

Financial Statements and Reports  
Required by the Single Audit Act

2021

**Fayette County School District**

For the Fiscal Year Ended June 30, 2021



Financial Statements and Reports  
Required by the Single Audit Act

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For the Fiscal Year Ended June 30, 2021

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis (Unaudited)</b> .....	4
<b>District-wide Financial Statements</b>	
Statement of Net Position .....	11
Statement of Activities .....	12
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	15
Statement of Net Position - Proprietary Funds .....	18
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds .....	19
Statement of Cash Flows - Proprietary Funds .....	20
Statement of Fiduciary Net Position .....	21
Statement of Changes in Fiduciary Net Position .....	22
<b>Notes to Financial Statements</b> .....	23
<b>Required Supplementary Information</b>	
<b>Budgetary Comparison Information</b>	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund .....	63
Schedule of Revenues and Expenditures - Budget and Actual - Special Revenue Fund .....	64
Schedule of Revenues and Expenditures – Budget and Actual - Explanation of Significant Budget Variances .....	65
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System Non-Hazardous .....	66
Schedule of the Contributions – County Employees Retirement System Non-Hazardous .....	67

Schedule of the District's Proportionate Share of the Net Pension Liability – Kentucky Teachers Retirement System .....	68
Schedule of District Contributions – Kentucky Teachers Retirement System .....	69
Schedule of the District's Proportionate Share of the Net OPEB Liability – County Employees Retirement System Non-Hazardous .....	70
Schedule of District Contributions - OPEB – County Employees Retirement System Non-Hazardous .....	71
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability – Kentucky Teachers Retirement System – Medical Insurance .....	72
Schedule of District Contributions – OPEB – Kentucky Teachers Retirement System – Medical Insurance .....	73
Schedule of District's Proportionate Share of the Collective Net OPEB Liability – Kentucky Teachers Retirement System – Life Insurance .....	74
Schedule of District Contributions – OPEB – Kentucky Teachers Retirement System – Life Insurance .....	75
Notes to Required Supplementary Information – County Employees Retirement System .....	76
Notes to Required Supplementary Information – Teachers Retirement System.....	77
 <b>Combining Supplementary Information</b>	
Combining Balance Sheet - Nonmajor Governmental Funds .....	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds .....	80
 <b>Reports Required by the Single Audit Act</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	81
Independent Auditors' Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance .....	83
Schedule of Expenditures of Federal Awards .....	86
Notes to Schedule of Expenditures of Federal Awards .....	92
Schedule of Findings and Questioned Costs .....	93
Schedule of Prior Audit Findings .....	95



## **Independent Auditors' Report**

Members of the Board of Education  
Fayette County School District  
Lexington, 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 Fayette County School District (the "District") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (Unaudited) on pages 4 through 10, budgetary comparison information on pages 63 through 65 and the pension and other postemployment benefits liability and contributions information on pages 66 through 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining supplementary information on pages 79 and 80 is 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 supplementary information and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the 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 the District's internal control over financial reporting and compliance.

*Strothman and Company*

Louisville, Kentucky  
November 15, 2021

**Management's Discussion and Analysis (Unaudited)**

Management's Discussion and Analysis (Unaudited)

**Fayette County School District**

Year Ended June 30, 2021

As management of the Fayette County School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit report. This is the nineteenth year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both District-Wide financial statements and fund financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to employees through trusts that have defined characteristics. The District has implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires reporting of the District's Other Postemployment Benefits ("OPEB") liability on the face of the financial statements and more extensive note disclosure and required supplementary information about OPEB liabilities. Cost-sharing governmental employers, such as the District, are required to report a new OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. The District also adopted GASB Statement No. 84, *Fiduciary Activities*, in the prior year, which was an early adoption as it was not mandatory until the fiscal year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. This statement reclassified all agency funds as special revenue funds. The funds were shifted into the Special Revenue Fund and a new non-major governmental fund, Student Activity Funds.

The Coronavirus ("COVID-19") national health emergency continues as the largest issue facing school districts throughout the country. The District started the 2021 school year providing all instruction via virtual methods and transitioned to other methods, in-person and/or hybrid, as relevant oversight agencies saw fit in January 2021. Regional, local, and school virus rates were monitored and drove the decisions concerning in-person/hybrid learning for the remainder of the 2021 school year. Funding from the CARES Act covered some of the increased costs related to virtual and in-person instruction and staffing. The food service program continues to be impacted financially by the pandemic. The United States Department of Agriculture ("USDA") has authorized meal reimbursement under the summer feeding program for all meals served through the end of the 2021 school year, which helped recover some of the lost revenue from daily student lunch sales. Meals are prepared and provided for all students each day regardless of student attendance at school. CARES Act resources can be used to support student meal operations as well.



