332	1,201,408
Investment earnings	992,117	994,815	84,270	84,474	1,076,387	1,079,289
State and formula grants	39,963,741	37,818,088	-	-	39,963,741	37,818,088
Miscellaneous	4,738,469	511,219	-	-	4,738,469	511,219
Total revenues	129,508,684	121,205,026	13,277,187	11,882,522	142,785,871	133,087,548
EXPENSES						
Program Activities						
Instruction	57,219,968	55,566,807	-	-	57,219,968	55,566,807
Student support	10,894,127	10,233,577	-	-	10,894,127	10,233,577
Instructional staff support	4,060,600	3,774,569	-	-	4,060,600	3,774,569
District administrative support	2,516,345	2,274,656	-	-	2,516,345	2,274,656
School administrative support	9,534,737	9,180,935	-	-	9,534,737	9,180,935
Business support	4,308,250	3,925,357	-	-	4,308,250	3,925,357
Plant operation and maintenance	14,643,774	16,319,122	-	-	14,643,774	16,319,122
Student transportation	10,701,804	10,458,639	-	-	10,701,804	10,458,639
Community service activities	1,732,615	1,576,744	-	-	1,732,615	1,576,744
Other	502,290	261,835	-	-	502,290	261,835
Interest costs	5,575,679	4,908,553	-	-	5,575,679	4,908,553
Business-type Activities:						
Food service	-	-	12,763,320	11,791,210	12,763,320	11,791,210
Daycare	-	-	126,927	54,624	126,927	54,624
Total expenses	121,690,189	118,480,794	12,890,247	11,845,834	134,580,436	130,326,628
Change in net position before transfers	7,818,495	2,724,232	386,940	36,688	8,205,435	2,760,920
Transfers	157,491	(1,830,554)	(157,491)	1,830,554	-	-
Change in net position	\$ 7,975,986	\$ 893,678	\$ 229,449	\$ 1,867,242	\$ 8,205,435	\$ 2,760,920

Governmental Activities

Governmental program expenses are broken down as follows: Instruction 47%, Support Services 47%, and Other 6%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting the program service costs. Table 3 shows, for government activities, the total cost of services and the net cost of services. In other words, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The total cost of services includes \$38,880,514 that relates to the 2020 State On-Behalf Payments.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

**(Table 3)
Governmental Activities
Total Cost of Services Net Cost of Services**

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Instruction	\$ 57,219,968	\$ 55,566,807	\$ 43,087,253	\$ 40,441,535
Support Services	56,659,637	56,166,855	56,058,862	55,546,842
Community services	1,732,615	1,576,744	317,199	272,007
Facilities acquisition	-	-	(4,154,037)	(4,479,260)
Other	502,290	261,835	502,290	261,835
Interest costs	5,575,679	4,908,553	4,834,093	4,166,889
Total Expenses	<u>\$ 121,690,189</u>	<u>\$ 118,480,794</u>	<u>\$ 100,645,660</u>	<u>\$ 96,209,848</u>

Business-Type Activities

The business-type activities are food service and daycare. These programs had revenues of \$13,277,187 and expenses of \$12,890,247 for the fiscal year 2020. Of the revenues, \$1,752,996 related to charges for services, \$11,439,899 was from State and Federal grants, \$84,270 were from investment earnings, and there were no capital contributions by the District. Business activities receive no support from tax revenues. The District will continue to monitor the charges and costs of these activities. If it becomes necessary, the District will increase the charges for these activities.

The District's Funds

Information about the District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$201,512,559 and expenditures and other financing uses of \$203,438,771. The net change in total fund balances was (\$1,221,550) from the fiscal year 2019 to 2020.

General Fund-Budget Highlights

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

A variance comparison is presented between the final budgeted amounts and the actual (GAAP Basis) amounts. Revenues for the General Fund were budgeted at \$133,082,902 with actual amounts totaling \$138,574,923. Budgeted expenditures were \$142,475,117 (not including a contingency budget of \$13,500,000) compared to actual expenditures of \$139,563,931. Budgeted "Other Financing Sources and Uses" reflected a net financing use of \$482,581 compared to an actual net financing source of \$434,927. In total, an expected decrease in the General Fund balance of \$23,374,796 was budgeted compared to an actual net decrease of \$554,081.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal year 2020, the District had \$321,979,266 invested in capital assets (see Table 4 below), \$308,711,473 is in governmental activities. Table 4 shows the fiscal year 2020 balances compared to 2019.

**(Table 4)
Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land and land improvements	\$ 26,125,423	\$ 25,956,970	\$ -	\$ -	\$ 26,125,423	\$ 25,956,970
Construction in progress	61,775,360	33,719,645	-	-	61,775,360	33,719,645
Buildings and improvements	207,847,079	211,618,524	11,695,551	12,031,514	219,542,630	223,650,038
Technology	1,204,167	828,980	8,673	24,814	1,212,840	853,794
Vehicles	4,219,028	3,040,214			4,219,028	3,040,214
General equipment	7,540,416	6,727,961	1,563,569	1,301,261	9,103,985	8,029,222
Total	\$ 308,711,473	\$ 281,892,294	\$ 13,267,793	\$ 13,357,589	\$ 321,979,266	\$ 295,249,883

Debt

At June 30, 2020, the District had \$188,298,000 in bonds outstanding, of this amount \$7,100,892 are to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$11,259,000 is due within one year. At June 30, 2019, the District had \$175,304,000 in bonds outstanding, of this amount \$9,558,047 were to be paid from KSFCC funding.

District Challenges for the Future

The Warren County Public School system (District) is the fourth largest district within the State serving in excess of 17,000 students. The District has grown from a Pre-K through 12th grade student membership of 10,923 in 2003 to 17,264 in 2020. This equates to a 58.05% growth in the last seventeen years. The District has prepared for this increase in enrollment by building new schools and by renovating and expanding existing schools. The District remains in good financial condition, however, there are challenges that the District will encounter: increase the level of achievement of our students, Pension Reform, English Learner (EL) population, COVID-19 Pandemic, State Tax Reform, and adequate funding.

The most essential challenge is to continue to increase student achievement. On the most recent release of test scores, Warren County Schools continued to demonstrate a strong performance with growth in many areas. In addition, the District has ten "Leader In Me" Lighthouse Schools and fourteen preschool programs have earned the maximum Five Star Rating on the Kentucky All STARS Evaluation. Achievement Gaps continue to exist in many of our schools, but these challenges and opportunities keep us focused on providing a differentiated approach to teaching that serves the individual needs of our students. Prioritizing standards in reading, math and science; providing academic-rich learning environments for our English Learner's and students with disabilities; differentiating instruction for all students; providing good customer service to improve our school climates; analyzing student data using various data points; utilizing interactive, 21st Century technology in our classrooms, and engaging students in learning that is rigorous and relevant to life are all efforts that we have in place to increase student achievement.

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

It is important for every educator in the District to feel that the students we serve can learn at a high level according to their ability. Teachers must strive to recognize the impact they have on each student that enters their classroom. With the resources available to all educators in Warren County, the ability to meet the needs of all students is not impossible. Providing teachers with updated curriculum maps, content guides, district common assessments, and prioritized standards is a process that is revisited routinely throughout our District. We have no choice but to move the students to a higher level in order to ensure their ability to function and thrive in a global, 21st Century marketplace. What the information does not tell us is the level of motivation for learning. It will also not inform us as to the amount of parental/family involvement in the educational process. We will also be unable to discern what happens in the life of a student outside the walls of our educational institutions. This information can be very helpful in serving needs that can affect learning. The WCPS system encourages the building of relationships by all to help remove as many barriers to learning as we possibly can. By providing a team approach to educating our students, we are able to help the students be prepared and willing to learn in our classrooms.

The population of students identified as English Learners (ELs) in the District continues to grow. Currently there are 2397 students receiving EL services within the district which represents 14.7% of the overall student population in the District. These students are eligible for English language development programs (also known as EL or ESL programs) offered by the District. We are also required to monitor students who exit from English language development programs for four (4) full academic years, and there are currently 780 students who fall within this category. Finally, there are approximately 725 students in the District who were formerly served in English language development programs and are now fully exited. These students also need continuing support to ensure that they become "college and career ready" and successfully transition after graduation. When we consider the EL students who are currently eligible for English language development programs, those who have just exited and are being monitored and those who are completely out of English language development programs, there are approximately 3902 students being supported in one way or another by administrators and teachers. This is 24% of our total enrollment, and 1 in 4 Warren County students are currently in EL programs or were in EL programs at one time.

The EL students in the District are a very diverse group, as they come from more than 75 countries and speak 89 languages and dialects. Currently, approximately 1100 students are refugees, and many are considered "students with interrupted formal education" (SIFEs) because conditions in their former countries and refugee camps made it difficult to provide consistent educational opportunities.

The EL students in the District face very significant language and content challenges. ELs in the U.S. are often doing double the work of their English speaking class peers because ELs are learning content at the same time they are learning the language of instruction. Our administrators and teachers also face many challenges, one of which being the requirement to meet federal and state accountability targets established under the Every Student Succeeds Act (ESSA). Investments in staffing allow the District to leverage the training and experiences of staff as we rise to meet the language and academic content challenges of a large EL student population. However, maintaining and recruiting qualified, well-trained staff remains a challenge. Meeting the language and content needs of EL students is also the responsibility of general education teachers, and these individuals are generally not well prepared in pre-service programs to address these challenges. Thus, professional development becomes critical to providing teachers with the knowledge and skills required. In fact, ensuring that ongoing professional development opportunities and appropriate instructional resources are being provided is absolutely critical to meeting the challenges expressed above. While the size of the District and the EL student population create some funding streams, we continually face financial challenges in a climate of budgetary constraints and reduced federal and state support.

The most recent COVID pandemic has created hurdles for all mankind. As it relates to WCPS, we have been able to return to a hybrid model in the fall of 2020. However, in dealing with the current dynamic and planning for the day all students are able to return to school, we recognize the increased need for additional resources to be allocated to not only the mental health issues this event has created for our students and staff but too the potential negative impact it is having on maximizing growth in student learning. The District is well positioned

**WARREN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

with support and education professionals to lead this charge as collaboration has been ongoing since March 2019.

The final challenge as it relates to funding: Local, State and Federal. The District's predominate local revenue source is the real estate tax rate. In 2020, the District's real estate tax rate ranked as the 155th lowest in the State. The Kentucky revised statute caps the amount of new revenue generated from real estate tax increases 4% a year. The failure of the legislature to adequately fund education has resulted in the Warren County School District and districts across the Commonwealth to make significant cuts to their budgets and to personnel, compelling school boards to increase property taxes in order that districts might continue to operate and serve the students, who are the future of the Commonwealth. Fortunately, Warren County has experienced positive annual growth in property assessment and thereby property tax revenue. However, the SEEK formula has a negative effect on districts that incur significant growth in assessment.

With careful planning, gains in efficiencies and monitoring of District finances, Warren County Public Schools' goal is to continue to provide a quality education for our students and a secure financial future for the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information contact Christopher C. McIntyre CPA, Treasurer at Warren County Board of Education, 303 Lovers Lane, P.O. Box 51810, Bowling Green, KY 42102-6810 or email at chris.mcintyre@warren.kyschools.us

BASIC FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2020

Assets	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash, cash equivalents and investments	\$ 41,451,588	\$ 5,398,724	\$ 46,850,312
Inventory	331,768	210,820	542,588
Receivables:			
Taxes-current	997,098		997,098
Taxes-delinquent	149,994		149,994
Other receivables	729,795		729,795
Food Accounts		30,411	30,411
Intergovernmental-State	327,255		327,255
Intergovernmental-Indirect Federal	1,965,968	283,476	2,249,444
Intergovernmental-Direct Federal	24,456		24,456
Prepays	521,777		521,777
Total Current Assets	46,499,699	5,923,431	52,423,130
<u>Noncurrent Assets</u>			
Non-depreciable capital assets	72,260,348		72,260,348
Depreciable capital assets, net of accumulated depreciation	236,451,125	13,267,793	249,718,918
Total Noncurrent Assets	308,711,473	13,267,793	321,979,266
Total Assets	355,211,172	19,191,224	374,402,396
<u>Deferred Outflows of Resources</u>			
CERS Pension	10,197,572	1,827,346	12,024,918
CERS OPEB	4,123,242	738,861	4,862,103
TRS OPEB MIF	5,267,722		5,267,722
Deferred amount on debt refundings	2,527,490		2,527,490
Total Deferred Outflows of Resources	22,116,026	2,566,207	24,682,233
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable	2,574,949	49,740	2,624,689
Accrued payroll and related expenses	2,645,052		2,645,052
Unearned revenue	1,036,784	738,861	1,775,645
Bond obligations	11,259,000		11,259,000
Compensated absences	642,204		642,204
Interest payable	1,293,078		1,293,078
Total Current Liabilities	19,451,067	788,601	20,239,668
<u>Noncurrent Liabilities</u>			
Bond obligations	179,912,163		179,912,163
Net pension liability - CERS	42,082,231	7,540,892	49,623,123
Net OPEB liability - CERS	10,061,555	1,802,972	11,864,527
Net OPEB liability - TRS MIF	30,977,000		30,977,000
Compensated absences	5,910,918		5,910,918
Total Noncurrent Liabilities	268,943,867	9,343,864	278,287,731
Total Liabilities	288,394,934	10,132,465	298,527,399
<u>Deferred Inflows of Resources</u>			
CERS Pension	1,680,708	301,173	1,981,881
CERS OPEB	3,585,384	642,480	4,227,864
TRS OPEB MIF	7,686,000		7,686,000
Total Deferred Inflows of Resources	12,952,092	943,653	13,895,745
<u>Net Position</u>			
Net investment in capital assets	120,067,800	13,267,793	133,335,593
Restricted	17,422,199		17,422,199
Unrestricted	(61,509,827)	(1,953,148)	(63,462,975)
Total Net Position	\$ 75,980,172	\$ 11,314,645	\$ 87,294,817