Management's Discussion and Analysis (Unaudited)--Continued

**Fayette County School District**

Year Ended June 30, 2021

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$152 million in 2021 and \$125 million in 2020.
- From 2020 to 2021, total revenue increased by 4.12 %. Revenue from local sources increased 3.75% while revenue from the state decreased by less than 1% and revenues from grant sources increased by 73.24%.

**Table One:**  
**Total Revenue Comparison Analysis (Governmental Activities)**

<b>Revenues</b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>Change</u></b>
Local Sources:			
Property Taxes	\$ 256,934,559	\$ 250,676,137	\$ 6,258,422
Motor Vehicle Taxes	15,731,605	13,405,893	2,325,712
Utility Taxes	22,556,561	22,048,097	508,464
Occupational Taxes	40,264,653	37,228,518	3,036,135
State Sources:			
SEEK Program	94,172,019	97,086,380	(2,914,361)
Other State Revenues	149,955,774	147,046,236	2,909,538
Grants	50,962,793	29,417,063	21,545,730
Earnings on Investments	128,738	1,481,039	(1,352,301)
Other Sources	951,965	8,281,532	(7,329,567)
<b>Total Revenues</b>	<b><u>\$ 631,658,667</u></b>	<b><u>\$ 606,670,895</u></b>	<b><u>\$ 24,987,772</u></b>

Management's Discussion and Analysis (Unaudited)--Continued

**Fayette County School District**

Year Ended June 30, 2021

**Table Two**  
**Total Expenditure Analysis (Governmental Activities)**

<b>Expenditures</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Instruction	\$ 393,968,752	\$ 392,751,218	\$ 1,217,534
Student support services	32,179,026	31,049,383	1,129,643
Instructional staff support services	25,934,991	26,217,059	(282,068)
District administrative support services	7,846,199	8,221,456	(375,257)
School administrative support services	30,165,846	29,287,511	878,335
Business support services	41,020,842	30,246,015	10,774,827
Plant operations and maintenance	49,873,839	48,216,685	1,657,154
Transportation	16,781,861	24,952,322	(8,170,461)
Food service	3,239,651	4,256,637	(1,016,986)
Community services	4,321,512	3,654,947	666,565
Interest	16,870,255	17,133,045	(262,790)
<b>Total Expenditures</b>	<b><u>\$ 622,202,774</u></b>	<b><u>\$ 615,986,278</u></b>	<b><u>\$ 6,216,496</u></b>

Among major funds, the General Fund had approximately \$520 million in revenue in FY 2021 (including on behalf) and \$518 million in revenue in FY 2020 (including on behalf), which primarily consisted of local property taxes, local occupational license taxes, utilities and motor vehicle taxes, federal programs and state funding (the SEEK Program). There were approximately \$503 million in expenditures in FY 2021 and \$511 million in expenditures in FY 2020, which also included on behalf figures in the General Fund.

**Amazing Students**

- 102 graduates in Class of 2020 earn Seal of Biliteracy
- Two from Bryan Station HS make Top Ten in National Beta Club contests
- Two from Dunbar selected for KDE Student Advisory Council
- Sixty-three accepted in Governor's Scholars Program
- Over three dozen participate in Governor's School for the Arts
- Five students tapped for Governor's School for Entrepreneurs
- SCAPA at Bluegrass earns silver status among America's Healthiest Schools
- Liberty's cross-country girls place first in 4<sup>th</sup> & U state championship
- Jessie Clark & Hayes secure 2020 volleyball tournament titles
- Beaumont sweeps Fayette's 2020 cross-country championships
- Beaumont boys win 2020 cross-country state championship
- Hayes beats Crawford for 5<sup>th</sup> straight football championship
- Dunbar academic team takes 1<sup>st</sup> place in JV Challenge region
- Dunbar senior named 2021 Distinguished Young Woman of Kentucky
- SCAPA at Bluegrass receives national honor for engaging families
- BSHS and FDHS earn AP Computer Science Female Diversity Award
- McDonald's salutes four seniors as Black History Makers of Today