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

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 57,219,968	\$ 53,126	\$ 14,079,589	\$ -	\$ (43,087,253)	\$ -	\$ (43,087,253)
Support services:							
Student	10,894,127		240,143		(10,653,984)		(10,653,984)
Instruction staff	4,060,600				(4,060,600)		(4,060,600)
District administrative	2,516,345				(2,516,345)		(2,516,345)
School administrative	9,534,737				(9,534,737)		(9,534,737)
Business	4,308,250		38,008		(4,270,242)		(4,270,242)
Plant operation and maintenance	14,643,774	8,000	225,265		(14,410,509)		(14,410,509)
Student transportation	10,701,804		89,359		(10,612,445)		(10,612,445)
Community service activities	1,732,615		1,415,416		(317,199)		(317,199)
Facilities acquisition and construction				4,154,037	4,154,037		4,154,037
Other	502,290				(502,290)		(502,290)
Interest on long-term debt	5,575,679			741,586	(4,834,093)		(4,834,093)
Total Governmental Activities	121,690,189	61,126	16,087,780	4,895,623	(100,645,660)	-	(100,645,660)
Business-Type Activities:							
Food service	12,763,320	1,617,408	11,415,481			269,569	269,569
Daycare	126,927	135,588	24,418			33,079	33,079
Total Business-Type Activities	12,890,247	1,752,996	11,439,899	-	-	302,648	302,648
Total Primary Government	\$ 134,580,436	\$ 1,814,122	\$ 27,527,679	\$ 4,895,623	(100,645,660)	302,648	(100,343,012)
General Revenues:							
Taxes:							
Property taxes					41,162,869		41,162,869
Motor vehicle taxes					4,441,439		4,441,439
Utility taxes					6,068,609		6,068,609
Occupational taxes					9,932,579		9,932,579
Other					1,164,332		1,164,332
Investment earnings					992,117	84,270	1,076,387
Gain on disposal of capital assets						22	22
State and formula grants					39,963,741		39,963,741
Miscellaneous					4,738,469		4,738,469
Transfers					157,491	(157,491)	-
Total general revenues and transfers					108,621,646	(73,199)	108,548,447
Change in net position					7,975,986	229,449	8,205,435
Net position - beginning					68,004,186	11,085,196	79,089,382
Net position - ending					\$ 75,980,172	\$ 11,314,645	\$ 87,294,817

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

FUND FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash, cash equivalents and investments	\$ 23,079,375	\$ 986,151	\$ 16,797,817	\$ 588,245	\$ 41,451,588
Receivables:					
Taxes - current	997,098				997,098
Taxes - delinquent	149,994				149,994
Other receivables	596,222	133,573			729,795
Intergovernmental - State		327,255			327,255
Intergovernmental - Indirect Federal	89,562	1,876,406			1,965,968
Intergovernmental - Direct Federal		24,456			24,456
Inventory	331,768				331,768
Prepays	521,777				521,777
Total Assets	<u>\$ 25,765,796</u>	<u>\$ 3,347,841</u>	<u>\$ 16,797,817</u>	<u>\$ 588,245</u>	<u>\$ 46,499,699</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 300,029	\$ 356,070	\$ 1,907,529	\$ 11,321	\$ 2,574,949
Accrued payroll and related payable	2,645,052				2,645,052
Unearned revenue		1,036,784			1,036,784
Total Liabilities	2,945,081	1,392,854	1,907,529	11,321	6,256,785
Fund Balances					
Nonspendable	853,545				853,545
Restricted		1,954,987	14,890,288	576,924	17,422,199
Committed	1,850,397				1,850,397
Assigned	975,192				975,192
Unassigned	19,141,581				19,141,581
Total Fund Balances	<u>22,820,715</u>	<u>1,954,987</u>	<u>14,890,288</u>	<u>576,924</u>	<u>40,242,914</u>
Total Liabilities and Fund Balances	<u>\$ 25,765,796</u>	<u>\$ 3,347,841</u>	<u>\$ 16,797,817</u>	<u>\$ 588,245</u>	<u>\$ 46,499,699</u>

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

WARREN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2020

Total fund balance per fund financial statements	\$ 40,242,914
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	308,711,473
Governmental funds record debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are reported on the statement of net position as deferred outflows of resources.	2,527,490
Governmental funds do not record deferred outflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred outflows of resources.	19,588,536
Governmental funds do not record deferred inflows of resources for pensions and OPEB but those are reported on the statement of net position as deferred inflows of resources.	(12,952,092)
Certain liabilities are not reported in this fund financial statement because because they are not due and payable, but they are presented in the statement of net position:	
Bonds payable (net of discounts/premiums)	(191,171,163)
Interest payable	(1,293,078)
Compensated absences	(6,553,122)
Net pension liability - CERS	(42,082,231)
Net OPEB liability - CERS	(10,061,555)
Net OPEB liability - TRS MIF	(30,977,000)
Net position for governmental activities	<u>\$ 75,980,172</u>

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

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

Year Ended June 30, 2020

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 26,504,722	\$ -	\$ -	\$ 14,658,147	\$ 41,162,869
Motor vehicle	4,441,439				4,441,439
Utilities	6,068,609				6,068,609
Occupational	9,932,579				9,932,579
Other	1,164,332				1,164,332
Tuition and fees	53,126				53,126
Earnings on investments	579,028	41,267	360,917	10,905	992,117
Other local revenues	574,609	250,476		455,838	1,280,923
Intergovernmental - State	88,935,184	5,855,724	44,205	4,895,623	99,730,736
Intergovernmental - Indirect Federal	321,295	9,144,902			9,466,197
Intergovernmental - Direct Federal		212,695			212,695
Total Revenues	138,574,923	15,505,064	405,122	20,020,513	174,505,622
Expenditures:					
Instruction	83,345,483	13,581,984		429,069	97,356,536
Support services:					
Student	10,410,901	240,143			10,651,044
Instruction staff	3,938,274			67,993	4,006,267
District administrative	2,435,443				2,435,443
School administrative	9,149,238				9,149,238
Business	4,078,961	38,008			4,116,969
Plant operation and maintenance	15,840,533	225,265			16,065,798
Student transportation	10,231,715	89,359		4,990	10,326,064
Community service activities	133,383	1,415,416			1,548,799
Other non-instruction				1,482	1,482
Facilities acquisition and construction			31,621,773		31,621,773
Bond issuance costs				411,636	411,636
Debt service:					
Principal				10,036,000	10,036,000
Interest				5,622,550	5,622,550
Total Expenditures	139,563,931	15,590,175	31,621,773	16,573,720	203,349,599
Excess (Deficit) of Revenues over Expenditures	(989,008)	(85,111)	(31,216,651)	3,446,793	(28,843,977)
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	2,426				2,426
Insurance proceeds	3,974,511				3,974,511
Bond proceeds from revenue bonds				23,030,000	23,030,000
Bond discount				(89,172)	(89,172)
Transfers in	2,132,855	311,576	30,425,020	15,900,572	48,770,023
Transfers out	(5,674,865)	(67,453)		(42,323,043)	(48,065,361)
Total Other Financing Sources (Uses)	434,927	244,123	30,425,020	(3,481,643)	27,622,427
Net Change in Fund Balances	(554,081)	159,012	(791,631)	(34,850)	(1,221,550)
Fund Balance, July 1, 2019	23,374,796	1,795,975	15,681,919	611,774	41,464,464
Fund Balance, June 30, 2020	\$ 22,820,715	\$ 1,954,987	\$14,890,288	\$ 576,924	\$ 40,242,914

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

WARREN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2020

Net change in total fund balances per fund financial statements	\$ (1,221,550)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	27,008,679
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position.	(22,940,828)
Bond payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	10,036,000
In the statement of activities, only the gain (loss) on sale of capital assets is reported, whereas in the governmental funds, the proceeds for the sale increased financial resources.	(189,500)
The difference between actuarial pension and OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	(4,534,287)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>(182,528)</u>
Change in net position of governmental activities	<u>\$ 7,975,986</u>

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

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2020

	Food Service Fund	Daycare Fund	Total
Assets			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 5,383,674	\$ 15,050	\$ 5,398,724
Receivables:			
Accounts	30,411		30,411
Intergovernmental - Indirect Federal	283,476		283,476
Inventory	210,820		210,820
Total Current Assets	5,908,381	15,050	5,923,431
<u>Noncurrent Assets</u>			
Depreciable capital assets, net of accumulated depreciation	13,253,184	14,609	13,267,793
Total Noncurrent Assets	13,253,184	14,609	13,267,793
Total Assets	19,161,565	29,659	19,191,224
Deferred Outflows of Resources			
CERS Pension	1,781,787	45,559	1,827,346
CERS OPEB	720,440	18,421	738,861
Total Deferred Outflows of Resources	2,502,227	63,980	2,566,207
Liabilities			
<u>Current Liabilities</u>			
Accounts payable	49,672	68	49,740
Unearned revenue	105,529		105,529
Total Current Liabilities	155,201	68	155,269
<u>Noncurrent Liabilities</u>			
Net pension liability - CERS	7,352,884	188,008	7,540,892
Net OPEB liability - CERS	1,758,021	44,951	1,802,972
Total Noncurrent Liabilities	9,110,905	232,959	9,343,864
Total Liabilities	9,266,106	233,027	9,499,133
Deferred Inflows of Resources			
CERS Pension	293,664	7,509	301,173
CERS OPEB	626,462	16,018	642,480
Total Deferred Inflows of Resources	920,126	23,527	943,653
<u>Net Position</u>			
Net investment in capital assets	13,253,184	14,609	13,267,793
Unrestricted	(1,775,624)	(177,524)	(1,953,148)
Total Net Position	\$ 11,477,560	\$ (162,915)	\$ 11,314,645

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

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund	Daycare Fund	Total
Operating Revenues:			
Lunchroom sales	\$ 1,520,956	\$ -	\$ 1,520,956
Tuition and fees		135,588	135,588
Other operating revenues	96,452		96,452
Total Operating Revenues	1,617,408	135,588	1,752,996
Operating Expenses:			
Salaries and wages	6,002,215	110,093	6,112,308
Materials and supplies	5,612,746	10,618	5,623,364
Depreciation	657,785	2,337	660,122
Other operating expenses	490,574	3,879	494,453
Total Operating Expenses	12,763,320	126,927	12,890,247
Operating income (loss)	(11,145,912)	8,661	(11,137,251)
Non-Operating Revenues (Expenses):			
Federal grants	10,025,360		10,025,360
Donated commodities	379,481		379,481
State on-behalf payments	919,167	24,418	943,585
State grants	91,473		91,473
Gain on disposal of capital assets	22		22
Interest income	84,270		84,270
Total Non-Operating Revenues (Expenses) before Transfers and Capital Contributions	11,499,773	24,418	11,524,191
Capital contributions	547,171		547,171
Transfers out	(704,662)		(704,662)
Change in net position	196,370	33,079	229,449
Net Position, July 1, 2019	11,281,190	(195,994)	11,085,196
Net Position June 30, 2020	\$ 11,477,560	\$ (162,915)	\$ 11,314,645

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

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2020

	Food Service Fund	Daycare Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$ 1,561,869	\$ -	\$ 1,561,869
Other activities	96,452		96,452
Tuition and fees		135,588	135,588
Cash paid to/for:			
Employees	(4,162,183)	(114,039)	(4,276,222)
Supplies	(5,283,065)	(10,550)	(5,293,615)
Other activities	(490,574)	(3,879)	(494,453)
Net Cash Used by Operating Activities	(8,277,501)	7,120	(8,270,381)
Cash flows from Non-Capital Financing Activities			
Federal grants	10,570,967		10,570,967
State grants	91,473		91,473
Transfers out	(704,662)		(704,662)
Net Cash Provided by Non-Capital Financing Activities	9,957,778	-	9,957,778
Cash Flows from Capital and Related Financing Activities			
Sale of capital assets	22		22
Purchase of capital assets	(23,155)		(23,155)
Net Cash Used by Capital and Related Financing Activities	(23,133)	-	(23,133)
Cash Flows from Investing Activities			
Receipt of interest income	84,270		84,270
Net Cash Provided by Investing Activities	84,270	-	84,270
Net increase in cash and cash equivalents	1,741,414	7,120	1,748,534
Balances, beginning of year	3,642,260	7,930	3,650,190
Balances, end of year	<u>\$ 5,383,674</u>	<u>\$ 15,050</u>	<u>\$ 5,398,724</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (11,145,912)	\$ 8,661	\$ (11,137,251)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	657,785	2,337	660,122
State on-behalf payments	919,187	24,418	943,605
Donated commodities	379,481		379,481
GASB 68 pension expense	865,965	(17,126)	848,839
GASB 75 OPEB expense	54,880	(11,238)	43,642
Change in assets and liabilities:			
Accounts receivable	5,276		5,276
Inventory	(90,868)		(90,868)
Unearned revenue	35,637	-	35,637
Accounts payable	41,068	68	41,136
Net cash used by operating activities	<u>\$ (8,277,501)</u>	<u>\$ 7,120</u>	<u>\$ (8,270,381)</u>
Schedule of non-cash transactions:			
Donated commodities received from federal government	<u>\$ 379,481</u>	<u>\$ -</u>	<u>\$ 379,481</u>
State on-behalf payments	<u>\$ 919,187</u>	<u>\$ 24,418</u>	<u>\$ 943,605</u>
CERS pension	<u>\$ 865,965</u>	<u>\$ (17,126)</u>	<u>\$ 848,839</u>
CERS OPEB	<u>\$ 54,880</u>	<u>\$ (11,238)</u>	<u>\$ 43,642</u>

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

WARREN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash, cash equivalents and investments	\$ 335,467	\$ 830,942
Receivables		306
Total Assets	<u>\$ 335,467</u>	<u>\$ 831,248</u>
Liabilities		
Accounts payable		588
Due to student groups		830,660
Total Liabilities	<u>-</u>	<u>\$ 831,248</u>
Net Position Held in Trust	<u>\$ 335,467</u>	

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

WARREN COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions	
Net interest and investment gains (losses)	<u>\$ 8,369</u>
	8,369
Deductions	
Scholarships paid	<u>(15,470)</u>
Change in net position	(7,101)
Net Position, July 1, 2019	<u>342,568</u>
Net Position, June 30, 2020	<u><u>\$ 335,467</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Warren 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 Warren County School District. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies, which may influence operations and primary accountability for fiscal matters.

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

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

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

Government-wide Financial Statements

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

Fund Financial Statements

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

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

Governmental Funds

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

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Proprietary Funds

Proprietary Funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses include salaries, benefits, supplies and other items. All items not meeting this definition are reported as nonoperating revenues and expenses. The District has two Proprietary Funds.

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fiduciary Funds

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

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.
- B. The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

BASIS OF ACCOUNTING

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

Modified Accrual

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

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accrual

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

Revenue Recognition

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

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

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

C. BUDGETARY POLICIES

Budgetary Process

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

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

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

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

D. ENCUMBRANCES

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. CASH AND CASH EQUIVALENTS

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

F. INVENTORIES

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

G. PREPAID ITEMS

Expenditures for insurance and similar services extending over more than one accounting period are allocated between or among accounting periods in the governmental funds.

H. CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds. All capital assets greater than \$5,000 (except for land improvements, buildings and building improvements for which \$20,000 is the threshold) are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets' life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. LONG-TERM DEBT

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

J. COMPENSATED ABSENCES

Compensated absences are payments to employees for vacation and accumulated sick leave. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

K. ACCOUNTING ESTIMATES

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

L. PENSION AND OPEB PLANS

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. NET POSITION

Net Position – Net position is divided into three components:

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

N. IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

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

Recently Issued Accounting Pronouncements

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement was effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement is effective for periods beginning after December 15, 2019, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. This statement is effective for periods beginning after December 15, 2018, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

In January 2020, the GASB Issued Statement 92, *Omnibus 2020*. This statement is effective for periods beginning after June 15, 2020, but was delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In March 2020, the GASB issued Statement 93, *Replacement of Interbank Offered Rates*. This statement is effective, except for paragraphs 11b, 13, and 14 for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021. These dates were delayed by one year with the issuance of GASB 95. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

In June 2020, the GASB issued Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements in (1) paragraph 4 of the Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of the Statement are effective immediately. The requirements in paragraphs 6–9 of the Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

NOTE 2 – PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2020, to finance operations were \$.461 per \$100 valuation for real property, \$.461 per \$100 valuation for business personal property and \$.545 per \$100 valuation for motor vehicles. The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas. The District also levies an occupational license tax of 0.5%.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities. At June 30, 2020, \$49,639,226 of the District's bank balance of \$49,895,347 was exposed to custodial credit risk. The bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

Investments

As of June 30, 2020, the District had the following investments and maturities:

	<u>FAIR VALUE</u>	<u>AVERAGE CREDIT QUALITY/RATINGS (1)</u>	<u>LESS THAN 1</u>
Money Market Mutual Funds	\$ 276,096	AAAm	\$ 276,096

(1) Ratings are provided where applicable to indicate associated *Credit Risk*. Ratings are from Moody's Investors Service.

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District's investing activities are under the custody of the District Finance Director. Investing policies comply with State Statutes. Kentucky Revised Statute 66.480 defines the following items as permissible investments:

- Obligations of the United States and of its agencies and instrumentalities;
- Obligations of any corporation of the United States Government;
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency;
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS 41.240(4);
- Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- Commercial paper rated in the highest category by a nationally recognized rating agency;
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five (5) years; and
 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. **Custodial Credit Risk** is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District’s repurchase agreement is held by the counterparty in the District’s name. No investments are reported at amortized cost. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investment is a level 1 input.

NOTE 4 – INTERFUND ACTIVITIES

The following transfers were made during the year:

Fund Financial Statements

From Fund	To Fund	Purpose	Amount
General	Special Revenue	Grants	\$ 311,576
General	Construction	Construction	4,513,057
General	Nonmajor Governmental	Operations	412
General	Nonmajor Governmental	Debt Service	849,820
Special Revenue	Nonmajor Governmental	Operations	1,529
Special Revenue	Nonmajor Governmental	Debt Service	65,924
Nonmajor Governmental	Construction	Construction	25,911,963
Nonmajor Governmental	General	CFT	1,428,193
Nonmajor Governmental	Nonmajor Governmental	Debt Service	14,982,888
Food Service	General	Indirect Costs	704,662

Government-Wide Financial Statements

From Fund	To Fund	Purpose	Amount
Construction	Food Service	Capital Assets	\$ 547,171
Food Service	General	Indirect Costs	704,662

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

Governmental Activities	July 1, 2019	Additions	Deductions	June 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 9,833,450	\$ 651,538	\$ -	\$ 10,484,988
Construction in progress	33,719,645	31,621,773	(3,566,058)	61,775,360
Total Capital Assets Not Being Depreciated	43,553,095	32,273,311	(3,566,058)	72,260,348
Capital Assets Being Depreciated:				
Land improvements	24,071,288	599,536		24,670,824
Buildings and improvements	294,653,309	3,098,810		297,752,119
Technology equipment	12,998,130	914,502	(2,472,952)	11,439,680
Vehicles	17,715,376	1,900,378	(89,239)	19,526,515
General equipment	15,920,643	1,883,244	(778,155)	17,025,732
Total Capital Assets Being Depreciated at Historical Cost	365,358,746	8,396,470	(3,340,346)	370,414,870
Accumulated depreciation:				
Land improvements	7,947,768	1,082,621		9,030,389
Buildings and improvements	83,034,785	6,870,255		89,905,040
Technology equipment	12,169,150	426,597	(2,360,234)	10,235,513
Vehicles	14,675,162	721,564	(89,239)	15,307,487
General equipment	9,192,682	994,007	(701,373)	9,485,316
Total accumulated depreciation	127,019,547	10,095,044	(3,150,846)	133,963,745
Total Other Capital Assets, net	238,339,199	(1,698,574)	(189,500)	236,451,125
Governmental Activities				
Capital Assets - Net	\$ 281,892,294	\$ 30,574,737	\$ (3,755,558)	\$ 308,711,473

Depreciation was charged to governmental functions as follows:

Function	Amount
Instruction	\$ 7,562,913
Student support	3,388
Instructional staff	19,407
District administration	15,289
School administration	4,791
Business support	14,127
Plant	1,779,816
Transportation	693,893
Community services	1,420
	<u>\$ 10,095,044</u>

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 5 - CAPITAL ASSETS – CONTINUED

Business-Type Activities	July 1, 2019	Additions	Deductions	June 30, 2020
Buildings and improvements	\$ 17,146,262	\$ 14,465	\$ -	\$ 17,160,727
Technology equipment	204,815		(6,558)	198,257
General equipment	4,802,022	555,861	(23,100)	5,334,783
Totals at historical cost	22,153,099	570,326	(29,658)	22,693,767
Accumulated depreciation:				
Buildings and improvements	5,114,748	350,428		5,465,176
Technology equipment	180,001	16,141	(6,558)	189,584
General equipment	3,500,761	293,553	(23,100)	3,771,214
Total accumulated depreciation	8,795,510	660,122	(29,658)	9,425,974
Business-Type Activities Capital Assets - Net	\$ 13,357,589	\$ (89,796)	\$ -	\$ 13,267,793

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions and general liability coverage, the District purchases commercial insurance. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2020, is as follows:

Description	July 1, 2019	Additions	Reductions	June 30, 2020	Due Within 1 Year
Governmental Activities:					
Bonds Payable:					
Revenue bonds	\$ 175,304,000	\$ 23,030,000	\$ (10,036,000)	\$ 188,298,000	\$ 11,259,000
Premiums/discounts	3,303,940	(89,172)	(341,605)	2,873,163	
Total Bonds Payable	178,607,940	22,940,828	(10,377,605)	191,171,163	11,259,000
Other Liabilities:					
Compensated absences	6,460,023	420,938	(327,839)	6,553,122	642,204
Total Other Liabilities	6,460,023	420,938	(327,839)	6,553,122	642,204
Total Governmental Activities Long-Term Liabilities	\$ 185,067,963	\$ 23,361,766	\$ (10,705,444)	\$ 197,724,285	\$ 11,901,204

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

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

Bond Liabilities

The original amount of each issue, the issue date, interest rates and amount outstanding at June 30, 2020 are summarized below:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Rates</u>	<u>Amount Outstanding</u>
2009QZAB	6,096,000	2.09%	\$ 2,588,000
2011R	5,870,000	1.50% - 2.63%	1,285,000
2012	4,265,000	1.10% - 2.50%	3,610,000
2012R2	5,080,000	0.40% - 1.75%	1,620,000
2014R	6,390,000	2.00% - 3.00%	3,095,000
2014R2	27,080,000	2.00% - 4.00%	19,045,000
2015	18,465,000	2.00% - 3.50%	16,330,000
2015R	6,235,000	2.00% - 3.00%	3,850,000
2015R2	12,935,000	2.00% - 3.125%	9,205,000
2016	14,395,000	2.00% - 3.25%	12,950,000
2016R	35,855,000	0.50% - 3.00%	28,390,000
2017	21,280,000	2.00% - 3.25%	20,535,000
2018E	28,570,000	3.00% - 3.65%	27,775,000
2019	15,165,000	3.00% - 5.00%	14,990,000
2019B	23,030,000	2.125% - 4.00%	23,030,000
			<u>\$ 188,298,000</u>

On November 12, 2019, the District issued \$23,030,000 in School Building Revenue Bonds at an average interest rate of 2.94 percent. The net proceeds of \$22,529,192 (after \$500,808 in bond issuance costs) were deposited in the Debt Service Fund and then transferred to the Construction Fund.

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

The District has “participation agreements” with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2020, for debt service (principal and interest) are as follows:

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 7 – LONG-TERM LIABILITIES – CONTINUED

Year	Principal	Interest	SFCC Portion	District's Portion
2021	\$ 11,259,000	\$ 5,738,789	\$ 693,598	\$ 16,304,191
2022	11,553,000	5,467,242	693,594	16,326,648
2023	11,641,000	5,129,105	659,254	16,110,851
2024	11,956,000	4,780,947	659,253	16,077,694
2025	12,340,000	4,410,128	659,253	16,090,875
2026-2030	56,154,000	16,125,457	2,947,951	69,331,506
2031-2035	46,070,000	8,437,681	1,618,260	52,889,421
2036-2040	27,325,000	1,773,234	885,257	28,212,977
	<u>\$ 188,298,000</u>	<u>\$ 51,862,583</u>	<u>\$ 8,816,420</u>	<u>\$ 231,344,163</u>

NOTE 8 – PENSION PLANS

Plan Descriptions

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

TRS

Benefits Provided

For Members Before July 1, 2008:

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

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

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

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

For Members On or After July 1, 2008:

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

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

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. The State contributes 100 percent of school districts' contractually required contributions, which are actuarially determined. Employees are required to contribute 12.855 percent of their annual salary. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 13.105 percent of salaries for members in the plan before July 1, 2008 and 14.105 percent of salaries for members who started their account after June 30, 2008. The District made no contributions to the pension plan for the year ended June 30, 2020. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2020, the District reported no net pension liability because it did not have a proportionate share of the net pension liability. There was no amount recognized by the District as its proportionate share of the net pension liability. The related State share of the net pension liability was \$272,368,707.

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2019, the District's proportion was 1.9963 percent.

For the year ended June 30, 2020, the District recognized pension expense of negative \$28,474,188 and revenue of negative \$28,474,188 (\$20,497,255 in the governmental funds and negative \$48,971,443 in government-wide activities) for support provided by the State. At June 30, 2020, the District reported no deferred outflows of resources and no deferred inflows of resources related to TRS.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

Actuarial Assumptions

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40%	4.2%
International Equity	22%	5.2%
Fixed Income	15%	1.2%
Other	8%	3.3%
Real Estate	6%	3.8%
Private Equity	7%	6.3%
Cash	2%	0.9%
	<u>100%</u>	

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

Discount Rate

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

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

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

Description	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
System's net pension liability (in thousands)	\$ 17,269,491	\$ 14,294,885	\$ 10,373,915

Pension Plan Fiduciary Net Position

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

CERS

Benefits Provided

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

Contributions

For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 19.30 percent of annual creditable compensation. Contributions to the pension plan from the District were \$3,685,229.