## Management's Discussion and Analysis (Unaudited)--Continued

### Fayette County School District

Year Ended June 30, 2021

#### Amazing Students--Continued

- Lafayette senior takes 1<sup>st</sup> prize in state Japanese showcase
- Unbeaten Hayes boys win "A" basketball tournament & Leestown wins "B" title
- Lafayette boasts 2 national medalists in Scholastic Art & Writing Awards
- Henry Clay brings home another State Debate title
- SCAPA speech team remains unstoppable with 24<sup>th</sup> state title
- Bryan Station High School a U.S. Department of Education Green Ribbon School
- Henry Clay sophomore earns special award in international science fair
- Nearly 150 more graduating seniors earn Seal of Biliteracy in Class of 2021
- Lafayette sculpture wins Best in Show 3D in all-state art contest
- Two artists from Dixie secure National PTA awards for Reflections
- Henry Clay teams capture league's state lacrosse honors
- Lafayette tops Jazz field in State Dance Championships
- Dunbar cheerleaders bring home 2021 state title
- Beta Clubs at Cowan & Hayes receive national service award
- Beaumont's boys are runners-up in state track & field championships

#### District-Wide Accolades and Staff Kudos

- Two FCPS Police officers receive state recognition for service
- FCPS Police earn statewide nod as "Promising Program"
- Henry Clay librarian receives national award for collaboration with teachers
- Lafayette science teacher a state finalist for prestigious national award
- Tech leader earns Kentucky's Making IT Happen award
- Millcreek's Haggard receives KASA Office Professional Award
- KAGE Service & Advocacy award goes to G/T teacher at Dixie Magnet
- SHAPE America national finalists hail from TCHS & Brenda Cowan Elementary
- Jessie Clark boasts KMEA's Middle School Teacher of the Year
- Glendover STEM teacher in running for prestigious national award
- Stonewall boasts Kentucky Teacher of the Year
- District Director of Finance (Finance Officer) was elected President of KY Association of School Business Officials (KASBO)
- Lafayette produces state's top high school teacher
- Clark named Corporate Advocate of the Year
- French teacher at Douglass receives KWLA's Rising Star Award
- TCHS science teacher tapped as HHMI BioInteractive ambassador
- District STEM learning coach earns ISTE creativity award
- District Director of Finance (Finance Officer) was elected serve as an Emerging Leader representing KY for Southeastern Association of School Business Officials (SASBO)
- Garrett Morgan produces Fayette's Outstanding Special Educator
- Japanese teacher at Lafayette receives statewide recognition

**Fayette County School District**

Year Ended June 30, 2021

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**District-wide Financial Statements.**

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues.

The District-wide financial statements can be found on pages 11 through 12 of this report.

**Fund Financial Statements.**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds include Food Services and After School Programs. All other activities of the District are included in the governmental funds.

The governmental fund financial statements can be found on pages 13 through 17 of this report. The proprietary fund financial statements can be found on pages 18 through 20 of this report.

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

The notes to the financial statements can be found on pages 23 through 62 of this report.

Management's Discussion and Analysis (Unaudited)--Continued

**Fayette County School District**

Year Ended June 30, 2021

**DISTRICT-WIDE FINANCIAL ANALYSIS**

The following is a summary of the District's Net Position:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 205,229,326	\$ 149,234,268	\$ 2,551,247	\$ 6,925,791	\$ 207,780,573	\$ 156,160,059
Capital assets, net of depreciation	674,648,977	632,413,734	4,291,129	4,482,567	678,940,106	636,896,301
<b>Total Assets</b>	<b>879,878,303</b>	<b>781,648,002</b>	<b>6,842,376</b>	<b>11,408,358</b>	<b>886,720,679</b>	<b>793,056,360</b>
Deferred outflows of resources	92,801,960	72,256,038	5,204,089	4,538,245	98,006,049	76,794,283
Short-term liabilities	97,416,426	84,831,098	196,574	1,147,700	97,613,000	85,978,798
Other liabilities	812,558,788	725,432,087	18,611,937	15,113,515	831,170,725	740,545,602
<b>Total Liabilities</b>	<b>909,975,214</b>	<b>810,263,185</b>	<b>18,808,511</b>	<b>16,261,215</b>	<b>928,783,725</b>	<b>826,524,400</b>
Deferred inflows of resources	56,921,833	47,313,532	1,735,984	2,442,058	58,657,817	49,755,590
Net Position						
Net investment in capital assets	167,236,506	191,148,972	4,291,129	4,482,567	171,527,635	195,631,539
Restricted	60,508,578	29,699,361	(12,789,159)	(7,239,237)	47,719,419	22,460,124
Unrestricted	(221,961,868)	(224,521,010)			(221,961,868)	(224,521,010)
<b>Total Net Position</b>	<b>\$ 5,783,216</b>	<b>\$ (3,672,677)</b>	<b>\$ (8,498,030)</b>	<b>\$ (2,756,670)</b>	<b>\$ (2,714,814)</b>	<b>\$ (6,429,347)</b>