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

At June 30, 2020, the District reported a liability of \$49,623,123 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.705571 percent, which was an increase of .018045 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$9,172,434. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,267,027	\$ 209,670
Changes in actuarial assumptions	5,022,423	
Difference between projected and actual investment earnings	952,569	1,752,515
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,097,670	19,696
Contributions paid to CERS subsequent to the measurement date	3,685,229	
	\$ 12,024,918	\$ 1,981,881

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

The amount reported as deferred outflows for District contributions subsequent to the measurement date of \$3,685,229 will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2021	\$ 3,996,745
2022	1,673,031
2023	631,281
2024	56,751
	<u>\$ 6,357,808</u>

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 year closed amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CERS Comprehensive Annual Financial Report.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 8 – PENSION PLANS – CONTINUED

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

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

Description	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 62,064,452	\$ 49,623,123	\$ 39,253,396

Pension Plan Fiduciary Net Position

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Descriptions

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

TRS

General Information about the OPEB Plan

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Medical Insurance Fund

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

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

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

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

At June 30, 2020, the District reported a liability of \$30,977,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2019, 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, 2019 the District's proportion was 1.913120 percent, which was an increase of .0088885 percent from its proportion measured as of June 30, 2018.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

District's proportionate share of the net OPEB liability	\$ 30,977,000
State proportionate share of the net OPEB liability associated with the District	<u>25,016,000</u>
Total	<u><u>\$ 55,993,000</u></u>

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,492,000 and revenue of \$1,488,313 for support provided by the Commonwealth. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 824,000	
Difference between projected and actual economic experience		7,498,000
Difference between projected and actual investment earnings	132,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,419,000	188,000
Contributions paid to TRS subsequent to the measurement date	<u>1,892,722</u>	
	<u>\$ 5,267,722</u>	<u>\$ 7,686,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,892,722 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 Ending June 30	OPEB Expense Amount
2021	\$ (837,000)
2022	(837,000)
2023	(770,000)
2024	(782,000)
2025	(673,000)
Thereafter	<u>(412,000)</u>
	<u><u>\$ (4,311,000)</u></u>

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.50 – 7.20%, including inflation
Inflation rate	3.00%
Real Wage Growth	0.50%
Wage Inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2024
Ages 65 and Older	5.50% for FY 2019 decreasing to an ultimate rate of 5.00% by FY 2021
Medicare Part B Premiums	2.63% for FY 2019 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	3.50%
Discount Rate	8.00%
Single Equivalent Interest Rate	8.00%, net of OPEB plan investment expense, including inflation

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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2015 valuation.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	1.2%
Real Estate	6.5%	3.8%
Private Equity	8.5%	6.3%
Other	17.0%	3.2%
Cash (LIBOR)	1.0%	0.9%
	<u>100.0%</u>	

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 36,696,000	\$ 30,977,000	\$ 26,187,000

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 25,217,000	\$ 30,977,000	\$ 38,060,000

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

Life Insurance Fund

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

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

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

At June 30, 2020, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability was \$0 and the Commonwealth's total portion of the net OPEB liability that was associated with the District was \$581,000.

For the year ended June 30, 2020, the District recognized OPEB expense of \$24,573 and revenue of \$824,573 for support provided by the Commonwealth. At June 30, 2020, the District reported no deferred outflows of resources and deferred inflows of resources related to the OPEB.

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

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

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

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

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.3%
International Equity	23.0%	5.2%
Fixed Income	18.0%	1.2%
Real Estate	6.0%	3.8%
Private Equity	5.0%	6.3%
Other	6.0%	3.2%
Cash (LIBOR)	2.0%	0.9%
	100%	

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
System's net OPEB liability (in thousands)	\$ 45,921	\$ 31,072	\$ 18,868

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

CERS

Plan description – The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Contributions – For the fiscal year ended June 30, 2020, plan members who began participating prior to September 1, 2008, were required to contribute 0% of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008 and before January 1, 2014 were required to contribute 1% of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014 were required to contribute 1% of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The school districts' contractually required contribution rate for the year ended June 30, 2020, was 4.76 percent of annual creditable compensation. Contributions to the OPEB plan from the District were \$908,896.

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

At June 30, 2020, the District reported a liability of \$11,864,527 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2019, the District's proportion was 0.705401 percent, which was an increase of .01787 percent from its proportion measured as of June 30, 2018.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,370,530. At June 30, 2020, the District reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 3,579,802
Changes in actuarial assumptions	3,510,824	23,477
Difference between projected and actual investment earnings	78,150	605,120
Changes in proportion and differences between employer contributions and proportionate share of contributions	364,232	19,465
Contributions paid to CERS subsequent to the measurement date	908,896	
	\$ 4,862,102	\$ 4,227,864

Of the total amount reported as deferred outflows of resources related to OPEB, \$908,896 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 Ending June 30	OPEB Expense Amount
2021	\$ (19,042)
2022	(19,042)
2023	148,504
2024	(172,619)
2025	(182,720)
Thereafter	(29,739)
	\$ (274,658)

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% to 10.30%, varies by service
Inflation rate	2.30%
Real Wage Growth	2.00%
Healthcare Trend Rate:	
Pre-65	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Municipal Bond Index Rate	3.13%
Discount Rate	5.68%

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 and adopted by the Board on April 18, 2019.

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	18.75%	4.30%
Non-U.S. Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
	100.00%	

The projection of cash flows used to determine the discount rate of 5.68% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

Description	1% Decrease (4.68%)	Current Discount Rate (5.68%)	1% Increase (6.68%)
District's proportionate share of the net OPEB liability	\$ 15,893,585	\$ 11,864,527	\$ 8,544,851

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 9 – OTHER POST-EMPLOYMENT BENEFIT PLANS – CONTINUED

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

Description	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 8,544,851	\$ 11,864,527	\$ 15,551,879

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

DEFERRED COMPENSATION

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

NOTE 10 – FUND BALANCES

Nonspendable fund balances are those that cannot be spent on future obligations. At June 30, 2020, the General Fund had \$521,777 for prepaid items and \$331,768 for inventory.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District had, \$1,954,987 restricted for grants in the Special Revenue Fund, \$14,890,288 restricted for capital projects in the Construction Fund, \$490,231 restricted for school activities in the District Activity Fund, \$85,640 restricted for capital projects in the FSPK Fund and \$1,053 restricted for debt service in the Debt Service Fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had \$1,208,193 committed for site-based carryover and \$642,204 for compensated absences in the General Fund.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 10 – FUND BALANCES – CONTINUED

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned for purchase orders in the General Fund at June 30, 2020 were \$975,192. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. The District had no other assigned fund balance at June 30, 2020.

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

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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

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

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

The District has ongoing construction commitments at June 30, 2020.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 12 – DEFICIT OPERATING BALANCES

The Daycare Fund had deficit net position at June 30, 2020 in the amount of \$162,915. The deficit net position is a result of the recording of the net pension and net OPEB liabilities for CERS.

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

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 554,081
Construction Fund	791,631
Debt Service Fund	1,482

WARREN COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED

June 30, 2020

NOTE 13 – ON-BEHALF PAYMENTS

The District receives on-behalf payments from the Commonwealth of Kentucky for items including pension, OPEB, technology, health care costs, operating costs and debt service. The amounts received and funds where these items were recorded for the fiscal year ended June 30, 2020 were as follows:

<u>Description</u>	<u>Amount</u>
Health	\$ 16,025,812
Life	25,293
Admin	209,041
HRA	786,737
TRS Pension	20,497,255
TRS OPEB	1,512,886
Technology	210,046
Debt Service	741,586
Less: Federal Reimbursement	<u>(1,128,142)</u>
Total on-behalf	<u><u>\$ 38,880,514</u></u>

Recorded as follows:

General Fund	\$ 37,195,343
Food Service Fund	919,167
Daycare Fund	24,418
Debt Service Fund	<u>741,586</u>
	<u><u>\$ 38,880,514</u></u>

NOTE 14 – SUBSEQUENT EVENTS

In November 2020, the District issued \$25,150,000 in School Building Revenue Bonds at rates ranging from 2.125% to 5.00%.

REQUIRED SUPPLEMENTARY INFORMATION

WARREN COUNTY SCHOOL DISTRICT

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

GENERAL FUND

Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
From local sources:			
Taxes:			
Property	\$ 24,970,930	\$ 25,608,196	\$ 26,504,722
Motor vehicle	3,908,566	4,147,165	4,441,439
Utilities	6,000,000	6,200,000	6,068,609
Occupational	9,670,000	9,665,067	9,932,579
Other	1,024,500	1,183,035	1,164,332
Tuition and fees	21,500	21,000	53,126
Earnings on investments	456,000	501,800	579,028
Other local revenues	334,500	281,500	574,609
Intergovernmental - State	84,689,372	85,345,139	88,935,184
Intergovernmental - Indirect Federal	110,000	130,000	321,295
	<u>131,185,368</u>	<u>133,082,902</u>	<u>138,574,923</u>
Total Revenues	131,185,368	133,082,902	138,574,923
Expenditures:			
Instruction	83,180,742	85,358,160	83,345,483
Support services:			
Student	10,032,871	10,348,771	10,410,901
Instruction staff	3,630,516	3,745,059	3,938,274
District administrative	2,280,405	2,432,141	2,435,443
School administrative	9,531,096	9,629,036	9,149,238
Business	3,846,339	4,092,058	4,078,961
Plant operation and maintenance	16,916,917	15,501,161	15,840,533
Student transportation	10,312,763	10,498,575	10,231,715
Community service activities	10,389	120,156	133,383
Facilities acquisition and construction	825,000	750,000	
Other non-instruction	14,064,443	13,500,000	
	<u>154,631,481</u>	<u>155,975,117</u>	<u>139,563,931</u>
Total Expenditures	154,631,481	155,975,117	139,563,931
Excess (Deficit) of Revenues over Expenditures	(23,446,113)	(22,892,215)	(989,008)
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	5,000	5,000	2,426
Insurance proceeds			3,974,511
Transfers in	624,079	662,239	2,132,855
Transfers out	(290,000)	(1,149,820)	(5,674,865)
	<u>339,079</u>	<u>(482,581)</u>	<u>434,927</u>
Total Other Financing Sources (Uses)	339,079	(482,581)	434,927
Net Change in Fund Balance	(23,107,034)	(23,374,796)	(554,081)
Fund Balance, July 1, 2019	<u>23,107,034</u>	<u>23,374,796</u>	<u>23,374,796</u>
Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,820,715</u>

WARREN COUNTY SCHOOL DISTRICT

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

SPECIAL REVENUE FUND

Year Ended June 30, 2020

	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Earnings on investments	\$ 543	\$ 2,955	\$ 41,267
Other local revenues		256,465	250,476
Intergovernmental - State	5,144,894	5,724,663	5,855,724
Intergovernmental - Indirect Federal	9,217,499	13,845,250	9,144,902
Intergovernmental - Direct Federal			<u>212,695</u>
Total Revenues	<u>14,362,936</u>	<u>19,829,333</u>	<u>15,505,064</u>
Expenditures:			
Instruction	13,183,517	18,421,799	13,581,984
Support services:			
Student			240,143
Business			38,008
Plant operation and maintenance			225,265
Student transportation	114,417	72,641	89,359
Community service activities	<u>1,269,782</u>	<u>1,408,751</u>	<u>1,415,416</u>
Total Expenditures	<u>14,567,716</u>	<u>19,903,191</u>	<u>15,590,175</u>
Excess (Deficit) of Revenues over Expenditures	(204,780)	(73,858)	(85,111)
Other Financing Sources (Uses):			
Transfers in	290,000	300,000	311,576
Transfers out	<u>(85,220)</u>	<u>(65,924)</u>	<u>(67,453)</u>
Total Other Financing Sources (Uses)	<u>204,780</u>	<u>234,076</u>	<u>244,123</u>
Net Change in Fund Balance	-	160,218	159,012
Fund Balance, July 1, 2019			<u>1,795,975</u>
Fund Balance, June 30, 2020	<u>\$ -</u>	<u>\$ 160,218</u>	<u>\$ 1,954,987</u>

WARREN COUNTY SCHOOL DISTRICT

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

June 30, 2020

Last 10 Years *

	2020	2019	2018
Proportion of the net pension liability	0.705571%	0.687531%	0.671800%
Proportionate share of the net pension liability	\$ 49,623,123	\$ 41,872,733	\$ 39,321,056
Covered payroll	\$ 18,229,329	\$ 17,397,251	\$ 18,321,766
Proportionate share of the net pension liability as percentage of covered payroll	272.2%	240.7%	214.6%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	53.54%	53.30%
	2017	2016	2015
Proportion of the net pension liability	0.676100%	0.662300%	0.659800%
Proportionate share of the net pension liability	\$ 33,286,339	\$ 28,477,069	\$ 21,406,024
Covered payroll	\$ 17,785,235	\$ 16,639,872	\$ 16,223,095
Proportionate share of the net pension liability as percentage of covered payroll	187.2%	171.1%	131.9%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	59.97%	66.80%

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

WARREN COUNTY SCHOOL DISTRICT

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

June 30, 2020

Last 10 Years *

	2020	2019	2018
Proportion of the net OPEB liability	0.705401%	0.687531%	0.671800%
Proportionate share of the net OPEB liability	\$ 11,864,527	\$ 12,206,621	\$ 13,507,975
Covered payroll	\$ 18,229,329	\$ 17,397,251	\$ 18,321,766
Proportionate share of the net OPEB liability as percentage of covered payroll	65.08%	70.16%	73.73%
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	57.62%	52.39%

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

WARREN COUNTY SCHOOL DISTRICT

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

June 30, 2020

Last 10 Years *

	2020	2019	2018
Proportion of the net pension liability	1.996300%	1.906800%	1.880600%
Proportionate share of the net pension liability	\$ 272,368,707	\$ 249,682,225	\$ 507,432,630
Covered payroll	\$ 61,174,707	\$ 58,277,591	\$ 56,208,579
Proportionate share of the net pension liability as percentage of covered payroll	445.2%	428.4%	902.8%
Plan fiduciary net position as a percentage of the total pension liability	58.80%	59.30%	39.80%
	2017	2016	2015
Proportion of the net pension liability	1.853100%	1.790700%	1.678200%
Proportionate share of the net pension liability	\$ 546,664,730	\$ 416,700,596	\$ 344,848,397
Covered payroll	\$ 55,562,888	\$ 52,800,486	\$ 51,203,951
Proportionate share of the net pension liability as percentage of covered payroll	983.9%	789.2%	673.5%
Plan fiduciary net position as a percentage of the total pension liability	35.20%	42.50%	45.59%

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

WARREN COUNTY SCHOOL DISTRICT

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

June 30, 2020

Last 10 Years *

	2020	2019	2018
Proportion of the net OPEB liability	1.913120%	1.824235%	1.794010%
District's proportionate share of the net OPEB liability	\$ 30,977,000	\$ 33,997,000	\$ 35,209,000
State proportionate share of the net OPEB liability associated with the District	25,016,000	29,299,000	28,761,000
Total	<u>\$ 60,153,000</u>	<u>\$ 60,153,000</u>	<u>\$ 61,559,000</u>
Covered payroll	\$ 61,174,707	\$ 58,277,591	\$ 56,208,579
District's proportionate share of the net OPEB liability as percentage of covered payroll	50.64%	58.34%	62.64%
Plan fiduciary net position as a percentage of the total OPEB liability	32.60%	25.50%	21.20%

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

WARREN COUNTY SCHOOL DISTRICT

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

June 30, 2020

Last 10 Years *

	2020	2019	2018
Proportion of the net OPEB liability	1.870369%	1.782679%	1.753210%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State proportionate share of the net OPEB liability associated with the District	581,000	503,000	385,000
Total	\$ 581,000	\$ 503,000	\$ 385,000
Covered payroll	\$ 61,174,707	\$ 58,277,591	\$ 56,208,579
District's proportionate share of the net OPEB liability as percentage of covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.40%	75.00%	80.00%

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

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS PENSION

June 30, 2020

Last 10 Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution (actuarially determined)	\$ 3,685,229	\$ 2,956,797	\$ 2,519,122
Contribution in relation to the actuarially determined contributions	<u>3,685,229</u>	<u>2,956,797</u>	<u>2,519,122</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 19,094,451	\$ 18,229,329	\$ 17,397,251
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually require contribution (actuarially determined)	\$ 2,555,866	\$ 2,208,926	\$ 2,121,584
Contribution in relation to the actuarially determined contributions	<u>2,555,866</u>	<u>2,208,926</u>	<u>2,121,584</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,321,766	\$ 17,785,235	\$ 16,639,872
Contributions as a percentage of covered payroll	13.95%	12.42%	12.75%

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

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS PENSION

June 30, 2020

Last 10 Years *

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 63,090,738	\$ 61,174,707	\$ 58,277,591
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%
	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 56,208,579	\$ 55,262,888	\$ 52,800,486
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO CERS OPEB

June 30, 2020

Last 10 Years *

	2020		2019		2018
Contractually required contribution (actuarially determined)	\$ 908,896	\$	958,863	\$	817,671
Contribution in relation to the actuarially determined contributions	908,896		958,863		817,671
Contribution deficiency (excess)	\$ -	\$	-	\$	-
Covered payroll	\$ 19,094,451	\$	18,229,329	\$	17,397,251
Contributions as a percentage of covered payroll	4.76%		5.26%		4.70%

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

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS MEDICAL INSURANCE FUND

June 30, 2020

Last 10 Years *

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ 1,892,722	\$ 1,835,241	\$ 1,748,328
Contribution in relation to the actuarially determined contributions	1,892,722	1,835,241	1,748,328
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 63,090,738	\$ 61,174,707	\$ 58,277,591
Contributions as a percentage of covered payroll	3.00%	3.00%	3.00%

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

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS TO TRS - LIFE INSURANCE FUND

June 30, 2020

Last 10 Years *

	2020	2019	2018
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -
Contribution in relation to the actuarially determined contributions	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 63,090,738	\$ 61,174,707	\$ 58,277,591
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

CERS PENSION

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

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

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

2015 and 2016 – No changes.

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

2018 – No changes.

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

CERS OPEB

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

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

2017 – The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. For the Non-Hazardous Plan, the single discount rate changed from 6.89% to 5.84%. For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2018 – No changes

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

WARREN COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2020

TRS PENSION

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

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

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

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

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

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

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

2019 – No changes

TRS OPEB

Changes of benefit terms.

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

LIF – No changes

2019 and 2020 – No changes for MIF or LIF

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

2017 – No changes for MIF or LIF

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

2019 – No changes for MIF or LIF

SUPPLEMENTARY INFORMATION

WARREN COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets:					
Cash, cash equivalents and investments	501,552	-	85,640	1,053	588,245
Total Assets	<u>\$ 501,552</u>	<u>\$ -</u>	<u>\$ 85,640</u>	<u>\$ 1,053</u>	<u>\$ 588,245</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable	\$ 11,321	\$ -	\$ -	\$ -	\$ 11,321
Total Liabilities	<u>11,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,321</u>
Fund Balances					
Restricted	490,231		85,640	1,053	576,924
Total Fund Balances	<u>490,231</u>	<u>-</u>	<u>85,640</u>	<u>1,053</u>	<u>576,924</u>
Total Liabilities and Fund Balances	<u>\$ 501,552</u>	<u>\$ -</u>	<u>\$ 85,640</u>	<u>\$ 1,053</u>	<u>\$ 588,245</u>

WARREN COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2020

	District Activity Fund	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ 14,658,147	\$ -	\$ 14,658,147
Other local revenue	455,838				455,838
Earnings on investments	10,905				10,905
Intergovernmental - State		1,491,021	2,663,016	741,586	4,895,623
Total Revenues	466,743	1,491,021	17,321,163	741,586	20,020,513
Expenditures					
Instruction	429,069				429,069
Support services:					
Instruction staff	67,993				67,993
Student transportation	4,990				4,990
Bond issue costs				411,636	411,636
Debt service:					
Principal				10,036,000	10,036,000
Interest				5,622,550	5,622,550
Other				1,482	1,482
Total Expenditures	502,052	-	-	16,071,668	16,573,720
Excess (Deficit) of Revenues over Expenditures	(35,309)	1,491,021	17,321,163	(15,330,082)	3,446,793
Other Financing Sources (Uses)					
Bond proceeds from revenue bonds				23,030,000	23,030,000
Bond discount				(89,172)	(89,172)
Transfers in	1,941		915,743	14,982,888	15,900,572
Transfers out		(1,491,021)	(18,236,906)	(22,595,116)	(42,323,043)
Total Other Financing Sources (Uses)	1,941	(1,491,021)	(17,321,163)	15,328,600	(3,481,643)
Net Change in Fund Balances	(33,368)	-	-	(1,482)	(34,850)
Fund balance, July 1, 2019	523,599	-	85,640	2,535	611,774
Fund balance, June 30, 2020	\$ 490,231	\$ -	\$ 85,640	\$ 1,053	\$ 576,924

WARREN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AGENCY FUNDS

June 30, 2020

	Alvaton Elementary	Briarwood Elementary	Bristow Elementary	Cumberland Trace Elementary	Jennings Creek Elementary
Assets					
Cash and cash equivalents	\$ 49,173	\$ 7,985	\$ 5,019	\$ 1,104	\$ 3,715
Receivables			291		
Total Assets	<u>\$ 49,173</u>	<u>\$ 7,985</u>	<u>\$ 5,310</u>	<u>\$ 1,104</u>	<u>\$ 3,715</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	49,173	7,985	5,310	1,104	3,715
Total Liabilities	<u>\$ 49,173</u>	<u>\$ 7,985</u>	<u>\$ 5,310</u>	<u>\$ 1,104</u>	<u>\$ 3,715</u>
	Jody Richards Elementary	Lost River Elementary	North Warren Elementary	Oakland Elementary	Plano Elementary
Assets					
Cash and cash equivalents	\$ 2,769	\$ 5,972	\$ 3,605	\$ 2,374	\$ 1,173
Receivables					
Total Assets	<u>\$ 2,769</u>	<u>\$ 5,972</u>	<u>\$ 3,605</u>	<u>\$ 2,374</u>	<u>\$ 1,173</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	2,769	5,972	3,605	2,374	1,173
Total Liabilities	<u>\$ 2,769</u>	<u>\$ 5,972</u>	<u>\$ 3,605</u>	<u>\$ 2,374</u>	<u>\$ 1,173</u>
	Rich Pond Elementary	Richardsville Elementary	Rockfield Elementary	Warren Elementary	William H. Natcher Elementary
Assets					
Cash and cash equivalents	\$ 9,953	\$ 19,909	\$ 2,506	\$ 8,549	\$ 1,348
Receivables					
Total Assets	<u>\$ 9,953</u>	<u>\$ 19,909</u>	<u>\$ 2,506</u>	<u>\$ 8,549</u>	<u>\$ 1,348</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to student groups	9,953	19,909	2,506	8,549	1,348
Total Liabilities	<u>\$ 9,953</u>	<u>\$ 19,909</u>	<u>\$ 2,506</u>	<u>\$ 8,549</u>	<u>\$ 1,348</u>

WARREN COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION - CONTINUED

AGENCY FUNDS

June 30, 2020

	<u>Drakes Creek Middle</u>	<u>Henry F. Moss Middle</u>	<u>South Warren Middle</u>	<u>Warren East Middle</u>	<u>Greenwood High</u>
Assets					
Cash and cash equivalents	\$ 71,000	\$ 12,579	\$ 50,729	\$ 14,495	\$ 155,305
Receivables	15				
Total Assets	<u>\$ 71,015</u>	<u>\$ 12,579</u>	<u>\$ 50,729</u>	<u>\$ 14,495</u>	<u>\$ 155,305</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 588	\$ -
Due to student groups	71,015	12,579	50,729	13,907	155,305
Total Liabilities	<u>\$ 71,015</u>	<u>\$ 12,579</u>	<u>\$ 50,729</u>	<u>\$ 14,495</u>	<u>\$ 155,305</u>
	<u>South Warren High</u>	<u>Warren Central High</u>	<u>Warren East High</u>	<u>GEO International High</u>	<u>Total Agency Fund</u>
Assets					
Cash and cash equivalents	\$ 228,949	\$ 97,139	\$ 70,596	\$ 4,996	\$ 830,942
Receivables					306
Total Assets	<u>\$ 228,949</u>	<u>\$ 97,139</u>	<u>\$ 70,596</u>	<u>\$ 4,996</u>	<u>\$ 831,248</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 588
Due to student groups	228,949	97,139	70,596	4,996	830,660
Total Liabilities	<u>\$ 228,949</u>	<u>\$ 97,139</u>	<u>\$ 70,596</u>	<u>\$ 4,996</u>	<u>\$ 831,248</u>

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2020

SCHOOL	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
Alvaton Elementary	\$ 4,062	\$ 71,050	\$ 25,939	\$ 49,173	\$ -	\$ -	\$ 49,173
Briarwood Elementary	4,157	55,036	51,208	7,985	-	-	7,985
Bristow Elementary	4,414	1,719	1,114	5,019	291	-	5,310
Cumberland Trace Elementary	352	2,458	1,706	1,104	-	-	1,104
Jennings Creek Elementary	4,851	4,439	5,575	3,715	-	-	3,715
Jody Richards Elementary	499	41,280	39,010	2,769	-	-	2,769
Lost River Elementary	5,142	2,811	1,981	5,972	-	-	5,972
North Warren Elementary	3,977	3,377	3,749	3,605	-	-	3,605
Oakland Elementary	2,835	2,042	2,505	2,372	-	-	2,372
Plano Elementary	935	4,340	4,102	1,173	-	-	1,173
Rich Pond Elementary	10,896	11,821	12,764	9,953	-	-	9,953
Richardsville Elementary	17,585	10,631	8,307	19,909	-	-	19,909
Rockfield Elementary	1,929	2,572	1,995	2,506	-	-	2,506
Warren Elementary	10,203	47,280	48,934	8,549	-	-	8,549
William H. Natcher Elementary	365	3,591	2,608	1,348	-	-	1,348
Drakes Creek Middle	47,264	128,157	104,421	71,000	15	-	71,015
Henry F. Moss Middle	10,567	61,613	59,601	12,579	-	-	12,579
South Warren Middle	44,952	49,027	43,250	50,729	-	-	50,729
Warren East Middle	17,218	37,811	40,534	14,495	-	588	13,907
Greenwood High	128,733	347,841	321,269	155,305	-	-	155,305
South Warren High	191,685	355,052	317,788	228,949	-	-	228,949
Warren Central High	76,775	215,876	195,512	97,139	-	-	97,139
Warren East High	52,326	242,550	224,280	70,596	-	-	70,596
GEO International High	4,909	3,999	3,912	4,996	-	-	4,996
	<u>\$ 646,631</u>	<u>\$1,706,373</u>	<u>\$ 1,522,064</u>	<u>\$ 830,940</u>	<u>\$ 306</u>	<u>\$ 588</u>	<u>\$ 830,658</u>