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

This is the 19<sup>th</sup> year that the District is following GASB Statement No. 34 and comparing assets, liabilities and net position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to the employees through trusts that have defined characteristics.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employs services. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined pension plan.

Management's Discussion and Analysis (Unaudited)--Continued

**Fayette County School District**

Year Ended June 30, 2021

This pronouncement was mandatory for fiscal periods beginning after June 15, 2015. The data from the Kentucky Teachers Retirement System and the County Employees Retirement System related to this implementation will have a material effect on the District's financial statements.

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

The changes in the balances and transactions of individual funds have all been examined and explained. Changes in the final budget when compared to the original were not material.

Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund indicate that there were no variations which would have a significant effect on future services or liquidity. The District budgeted approximately \$439 million dollars in revenue and received approximately \$454 million in general fund excluding on behalf revenue. The District also budgeted approximately \$439 million dollars in expenses and spent approximately \$375 million in general fund excluding on behalf expenses. Our financial position remains strong and we will continue to utilize trend analysis to help predict such variances in the future.

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. some federal programs, operate on a different program calendar but are reflected in the District overall budget. By Kentucky statute, the budget must have a minimum 2% contingency. The District adopted a budget for 2020 with \$35 million in contingency that is approximately 6.0%. The District is the second largest in the state with approximately 40,840 students and is the second largest employer in Fayette County.

This audit is posted on the District website ([www.fcps.net](http://www.fcps.net)). Questions regarding this report should be directed to Rodney Jackson, Director of Financial Accounting and Benefit Services (859) 381-4141, or Dr. Demetrus Liggins, Superintendent (859) 381-4104, or by mail at 1126 Russell Cave Road, Lexington, Kentucky 40505.

## **District-wide Financial Statements**

Statement of Net Position

**Fayette County School District**

June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 146,232,728	\$ 6,050,684	\$ 152,283,412
Accounts and grants receivable from outside sources	36,605,101	1,691,924	38,297,025
Inventories	2,398,609	489,338	2,887,947
Internal balances	19,992,888	(5,680,699)	14,312,189
Capital assets net of accumulated depreciation	674,648,977	4,291,129	678,940,106
<b>Total Assets</b>	<b>879,878,303</b>	<b>6,842,376</b>	<b>886,720,679</b>
<b>Deferred Outflows of Resources</b>			
Debt refunding	10,007,407		10,007,407
Deferred outflows from other post-employment benefits	49,160,640	3,242,008	52,402,648
Deferred outflows from pension	33,633,913	1,962,081	35,595,994
<b>Total Deferred Outflows of Resources</b>	<b>92,801,960</b>	<b>5,204,089</b>	<b>98,006,049</b>
<b>Liabilities</b>			
Accounts payable and accrued liabilities due to outside sources	54,641,027	196,574	54,837,601
Interest payable	4,974,009		4,974,009
Deferred revenue	9,352,135		9,352,135
Accrued sick leave			
Due within one year	1,920,490		1,920,490
Due in more than one year	6,923,230		6,923,230
School building revenue bonds			
Due within one year	25,025,000		25,025,000
Due in more than one year	456,375,000		456,375,000
Unamortized Premium	16,453,952		16,453,952
Capital lease			
Due with one year	1,503,765		1,503,765
Due in more than one year	6,164,924		6,164,924
Net pension liability	171,939,682	11,521,363	183,461,045
Net other post-employment benefits liability	154,702,000	7,090,574	161,792,574
<b>Total Liabilities</b>	<b>909,975,214</b>	<b>18,808,511</b>	<b>928,783,725</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows from other post-employment benefits	53,909,150	1,387,129	55,296,279
Deferred inflows from pension	3,012,683	348,855	3,361,538
<b>Total Deferred Inflows of Resources</b>	<b>56,921,833</b>	<b>1,735,984</b>	<b>58,657,817</b>
<b>Net Position</b>			
Net investment in capital assets	167,236,506	4,291,129	171,527,635
Restricted	60,508,578	(12,789,159)	47,719,419
Unrestricted (Deficit)	(221,961,868)		(221,961,868)
<b>Total Net Position</b>	<b>\$ 5,783,216</b>	<b>\$ (8,498,030)</b>	<b>\$ (2,714,814)</b>