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

GREENWOOD HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSEMENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES			BALANCES			STUDENT
	July 1, 2019			June 30, 2020	June 30, 2020	June 30, 2020	GROUPS
							June 30, 2020
General Fund	\$ 2,353	\$ 4,362	\$ 3,906	\$ 2,809	\$ -	\$ -	\$ 2,809
Interest Income	1,405	2,888	4,293	-	-	-	-
AP Test	2	7,372	7,373	1	-	-	1
Co-op	448	-	176	272	-	-	272
Readiness	-	520	128	392	-	-	392
Faculty Vending	870	2,106	1,038	1,938	-	-	1,938
Musical	1,061	48,422	35,120	14,363	-	-	14,363
PBIS	35	4,857	3,262	1,630	-	-	1,630
Prom	14,842	-	4,468	10,374	-	-	10,374
Student Council	9,560	9,599	4,473	14,686	-	-	14,686
Student Vending	728	637	779	586	-	-	586
Yearbooks	3,062	130	784	2,408	-	-	2,408
GHS Gator Action Club	1,382	-	40	1,342	-	-	1,342
Archery	314	-	314	-	-	-	-
Art Club	1,685	410	449	1,646	-	-	1,646
Band Club	240	-	218	22	-	-	22
BETA Club	1	1,320	1,125	196	-	-	196
Chess Club	373	370	259	484	-	-	484
Choir Club	202	17,990	10,023	8,169	-	-	8,169
Drama Club	19	1,377	100	1,296	-	-	1,296
Fashion Club	-	400	-	400	-	-	400
FBLA Club	7,171	9,436	7,387	9,220	-	-	9,220
FCA Club	279	850	808	321	-	-	321
FCCLA Club	2,655	10,361	10,037	2,979	-	-	2,979
FEA Club	116	-	-	116	-	-	116
FFA Club	8,175	66,969	69,063	6,081	-	-	6,081
Friends Club	978	460	297	1,141	-	-	1,141
GAPP Club	62	-	-	62	-	-	62
Gay-Straight Alliance	115	1,070	925	260	-	-	260
GHS Forensics Club	1,156	500	525	1,131	-	-	1,131
HOSA Club	863	220	176	907	-	-	907
International Club	921	94	501	514	-	-	514
Key Club	570	300	150	720	-	-	720
Literature Club	70	-	-	70	-	-	70
NHS Club	1,857	4,360	5,062	1,155	-	-	1,155
OAR Club	1,426	8,734	7,224	2,936	-	-	2,936
Orchestra	650	2,487	2,347	790	-	-	790
GHS Outdoors Club	680	4,099	1,496	3,283	-	-	3,283
SADD Club	1,211	900	805	1,306	-	-	1,306
S.C.E.C. Club	84	-	-	84	-	-	84
Science Club	259	3,182	3,250	191	-	-	191
Spanish Club	830	140	138	832	-	-	832
STLP Club	1,339	465	488	1,316	-	-	1,316
Student Ambassadors	1,113	2,575	85	3,603	-	-	3,603
YELP Club	273	-	-	273	-	-	273
Gate/Official	-	34,959	17,141	17,818	-	-	17,818
Athletic Special	3,839	29,275	29,694	3,420	-	-	3,420
Baseball	-	3,500	2,400	1,100	-	-	1,100
Basketball - Boys	3,200	1,450	3,150	1,500	-	-	1,500
Basketball District Tour	-	-	-	-	-	-	-
Basketball - Girls	3,200	1,831	3,531	1,500	-	-	1,500
Bass Fishing	937	2,750	1,297	2,390	-	-	2,390
Bowling - Boys	700	540	1,090	150	-	-	150
Bowling - Girls	700	540	1,090	150	-	-	150
Cheerleading	-	1,500	1,000	500	-	-	500
Cross Country - Boys	1,000	500	1,000	500	-	-	500
Cross Country - Girls	1,000	500	1,000	500	-	-	500
Football	17,132	25,468	34,964	7,636	-	-	7,636
Region 3 Boys Golf	2,413	3,700	6,113	-	-	-	-
Golf - Boys	1,000	500	1,000	500	-	-	500
Golf - Girls	1,000	-	500	500	-	-	500
Hall of Fame	362	88	450	-	-	-	-
Soccer - Boys	2,400	2,161	3,461	1,100	-	-	1,100
Soccer - Girls	2,400	7,709	9,009	1,100	-	-	1,100
Girls District Soccer	620	8,883	8,811	692	-	-	692
Softball	3,424	76	3,385	115	-	-	115
Swimming - Boys	-	475	225	250	-	-	250
Swimming - Girls	-	325	75	250	-	-	250
Tennis - Boys	-	956	606	350	-	-	350
Tennis - Girls	-	1,384	1,034	350	-	-	350
Track - Boys	-	1,655	1,255	400	-	-	400
Track - Girls	-	1,321	921	400	-	-	400

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

GREENWOOD HIGH SCHOOL - CONTINUED

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH	RECEIPTS	DISBURSE- MENTS	CASH	RECEIVABLES	ACCOUNTS PAYABLE	DUE TO
	BALANCES July 1, 2019			BALANCES June 30, 2020			June 30, 2020
Volleyball	2,400	6,014	7,314	1,100	-	-	1,100
Guidance Dept.	71	60	-	131	-	-	131
JROTC Dept	3,463	17,382	19,789	1,056	-	-	1,056
Math Dept	550	-	-	550	-	-	550
Physical Ed. Dept	2,886	1,805	715	3,976	-	-	3,976
Photography Dept	64	-	-	64	-	-	64
Science Dept	312	-	-	312	-	-	312
Social Studies Dept	246	3,988	3,979	255	-	-	255
Voc. Ag. Dept	98	-	-	98	-	-	98
FRYSC Donations	1,881	1,225	819	2,287	-	-	2,287
Sub Total	<u>128,733</u>	<u>382,482</u>	<u>355,910</u>	<u>155,305</u>	<u>-</u>	<u>-</u>	<u>155,305</u>
Interfund Transfers	<u>-</u>	<u>34,641</u>	<u>34,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 128,733</u>	<u>\$ 347,841</u>	<u>\$ 321,269</u>	<u>\$ 155,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,305</u>

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

SOUTH WARREN HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
General Fund	\$ 12,348	\$ 4,936	\$ 2,674	\$ 14,610	\$ -	\$ -	\$ 14,610
Interest Income	-	4,320	4,320	-	-	-	-
Dance	750	750	105	1,395	-	-	1,395
Environmental Club	618	220	-	838	-	-	838
Faculty Vending	304	1,377	536	1,145	-	-	1,145
Musical	50,415	28,018	18,414	60,019	-	-	60,019
Prom	5,464	3,041	3,435	5,070	-	-	5,070
Business Trips	-	830	649	181	-	-	181
Science Trips	708	12,639	12,033	1,314	-	-	1,314
Senior Trips	265	2,100	1,843	522	-	-	522
Student Ambassador	572	-	42	530	-	-	530
Student Council	3,949	15,520	11,368	8,101	-	-	8,101
Student Vending	4,103	4,805	3,176	5,732	-	-	5,732
Trainer	1,360	-	1,135	225	-	-	225
Academic Team Club	3,938	2,078	2,368	3,648	-	-	3,648
Art Club	2,560	709	276	2,993	-	-	2,993
BETA Club	3,758	16,613	19,271	1,100	-	-	1,100
Book Club	194	185	216	163	-	-	163
Chess Club	139	135	155	119	-	-	119
Choir Club	5,143	14,591	12,718	7,016	-	-	7,016
Diversity Club	15	-	15	-	-	-	-
Drama Club	245	-	245	-	-	-	-
Dungeons & Dragons Club	108	20	-	128	-	-	128
E-Sports	-	451	251	200	-	-	200
Equality Club	213	1,115	1,263	65	-	-	65
Fashion Club	2,461	7,604	6,659	3,406	-	-	3,406
FBLA Club	363	3,147	3,377	133	-	-	133
FCA Club	760	145	91	814	-	-	814
FCCLA Club	644	3,482	4,078	48	-	-	48
FFA Club	8,497	9,164	10,662	6,999	-	-	6,999
History Club	3,494	39,780	36,443	6,831	-	-	6,831
KEY Club	127	1,042	481	688	-	-	688
Kentucky Youth Assembly	358	5,685	5,216	827	-	-	827
Boys Lacrosse Club	600	506	75	1,031	-	-	1,031
National Art Honor Society	77	40	-	117	-	-	117
Orchestra	91	1,164	445	810	-	-	810
SCEC Club	1,136	1,172	107	2,201	-	-	2,201
Science Club	2,319	350	-	2,669	-	-	2,669
Spanish Club	2,300	3,103	1,496	3,907	-	-	3,907
Spartan Stations	842	1,193	1,084	951	-	-	951
Spear-It	101	670	80	691	-	-	691
STLP Club	969	205	-	1,174	-	-	1,174
TARS Club	439	-	-	439	-	-	439
Ukulele Club	-	70	-	70	-	-	70
Athletic Special	6,260	19,473	22,053	3,680	-	-	3,680
Baseball	1,059	1,343	1,437	965	-	-	965
Bass Fishing	427	-	109	318	-	-	318
Basketball - Boys	7,003	7,340	4,147	10,196	-	-	10,196
Basketball - Girls	4,300	7,528	6,896	4,932	-	-	4,932
Bowling - Boys	1,516	930	1,664	782	-	-	782
Bowling - Girls	1,219	4,117	4,498	838	-	-	838
Cheerleading	1284	1,233	135	2,382	-	-	2,382
Cross Country	2,256	2,250	2,256	2,250	-	-	2,250
Football	18,769	35,988	31,419	23,338	-	-	23,338
Fourth Region AD	2,406	1,200	3,606	-	-	-	-
Golf - Boys	1,200	1,200	1,200	1,200	-	-	1,200
Golf - Girls	1,105	1,216	2,095	226	-	-	226
Girls Lacrosse	665	1,209	475	1,399	-	-	1,399
Regionals	845	62,187	63,032	-	-	-	-
Region 3 Girls Golf	-	1,505	1,505	-	-	-	-
Soccer - Boys	416	4,551	4,151	816	-	-	816
Soccer - Girls	521	2,262	1,964	819	-	-	819
Softball	4,749	875	2,385	3,239	-	-	3,239
Swimming	1,001	1,000	703	1,298	-	-	1,298
Tennis - Boys	553	400	75	878	-	-	878
Tennis - Girls	1,009	389	571	827	-	-	827
Track	2,229	1,962	1,715	2,476	-	-	2,476
Volleyball	1,863	2,683	2,037	2,509	-	-	2,509
Family Consumer Science	115	495	124	486	-	-	486
Food Science	32	-	32	-	-	-	-

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

SOUTH WARREN HIGH SCHOOL - CONTINUED

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
GAT Dept.	956	2,355	1,538	1,773	-	-	1,773
Guidance Dept.	764	-	-	764	-	-	764
The Spartan Spoon	1,158	1,054	2,005	207	-	-	207
Voc. Ag. Dept.	3,258	22,139	13,966	11,431	-	-	11,431
Sub Total	191,685	381,859	344,595	228,949	-	-	228,949
Interfund Transfers	-	26,807	26,807	-	-	-	-
TOTAL	\$ 191,685	\$ 355,052	\$ 317,788	\$ 228,949	\$ -	\$ -	\$ 228,949

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

WARREN CENTRAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
General Fund	\$ 282	\$ 3,172	\$ 706	\$ 2,748	\$ -	\$ -	\$ 2,748
Interest Income	-	1,573	1,573	-	-	-	-
AP Test	1,859	-	-	1,859	-	-	1,859
Faculty Vending	53	1,644	1,213	484	-	-	484
Field Trips	1	-	1	-	-	-	-
FMD Class	-	-	-	-	-	-	-
KYCID	400	-	400	-	-	-	-
PBIS	117	400	-	517	-	-	517
Prom	7,687	1,155	487	8,355	-	-	8,355
Dragon's Den (council)	116	4,217	157	4,176	-	-	4,176
Student Vending	73	13	86	-	-	-	-
Academic Team Club	94	-	-	94	-	-	94
Band Club	172	4,396	1,108	3,460	-	-	3,460
BETA Club	2,695	7,155	6,959	2,891	-	-	2,891
Biology Club	161	-	-	161	-	-	161
Chemistry Club	538	-	-	538	-	-	538
Chess Club	47	-	-	47	-	-	47
Dance	276	315	445	146	-	-	146
Drama Club	200	5	-	205	-	-	205
Educators Rising Club	-	86	-	86	-	-	86
Energy Club	4,380	4,229	2,648	5,961	-	-	5,961
FBLA Club	-	1,701	1,149	552	-	-	552
FCA Club	7	1,132	951	188	-	-	188
FCCLA Club	1,786	4,881	5,581	1,086	-	-	1,086
FFA Club	5,028	21,656	18,224	8,460	-	-	8,460
Focus	-	872	574	298	-	-	298
Physics Un-Club	727	-	342	385	-	-	385
SCEC Club	190	129	187	132	-	-	132
Spanish Club	837	-	-	837	-	-	837
STLP Club	1,049	-	-	1,049	-	-	1,049
Strings	30	126	138	18	-	-	18
Writer's Ink Club	283	-	-	283	-	-	283
Young Republicans	654	-	-	654	-	-	654
Athletics Hall of Fame	570	1,290	1,050	810	-	-	810
Athletics Special	5,623	16,046	20,752	917	-	-	917
Baseball	1,175	19,801	12,361	8,615	-	-	8,615
Basketball - Boys	8,638	28,440	23,201	13,877	-	-	13,877
Basketball - Girls	3,386	12,390	10,486	5,290	-	-	5,290
Bowling - Boys	103	1,010	1,075	38	-	-	38
Bowling - Girls	81	490	455	116	-	-	116
Cheerleading	-	5,725	4,022	1,703	-	-	1,703
E-SPORTS	358	1,086	1,262	182	-	-	182
Football	2,082	32,363	34,410	35	-	-	35
Soccer - Boys	2,826	3,263	2,168	3,921	-	-	3,921
Soccer - Girls	2,769	8,436	9,572	1,633	-	-	1,633
Softball	4,366	475	4,841	-	-	-	-
Tennis - Boys	1	14	15	-	-	-	-
Tennis - Girls	697	-	29	668	-	-	668
Track	283	5,378	4,489	1,172	-	-	1,172
Cross Country	-	-	-	-	-	-	-
Volleyball	204	7,551	5,312	2,443	-	-	2,443
Art Club	266	641	727	180	-	-	180
Global Learning Acad	171	-	171	-	-	-	-
JROTC Dept.	12,886	24,589	27,907	9,568	-	-	9,568
Music Dept.	375	81	204	252	-	-	252
Student Ambassadors	-	99	50	49	-	-	49
Habitat for Humanity	173	-	173	-	-	-	-
Sub Total	76,775	228,025	207,661	97,139	-	-	97,139
Interfund Transfers	-	12,149	12,149	-	-	-	-
TOTAL	\$ 76,775	\$ 215,876	\$ 195,512	\$ 97,139	\$ -	\$ -	\$ 97,139

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

WARREN EAST HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
General Fund	\$ 9,235	\$ 3,729	\$ 5,670	\$ 7,294	\$ -	\$ -	\$ 7,294
Interest Income	-	1,357	-	1,357	-	-	1,357
AP Test	215	25	25	215	-	-	215
Faculty Vending	804	1,488	2,290	2	-	-	2
Field Trips	110	-	-	110	-	-	110
Musical	9,987	1,844	5,322	6,509	-	-	6,509
PBIS	2,944	10,554	9,917	3,581	-	-	3,581
JAG	-	910	650	260	-	-	260
Student Government	893	-	-	893	-	-	893
Change fund account	-	-	-	-	-	-	-
Academic Team Club	524	216	282	458	-	-	458
Archery Club	-	75	75	-	-	-	-
Art Club	60	1,450	1,261	249	-	-	249
Band Club	85	85	96	74	-	-	74
BETA Club	943	4,275	4,767	451	-	-	451
CEC Club	148	799	432	515	-	-	515
Choir Club	250	570	505	315	-	-	315
Environmental Club	274	160	-	434	-	-	434
Ag Shop Club	-	2,634	2,634	-	-	-	-
FBLA Club	2,613	2,502	2,308	2,807	-	-	2,807
FCA Club	95	1,025	734	386	-	-	386
FCCLA Club	875	2,197	2,544	528	-	-	528
FFA Club	3,235	41,705	40,164	4,776	-	-	4,776
Greenhouse	-	7,687	125	7,562	-	-	7,562
Math Club	221	-	-	221	-	-	221
NHS Club	626	425	309	742	-	-	742
PEP Club	184	870	720	334	-	-	334
PRIDE Club	183	-	48	135	-	-	135
STLP	-	-	-	-	-	-	-
Science Club	700	1,853	1,107	1,446	-	-	1,446
Y Club	153	7,656	7,810	(1)	-	-	(1)
4th Region AD Association	-	3,266	0	3,266	-	-	3,266
Athletics Special	3,704	10,105	10,889	2,920	-	-	2,920
Regional Tournament	-	33,726	33,726	-	-	-	-
Baseball	-	680	680	-	-	-	-
Basketball - Boys	156	12,671	11,736	1,091	-	-	1,091
Basketball - Girls	-	10,195	5,993	4,202	-	-	4,202
Bass Fishing	-	75	75	-	-	-	-
Bowling - Boys	142	6,464	3,171	3,435	-	-	3,435
Cheerleading	1,163	740	885	1,018	-	-	1,018
Cross Country	-	135	135	-	-	-	-
Football	3,303	30,211	31,390	2,124	-	-	2,124
Golf	-	75	75	-	-	-	-
Soccer - Boys	420	2,269	2,663	26	-	-	26
Soccer - Girls	1,032	2,860	3,071	821	-	-	821
Softball	-	2,876	1,447	1,429	-	-	1,429
Tennis	318	-	105	213	-	-	213
Track	6	189	195	-	-	-	-
Volleyball	360	5,673	4,279	1,754	-	-	1,754
Class of 2020	5,782	10,284	10,485	5,581	-	-	5,581
Class of 2021	-	950	484	466	-	-	466
GAT Dept.	66	422	400	88	-	-	88
JROTC Dept.	517	19,219	19,227	509	-	-	509
Sub Total	52,326	249,176	230,906	70,596	-	-	70,596
Interfund Transfers	-	6,626	6,626	-	-	-	-
TOTAL	\$ 52,326	\$ 242,550	\$ 224,280	\$ 70,596	\$ -	\$ -	\$ 70,596

WARREN COUNTY SCHOOL DISTRICT

SCHEDULE OF ASSETS, CASH RECEIPTS AND DISBURSEMENTS, AND LIABILITIES

GEO INTERNATIONAL HIGH SCHOOL

YEAR ENDED JUNE 30, 2020

NAME OF ACTIVITY	CASH BALANCES July 1, 2019	RECEIPTS	DISBURSE- MENTS	CASH BALANCES June 30, 2020	RECEIVABLES June 30, 2020	ACCOUNTS PAYABLE June 30, 2020	DUE TO STUDENT GROUPS June 30, 2020
General Fund	\$ 2,994	\$ 3,003	\$ 3,002	\$ 2,995	\$ -	\$ -	\$ 2,995
Due to Student Body	2	-	-	2	-	-	2
Interest Income	28	36	55	9	-	-	9
Field Trips	-	-	-	-	-	-	-
Yearbooks	234	-	-	234	-	-	234
Archery	75	-	-	75	-	-	75
BETA Club	463	250	713	-	-	-	-
Soccer	1,091	340	197	1,234	-	-	1,234
Volleyball	22	425	-	447	-	-	447
Sub Total	4,909	4,054	3,967	4,996	-	-	4,996
Interfund Transfers	-	55	55	-	-	-	-
TOTAL	\$ 4,909	\$ 3,999	\$ 3,912	\$ 4,996	\$ -	\$ -	\$ 4,996

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through State Department of Education:				
National School Lunch	10.555	7750002-19		\$ 1,377,855
		7750002-20		3,405,676
School Breakfast Program	10.553	7760005-19		555,961
		7760005-20		1,385,477
Summer Food Service Program for Children	10.559	7690024-19		7,556
		7690024-20		275,797
		7740023-19		26,944
		7740023-20		2,969,263
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	057502-02		379,481
TOTAL CHILD NUTRITION CLUSTER				10,384,010
Passed Through State Department of Education				
State Administrative	10.560	7700001-19		20,831
TOTAL U.S. DEPT. OF AGRICULTURE				10,404,841
<u>U.S. DEPARTMENT OF DEFENSE</u>				
Jr. ROTC	12.000	Direct -17		2,306
		Direct -20		210,389
				212,695
TOTAL U.S. DEPT. OF DEFENSE				212,695
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through State Department of Education:				
Special Education - Grants to States	84.027	3810002-17		9,621
		3810002-18		1,168,558
		3810002-19		1,472,997
				2,651,176
Special Education - Preschool Grants	84.173	3800002-17		180
		3800002-18		33,721
				33,901
TOTAL SPECIAL EDUCATION CLUSTER				2,685,077
<u>OTHER U.S. DEPARTMENT OF EDUCATION PROGRAMS</u>				
Passed Through Kentucky Council on Postsecondary Education				
Adult Education - Basic Grants to States	84.002	KCPSE-19		5,938
		KCPSE-20		12,093
				18,031
Passed Through State Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-16		(19,198)
		3100002-17		6,550
		3100002-18		1,280,474
		3100002-19		2,790,920
		3100102-18		325
		3100102-19		40,269
				4,099,340
Migrant Education - State Grant Program	84.011	3110002-18		40,181
		3110002-19		147,739
				187,920
Title I State Agency Program for Neglected and Delinquent Children	84.013	DC-18		7,801
		DC-19		13,215
				21,016

The accompanying notes are an integral part of this schedule.

WARREN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED
YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/PASS-THROUGH GRANTOR / PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
Career and Technical Education - Basic Grants to States	84.048	3710002-15 3710002-17 3710002-18 3710002-19		211 872 12,576 137,769 <hr/> 151,428
English Language Acquisition State Grants	84.365	3300002-17 3300002-18 3300002-19		173 50,338 198,424 <hr/> 248,935
Supporting Effective Instruction - State Grants	84.367	3230002-17 3230002-18 3230002-19		35,663 271,772 138,976 <hr/> 446,411
Striving Readers	84.371C	3220000-17		408,283
Student Support and Academic Enrichment	84.424	3420002-17 3420002-18 3420002-19		8,625 221,779 12,641 <hr/> 243,045
Covid-19 Elementary and Secondary Relief Fund	84.425D	4000002-20		135,570
TOTAL U.S. DEPARTMENT OF EDUCATION				<hr/> 8,645,056
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through State Department of Education:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	2400002-19		433,557
Every Student Succeeds Act/Preschool Development Block Grant	93.575	PDG-19		4,015
Refugee and Entrant Assistance - Discretionary Grants	93.576	REA-18 REA-19		21,332 40,943 <hr/> 62,275
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<hr/> 499,847
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	<hr/> <hr/> \$ 19,762,439

The accompanying notes are an integral part of this schedule.

WARREN COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Warren County School District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Warren County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Warren County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – INDIRECT COST RATE

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**WARREN COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued (unmodified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes ___X___no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____yes ___X___none reported

Noncompliance material to financial statements noted? _____yes ___X___no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? _____yes ___X___no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____yes ___X___none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____yes ___X___no

Identification of major programs:

CFDA Number	Federal Program or Cluster
-------------	----------------------------

DEPARTMENT OF AGRICULTURE

10.553/10.555/10.559	Child Nutrition Cluster
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DEPARTMENT OF EDUCATION

84.010	Title I Grants to Local Educational Agencies
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DEPARTMENT OF HEALTH AND HUMAN SERVICES

93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance
--------	--

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

WARREN COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2020

FINDING 2019-001 – MATERIAL WEAKNESS – ADJUSTMENTS

Condition This finding was a material weakness stating that material adjustments were required to the financial statements.

Recommendation: The auditor recommended that the District review its procedures to ensure all adjustments are made to the financial statements.

Current Status: This finding was not repeated as finding in the June 30, 2020 audit.

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



HCA

Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Warren County School District
Bowling Green, Kentucky

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
January 11, 2021

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



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Heartland CPAs and Advisors PLLC

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Warren County School District
Bowling Green, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Warren 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 Warren County School District's major federal programs for the year ended June 30, 2020. Warren County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Warren County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
January 11, 2021

MANAGEMENT LETTER AND COMMENTS



HCA

Heartland CPAs and Advisors PLLC

Kentucky State Committee for School District Audits
Members of the Board of Education of
Warren County School District
Bowling Green, Kentucky

In planning and performing our audit of the basic financial statements of Warren County School District for the year ended June 30, 2020, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. Any uncorrected comments from the prior year have been included in the memorandum. A separate report dated January 11, 2021, contains our report on the District's internal control. This letter does not affect our report dated January 11, 2021, on the financial statements of the Warren County School District.

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

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

Heartland CPAs and Advisors, PLLC

Heartland CPAs and Advisors, PLLC
Elizabethtown, Kentucky
January 11, 2021

WARREN COUNTY SCHOOL DISTRICT

COMMENTS

June 30, 2020

UNCORRECTED PRIOR YEAR COMMENTS

PLANO ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) was signed on 8/19/2020 for the 2019-2020 fiscal year. Redbook requires that the Annual Financial Report be approved and submitted to the board by July 25th.

MANAGEMENT RESPONSE

While the form for annual data was not dated until 8/19/20, our bookkeepers submit this report monthly. Over the fiscal year, all of the data that would have been present on the summarized annual report was reviewed and signed off by the principal. The final month-end report depicting June data was dated 7/20/20. Given this information, we will counsel this bookkeeper to ensure the year-end report is submitted timely moving forward.

RICH POND ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) that was prepared on 8/26/2020 for the 2019-2020 fiscal year was not signed as being approved by the school's principal. Redbook requires that the Annual Financial Report be approved and submitted to the board by July 25th.

MANAGEMENT RESPONSE

While the form for annual data was not dated until 8/26/20, our bookkeepers submit this report monthly. Over the fiscal year, all of the data that would have been present on the summarized annual report was reviewed and signed off by the principal. The final month-end report depicting June data was dated 7/20/20. Given this information, we will counsel this bookkeeper to ensure the year-end report is submitted timely moving forward.