See Accompanying Notes to Financial Statements



Statement of Activities

Fayette County School District

Year Ended June 30, 2021

	<u>Program Revenues</u>				<b>Net (Expenses) Revenues</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Functions/Programs</b>					
<b>Governmental Activities</b>					
Instruction	\$ 393,968,752	\$ 113,086	\$ 48,054,757		\$ (345,800,909)
Support services					
Student	32,179,026				(32,179,026)
Instruction staff	25,934,991				(25,934,991)
District administration	7,846,199				(7,846,199)
School administration	30,165,846				(30,165,846)
Business	41,020,842				(41,020,842)
Plant operation and maintenance	49,873,839			\$ 3,217,972	(46,655,867)
Transportation	16,781,861				(16,781,861)
Food Service	3,239,651				(3,239,651)
Community Services	4,321,512				(4,321,512)
Interest on Long Term Debt	16,870,255				(16,870,255)
<b>Total Governmental Activities</b>	<b>622,202,774</b>	<b>113,086</b>	<b>48,054,757</b>	<b>3,217,972</b>	<b>(570,816,959)</b>
<b>Business-Type Activities</b>					
Food service	18,944,977	67,914	12,044,500	1,418,781	(5,413,782)
After school program	710,194	321,551	61,065		(327,578)
<b>Total Business-Type Activities</b>	<b>19,655,171</b>	<b>389,465</b>	<b>12,105,565</b>	<b>1,418,781</b>	<b>(5,741,360)</b>
<b>Total Activities</b>	<b>\$ 641,857,945</b>	<b>\$ 502,551</b>	<b>\$ 60,160,322</b>	<b>\$ 4,636,753</b>	<b>\$ (576,558,319)</b>
			<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Changes in Net Position</b>					
<b>Net Expenses</b>			\$ (570,816,959)	\$ (5,741,360)	\$ (576,558,319)
<b>General Revenues</b>					
Taxes					
Property taxes			256,934,559		256,934,559
Motor vehicle taxes			15,731,605		15,731,605
Utility taxes			22,556,561		22,556,561
Occupational license tax			40,264,653		40,264,653
State sources					
SEEK program			94,172,019		94,172,019
Other state revenues and grants			146,737,802		146,737,802
Earnings on investments			128,738		128,738
Local revenues			3,746,915		3,746,915
<b>Total General Revenues</b>			<b>580,272,852</b>		<b>580,272,852</b>
<b>Change in Net Position</b>			<b>9,455,893</b>	<b>(5,741,360)</b>	<b>3,714,533</b>
<b>Net Position, Beginning of Year</b>			<b>(3,672,677)</b>	<b>(2,756,670)</b>	<b>(6,429,347)</b>
<b>Net Position End of Year</b>			<b>\$ 5,783,216</b>	<b>\$ (8,498,030)</b>	<b>\$ (2,714,814)</b>