GREENWOOD HIGH SCHOOL

DISALLOWED EXPENDITURES

We noted that check #14720, dated 12/12/2019, in the amount of \$76.00 as payment for glass replacement in a decorative picture frame. Redbook disallows payments for regular care and upkeep of school property.

We noted that check #14444, dated 09/24/19, in the amount of \$160.27, as reimbursement for purchasing gasoline and repair parts for the gator. Redbook disallows payments for regular care and upkeep of school property.

MANAGEMENT RESPONSE

Item #1: Upon review, of this expense, we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

Item #2: Upon review of this expense we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

CASH ADVANCES

We noted that check #14661, dated 11/19/2019, in the amount of \$200.00, was for a cash advance to purchase a gift for the angel tree. However, there was not an Expense Reports (F-SA-9) on file for the return of the change of from the cash advance. Redbook requires that the Expense Report, related receipts, other supporting documentation, and unused cash be returned by the close of the next business day after the trip.

We noted that check #14631, dated 11/06/2019, in the amount of \$1,000.00, was for a cash advance for money to pay for food during the state volleyball tournament. However, there was not an Expense Reports (F-SA-9) on file for the return of the change of from the cash advance. Redbook requires that the Expense Report, related receipts, other supporting documentation, and unused cash be returned by the close of the next business day after the trip.

We noted that check #14686, dated 12/06/2019, in the amount of \$250.00, was for a cash advance for money to pay for supplies to make banana pudding for FFA Christmas dinner. However, there was not an Expense Reports (F-SA-9) on file for the return of the change of from the cash advance. We also noted that the unused cash was redeposited on 12/17/2019, seven days after the supporting receipts were dated. Redbook requires that the Expense Report, related receipts, other supporting documentation, and unused cash be returned by the close of the next business day after the trip.

MANAGEMENT RESPONSE

Upon review we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

TRAVEL REIMBURSEMENTS

We noted that check #14387, dated 9/9/2019, in the amount of \$1,000.00, was for a travel reimbursement for rodeo tickets and bus parking from the FFA Club Fund. However, there was no Travel Voucher Form on file for this travel reimbursement and the only supporting documentation on file was a receipt for parking fees in the amount of \$120.00. There was no evidence the unused cash was redeposited. Redbook states that Travel Vouchers be submitted within one week of the travel and shall follow the local board's and school's policies.

We noted that check #14365, dated 9/5/2019, in the amount of \$1,700.00, was for a travel reimbursement for concert tickets from the FFA Club Fund. However, there was no Travel Voucher Form on file for this travel reimbursement and the only supporting documentation on file was a receipt for concert tickets in the amount of \$1,600.00. There was no evidence the unused cash was redeposited. Redbook states that Travel Vouchers be submitted within one week of the travel and shall follow the local board's and school's policies.

MANAGEMENT RESPONSE

Upon review we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

WARREN CENTRAL HIGH SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) for the 2019-2020 fiscal year was not signed as being approved by the school's principal or by the school's bookkeeper until 8/3/2020. Redbook requires that the Annual Financial Report be approved and submitted to the board by July 25th.

MANAGEMENT RESPONSE

While the form for annual data was not dated until 8/3/20, our bookkeepers submit this report monthly. Over the fiscal year, all of the data that would have been present on the summarized annual report was reviewed and signed off by the principal. The final month-end report depicting June data was dated 7/23/20. Given this information, we will counsel this bookkeeper on the Redbook requirement.

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the Annual Financial Report was missing for the following booster clubs: All booster and volleyball.

We noted the annual External Support/Booster Organization Budget Worksheet (F-SA-4B) was missing for the following booster clubs: All booster, volleyball, and football.

We noted that proof of liability insurance was missing for the following booster clubs: volleyball, baseball, softball, choir, football, girls' basketball, gold, soccer, band, cross country, and boys basketball.

We noted the employer identification number was missing for the following booster clubs: volleyball, baseball, softball, choir, football, girls basketball, gold, soccer, band, cross country, and boys basketball.

Redbook requires that all booster clubs submit an Annual Financial Report for the fiscal year to the principal by July 25 and an annual External Support/Booster Organization Budget Worksheet to the principal within the first thirty days of the school year or within thirty days of the first transaction of the group. Redbook also requires that all booster clubs submit a proof of general liability insurance for each school year the club is active and obtain its own Federal Employer Identification Number specifically and only for its use.

MANAGEMENT RESPONSE

Noting the reasons mentioned by the auditors, the boosters were informed on December 11, 2019, they will not be allowed to fundraise on behalf of WCHS. This will remain in place until both internal and external Redbook compliance standards are met.

CURRENT YEAR COMMENTS

ALVATON ELEMENTARY SCHOOL

FUNDRAISERS

We noted that following documentation was on file for the DC Trip Birthday Name fundraiser that was held by the 5th Grade Field Trip Account during the 2019-2020 fiscal year: a Fundraiser Approval (F-SA-2A) and a Multiple Receipt Form (F-SA-6). There was not a Fundraiser Summary (F-SA-2B) on file for the fundraiser. Redbook states that fundraisers where fundraiser money is collected from students, require the use of the Fundraiser Worksheet to recap the profitability of the fundraiser sales cycle.

MANAGEMENT RESPONSE

Upon review of this expense we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

BRISTOW ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) that was on file for the 2019-2020 school year was signed by the school's principal and bookkeeper as being prepared and approved on 8/11/2020. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT RESPONSE

While the form for annual data was not dated until 8/11/20, our bookkeepers submit this report monthly. Over the fiscal year, all of the data that would have been present on the summarized annual report was reviewed and signed off by the principal. The final month-end report depicting June data was dated 7/16/20. Given this information, we will counsel this bookkeeper to ensure the year-end report is submitted timely.

JENNINGS CREEK ELEMENTARY SCHOOL

MULTIPLE RECEIPT FORM

We noted that the deposit dated 11/26/2019, in the amount of \$400.00 included a Multiple Receipt Form (F-SA-6) in the amount of \$24.00 for skating field trip fees that had the person submitting monies sign off for the students remitting the monies when they indicated that the students were in 6th grade. Redbook requires that students sign Multiple Receipt Form(s) when they are grade 6 or above and remit funds to the school.

MANAGEMENT RESPONSE

Upon review of this expense we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

PURCHASE ORDER FORM

We noted that check #1002, dated 10/28/2019, from the Field Trips Fund in the amount of \$375.00 had in attached invoice that was dated 10/17/2019. The attached Purchase Order Form was dated as being submitted and approved on 10/28/2019. Redbook requires that purchases be approved before they are made.

We also noted that check #1017, dated 3/26/2020, e from the Faculty Vending in the amount of \$31.84 had an attached invoice but did not have an attached Purchase Order. Redbook requires that Purchase Order Forms be completed to their entirety and purchases be approved before purchases are made.

MANAGEMENT RESPONSE

Upon review of this form we acknowledge this error. The form that was used was a standard invoice form and not a purchase order form. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

LOST RIVER ELEMENTARY SCHOOL

FUNDRAISER APPROVAL FORMS

We noted that the deposit made on 11/15/2019 in the amount of \$893.50 included a Multiple Receipt Form (F-SA-6) for the receipt of a \$893.50 check from Graham Photography into the Fundraiser Fund. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if this fundraiser was approved or if these funds were properly deposited into or expensed from the correct account.

MANAGEMENT RESPONSE

Upon review of this form, we acknowledge this error. The form that was used was a standard invoice form and not a purchase order form. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

PLANO ELEMENTARY SCHOOL

PURCHASE ORDER FORM

We noted that check #760, dated 3/12/2020, written to Interior-National Park Service from the Fieldtrip Fund in the amount of \$456.00 had in attached invoice that was dated 2/11/2020. The attached Purchase Order Form was dated as being submitted and approved on 2/27/2020. Redbook requires that purchases be approved before they are made.

MANAGEMENT RESPONSE

Upon review of this form we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

RICH POND ELEMENTARY SCHOOL

IMPROPER FORM

We noted that the deposit made on 10/01/2019 in the amount of \$102.50 included a Multiple Receipt Form (F-SA-6) for the receipt of a \$40.00 collected from students for dance admittance into the Student Council Fund. Redbook states that pre-numbered tickets shall be used with all events for which admission is charged (including athletic events, dances, concerts, plays, prom, or season passes). The Requisition and Report of Ticket Sales (Form F-SA-1) is to be used to report and reconcile the number of tickets sold and the funds collected.

MANAGEMENT RESPONSE

There is no traditional gate for this dance. This is something that is collected over a period of time. They do this to gain knowledge if the activity would be attended enough to hold the event. Going forward form F-SA-1 will be filled out to accommodate the compliance standard.

RICHARDSVILLE ELEMENTARY SCHOOL

PURCHASE ORDER FORM

We noted that check #8040, dated 6/2/2020, written to National Beta Club from the Beta Club Fund in the amount of \$126.00 had in attached invoice that was dated 11/19/2019. The attached Purchase Order Form was dated as being submitted and approved on 6/1/2020. Redbook requires that purchases be approved before they are made.

MANAGEMENT RESPONSE

Upon review of this form we acknowledge this error. The form that was used was a standard invoice form and not a purchase order form. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

WARREN ELEMENTARY SCHOOL

IMPROPER FUND

We noted that check #7926, dated 11/26/2019, and payable to INI Printworks, LLC for \$99.00, was for the purchase of T-shirts for the STLP Club. The check was written from the General Fund. Redbook requires purchases out of the General Fund to benefit the entire student population. The STLP Club Fund should have been used for the purchase.

MANAGEMENT RESPONSE

The STLP club did not have the funds to pay for these shirts at the time of purchase. Therefore, the money was allocated out of the general fund rather than doing an initial transfer from General to the student acidity fund which received the benefit. This has been discussed with the bookkeeper and will be monitored going forward.

FUNDRAISER APPROVAL FORM

We noted during review of the Bookfair fundraiser that the applicable F-SA forms were not properly completed. There was a sheet indicating that the board would approve the Bookfair but there was not a Fundraiser Approval Form (F-SA-2A) on file for this. Redbook requires Bookfair fundraisers to be supported with Fundraiser Approval Form (F-SA-2A), Fundraiser Worksheet (F-SA-2B) and Sales Collection Form (F-SA-17). We were unable to determine if the Bookfair Fundraiser was deposited into the correct account, approved before taking place, or if the funds were used for the correct purpose.

MANAGEMENT RESPONSE

Upon review of this form we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

WILLIAM NATCHER ELEMENTARY SCHOOL

PURCHASE ORDER FORMS

We noted that check #10357, dated 3/9/2020, in the amount of \$806.55, for the purchase of Admission - The Call of the Wild - 3rd grade from the Field Trips Fund had a Purchase Order Form (F-SA-7) that was dated 2/20/2020 with a corresponding invoice date 2/12/2020. Redbook requires that purchases be approved before purchases are made.

MANAGEMENT RESPONSE

Upon review, of this form, we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

GREENWOOD HIGH SCHOOL

ACCOUNTS RECEIVABLE

We noted that the deposit on 7/28/2020 in the amount of \$7,167.60 included receipt #15752 for Reimbursement from the Board into the AP Test Account in the amount of \$6,746.50. The invoice for the check was dated 6/30/2020. However, this receipt was not included in the Accounts Receivable portion of the Accounts Receivable and Accounts Payable Form (F-SA-15B) that was on file for the month of June 2020.

MANAGEMENT RESPONSE

This form was submitted timely but did not include the correct information. The form was updated and the bookkeeper was counseled on this going forward.

UNTIMELY DEPOSIT

We noted that the deposit made on 10/30/2019, in the amount of \$2,832.00 included ticket sale proceeds in the amount of \$2,832 from the football game held on 10/25/2019. Redbook requires that deposits in excess of \$100.00 be made daily.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

WARREN CENTRAL HIGH SCHOOL

CREDIT CARD LOG

We noted that the entries for 2/06/2020, 12/9/2019, 12/18/2019, 11/11/2019, 10/25/2019, and 10/01/2019 included a return date that was more than two days later. Redbook states that the card, approved purchase orders and itemized store receipts shall be submitted no later than the close of the next business day.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

WARREN EAST HIGH SCHOOL

INVENTORY CONTROL WORKSHEET

We noted that the Inventory Control Worksheet (F-SA-5) that was on file for the Greenhouse Sales Fundraiser was completed for the reporting period of Spring 2020. Redbook requires inventory control worksheets to be completed on a monthly basis to document the flow of inventory.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

TICKET SALES

We noted during review of ticket sales that the Requisition and Report of Ticket Sales Form (F-SA-1) that was submitted for the football game held on 9/6/2019 had the same individual that initialed in column C as being the ticket seller also signed off as being the ticket taker for the event. Redbook requires that these duties be segregated.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

DISALLOWED EXPENDITURE

We noted that check #20012, dated 2/28/2020, in the amount of \$935.00, as payment for repairs on the gymnasium's sound system and microphones. Redbook disallows payments for regular care and upkeep of school property.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.

GEO INTERNATIONAL HIGH SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) that was completed on 8/26/2020 for the 2019-2020 fiscal year was not signed as being approved by the school's principal or signed by the school's bookkeeper. Redbook requires that the Annual Financial Report be approved and submitted to the board by July 25th.

MANAGEMENT RESPONSE

Upon review of this we acknowledge this error. WCPS hosts two annual bookkeepers' updates where this topic has been discussed. This non-compliance error has been reviewed with the bookkeeper and will be monitored moving forward.