See Accompanying Notes to Financial Statements

**Fund Financial Statements**

Balance Sheet - Governmental Funds

**Fayette County School District**

June 30, 2021

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 77,196,150		\$ 207,699	\$ 60,161,141	\$ 8,667,738	\$ 146,232,728
Accounts and grants receivable from outside sources	14,986,240	\$ 21,596,617			22,244	36,605,101
Inventory	2,398,609					2,398,609
Prepaid expenses						-
Interfund receivables					2,681,484	2,681,484
Due from other funds	19,992,888					19,992,888
	<u>19,992,888</u>				<u>2,681,484</u>	<u>19,992,888</u>
<b>Total Assets</b>	<u>\$ 114,573,887</u>	<u>\$ 21,596,617</u>	<u>\$ 207,699</u>	<u>\$ 60,161,141</u>	<u>\$ 11,371,466</u>	<u>\$ 207,910,810</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities due to outside sources	\$ 33,571,652	\$ 17,078,344		\$ 3,970,417	\$ 20,614	\$ 54,641,027
Accrued sick leave	1,920,490					1,920,490
Deferred Revenue	274,649	4,333,777			4,743,709	9,352,135
Interfund payables					2,681,484	2,681,484
	<u>33,571,652</u>	<u>17,078,344</u>		<u>3,970,417</u>	<u>2,681,484</u>	<u>54,641,027</u>
<b>Total Liabilities</b>	35,766,791	21,412,121		3,970,417	7,445,807	68,595,136
<b>Fund Balances</b>						
Restricted		184,496	\$ 207,699	56,190,724	3,925,659	60,508,578
Assigned	2,755,942					2,755,942
Unassigned	76,051,154					76,051,154
	<u>76,051,154</u>					<u>76,051,154</u>
<b>Total Fund Balances</b>	<u>78,807,096</u>	<u>184,496</u>	<u>207,699</u>	<u>56,190,724</u>	<u>3,925,659</u>	<u>139,315,674</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 114,573,887</u>	<u>\$ 21,596,617</u>	<u>\$ 207,699</u>	<u>\$ 60,161,141</u>	<u>\$ 11,371,466</u>	<u>\$ 207,910,810</u>

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet Governmental Funds to the  
District-Wide Statement of Net Position

**Fayette County School District**

June 30, 2021

Total fund balance per fund financial statements	\$ 139,315,674
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources but they are reported in the statement of net position	674,648,977
Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net position	10,007,407
Deferred inflows of resources-OPEB are not reported in the fund financial statements	(53,909,150)
Deferred inflows of resources-Pension are not reported in the fund financial statements	(3,012,683)
Deferred outflows of resources-OPEB are not reported in the fund financial statements	49,160,640
Deferred outflows of resources-Pension are not reported in the fund financial statements	33,633,913
Long-term sick leave liability is noncurrent and not reported in the fund financial statements	(6,923,230)
Bond interest payable is a noncurrent liability and is not reported in the fund financial statements	(4,974,009)
Bonds payable are not reported in the fund financial statements because they are not due and payable from current financial resources, but they are presented in the statement of net position	(481,400,000)
Capital lease obligations are noncurrent liabilities and are not reported in the fund financial statements	(7,668,689)
Unamortized premium is a noncurrent liability and is not reported in the fund financial statements	(16,453,952)
Net pension liability is noncurrent and is excluded from the fund financial statements	(171,939,682)
Net OPEB liability is noncurrent and is excluded from the fund financial statements	<u>(154,702,000)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 5,783,216</u></b>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances  
 - Governmental Funds

**Fayette County School District**

Year Ended June 30, 2021

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
From local sources						
Property taxes	\$ 220,874,702				\$ 36,059,857	\$ 256,934,559
Motor vehicle taxes	14,514,316				1,217,289	15,731,605
Utility taxes	22,556,561					22,556,561
Occupational license tax	40,264,653					40,264,653
State sources						
SEEK	85,302,104	\$ 5,186,357			3,683,558	94,172,019
Other state revenues	133,679,116	13,058,686	\$ 3,217,972			149,955,774
Grants (principally United States government and local agencies)	510,620	49,130,713			1,321,460	50,962,793
Earnings on investments	51,137		275	\$ 77,326		128,738
Other sources	2,627,810	1,062,311		169,880	(2,908,036)	951,965
<b>Total Revenues</b>	<b>520,381,019</b>	<b>68,438,067</b>	<b>3,218,247</b>	<b>247,206</b>	<b>39,374,128</b>	<b>631,658,667</b>
<b>Expenditures</b>						
Instruction	324,553,327	36,927,197			(2,468,671)	359,011,853
Support services						
Student	30,558,969	1,620,057				32,179,026
Instruction staff	20,608,281	4,010,939			88,504	24,707,724
District administration	6,008,813	2,411,124				8,419,937
School administration	29,658,944	506,902				30,165,846
Business	29,949,961	10,381,844				40,331,805
Plant operation & maintenance	41,248,116	4,642,641				45,890,757

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances  
 - Governmental Funds--Continued

**Fayette County School District**

Year Ended June 30, 2021

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Transportation	17,625,978	1,200,984			2,630	18,829,592
Food Service		2,452,581				2,452,581
Community service	662,200	3,654,993			4,319	4,321,512
Facilities acquisition/construction				71,287,040		71,287,040
Debt service	<u>1,720,523</u>		<u>40,525,255</u>		<u>787,070</u>	<u>43,032,848</u>
<b>Total Expenditures</b>	<u>502,595,112</u>	<u>67,809,262</u>	<u>40,525,255</u>	<u>71,287,040</u>	<u>(1,586,148)</u>	<u>680,630,521</u>
<b>Revenues in Excess of (Less Than) Expenditures</b>	17,785,907	628,805	(37,307,008)	(71,039,834)	40,960,276	(48,971,854)
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of assets	6,352			2,670,846		2,677,198
Proceeds from sale of bonds				92,405,000		92,405,000
Loss from Investment of bonds				(130,081)		(130,081)
Operating transfers in	2,206,438	787,494	37,307,283	8,101,245		48,402,460
Operating transfers out	<u>(4,827,652)</u>	<u>(2,220,385)</u>			<u>(41,354,423)</u>	<u>(48,402,460)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(2,614,862)</u>	<u>(1,432,891)</u>	<u>37,307,283</u>	<u>103,047,010</u>	<u>(41,354,423)</u>	<u>94,952,117</u>
<b>Net Change in Fund Balances</b>	15,171,045	(804,086)	275	32,007,176	(394,147)	45,980,263
<b>Fund Balances, Beginning of Year</b>	<u>63,636,051</u>	<u>988,582</u>	<u>207,424</u>	<u>24,183,548</u>	<u>4,319,806</u>	<u>93,335,411</u>
<b>Fund Balances, End of Year</b>	<u>\$ 78,807,096</u>	<u>\$ 184,496</u>	<u>\$ 207,699</u>	<u>\$ 56,190,724</u>	<u>\$ 3,925,659</u>	<u>\$ 139,315,674</u>

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Funds to the District-Wide Statement of Activities

**Fayette County School District**

Year Ended June 30, 2021

**Net Change in Total Fund Balances - Governmental Funds** \$ 45,980,263

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

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as capital assets in the District-wide statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeded depreciation for the year (42,204,400)

Capital lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position 26,162,593

Gains and losses are not presented in this financial statement because they do not provide or use current financial resources but they are presented in the District-wide statement of activities (15,978)

Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position (2,320,553)

Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position (512,585)

Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of activities 10,007,407

Pension and OPEB Liabilities net of deferred inflows and outflows of resources are not reported as a liabilities in the fund financial statements but are recorded in the statement of net position (29,849,584)

Bond premiums are not reported as a part of long-term debt in the fund financial statements but are recorded in the statement of net position (270,812)

Change in other assets and liabilities not requiring the use of current resources is not reported as expenditure in fund financial statements but are reported in the Statement of Activities 2,479,542

**Change in Net Position of Governmental Activities** \$ 9,455,893

See Accompanying Notes to Financial Statements

Statement of Net Position - Proprietary Funds

Fayette County School District

June 30, 2021

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School Program Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 4,333,248	\$ 1,717,436	\$ 6,050,684
Accounts receivable	1,668,762	23,162	1,691,924
Inventory	489,338		489,338
<b>Total Current Assets</b>	6,491,348	1,740,598	8,231,946
<b>Noncurrent Assets</b>			
Capital assets net of accumulated depreciation	4,291,129		4,291,129
<b>Total Assets</b>	10,782,477	1,740,598	12,523,075
<b>Deferred Outflows of Resources</b>			
Deferred Outflows OPEB	3,075,067	166,941	3,242,008
Deferred Outflows Pension	1,654,135	307,946	1,962,081
<b>Total Deferred Outflows of Resources</b>	4,729,202	474,887	5,204,089
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	189,097	7,477	196,574
Due to other funds	5,680,699		5,680,699
Net Pension Liability	10,185,768	1,335,595	11,521,363
Net OPEB Liability	6,640,505	450,069	7,090,574
<b>Total Liabilities</b>	22,696,069	1,793,141	24,489,210
<b>Deferred Inflow of Resources</b>			
Deferred inflows OPEB	1,248,017	139,112	1,387,129
Deferred inflows Pension	279,930	68,925	348,855
<b>Total Deferred Inflows of Resources</b>	1,527,947	208,037	1,735,984
<b>Net Position</b>			
Invested in capital assets	4,291,129		4,291,129
Restricted (Deficit)	(13,003,466)	214,307	(12,789,159)
<b>Total Net Position</b>	<u>\$ (8,712,337)</u>	<u>\$ 214,307</u>	<u>\$ (8,498,030)</u>

See Accompanying Notes to Financial Statements



Statement of Revenues, Expenses and Changes in  
Net Position - Proprietary Funds

**Fayette County School District**

Year Ended June 30, 2021

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School Program Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 23,952		\$ 23,952
Other operating revenues	43,962	\$ 321,551	365,513
<b>Total Operating Revenues</b>	67,914	321,551	389,465
<b>Operating Expenses</b>			
Salaries wages and fringe	12,344,888	476,718	12,821,606
Material and supplies	5,589,228	233,476	5,822,704
Depreciation	998,220		998,220
<b>Total Operating Expenses</b>	18,932,336	710,194	19,642,530
<b>Operating Loss</b>	(18,864,422)	(388,643)	(19,253,065)
<b>Non-operating Revenues</b>			
Federal grants	10,705,450		10,705,450
Donated commodities	599,358		599,358
State grants	206,703		206,703
On behalf revenues	1,132,347	61,065	1,193,412
Loss on sale of capital assets	(12,641)		(12,641)
<b>Total Non-operating Revenues</b>	12,631,217	61,065	12,692,282
<b>Transfers</b>			
Operating transfers out	-		-
Governmental fund transfers	819,423		819,423
<b>Change in Net Position</b>	(5,413,782)	(327,578)	(5,741,360)
<b>Net Position, Beginning of Year</b>	(3,298,555)	541,885	(2,756,670)
<b>Net Position, End of Year</b>	<u>\$ (8,712,337)</u>	<u>\$ 214,307</u>	<u>\$ (8,498,030)</u>

See Accompanying Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

**Fayette County School District**

Year Ended June 30, 2021

	<b>Enterprise Funds</b>		
	<b>Food Service Fund</b>	<b>After School Program</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Cash received from:			
Lunchroom sales	\$ (833,448)		\$ (833,448)
Other activities	43,962	\$ 327,384	371,346
Cash paid for:			
Employees	(9,099,663)	(402,027)	(9,501,690)
Suppliers	(1,593,794)	(245,639)	(1,839,433)
<b>Net Cash Used In Operating Activities</b>	(11,482,943)	(320,282)	(11,803,225)
<b>Cash Flows From Noncapital Financing Activities</b>			
Cash received for operating grants	10,912,153		10,912,153
<b>Net Decrease in Cash and Cash Equivalents</b>	(570,790)	(320,282)	(891,072)
<b>Cash and Cash Equivalents, Beginning of Year</b>	4,904,038	2,037,718	6,941,756
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,333,248</u>	<u>\$ 1,717,436</u>	<u>\$ 6,050,684</u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities</b>			
Operating loss	\$ (18,864,422)	\$ (388,643)	\$ (19,253,065)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	998,220		998,220
On-behalf revenues	1,132,347	61,065	1,193,412
Donated commodities used in operations	599,358		599,358
Change in operating assets and liabilities			
Accounts receivable	(857,400)	5,833	(851,567)
Inventory	(912)		(912)
Deferred outflows	(658,609)	(7,235)	(665,844)
Accounts payable	(938,963)	(12,163)	(951,126)
Due to other funds	4,335,951		4,335,951
Net Pension Liability	1,689,747	12,230	1,701,977
Net OPEB Liability	1,786,897	9,548	1,796,445
Deferred inflows	(705,157)	(917)	(706,074)
<b>Net Cash Used In Operating Activities</b>	<u>\$ (11,482,943)</u>	<u>\$ (320,282)</u>	<u>\$ (11,803,225)</u>
<b>Schedule of Non-Cash Financing Activities</b>			
Donated commodities received from federal government	<u>\$ 599,358</u>		<u>\$ 599,358</u>
Donated capital assets	<u>\$ 244,983</u>		<u>\$ 244,983</u>

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position

**Fayette County School District**

June 30, 2021

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>		
		<b>Marcie Thomason Fund</b>	<b>Dorothy Smith Fund</b>	<b>John Price Fund</b>
<b>Assets</b>				
Cash and cash equivalents		\$ 264,779	\$ 19,342	\$ 40,121
Investments	\$ 1,357,222			
<b>Total Assets</b>	<b>\$ 1,357,222</b>	<b>\$ 264,779</b>	<b>\$ 19,342</b>	<b>\$ 40,121</b>
<b>Liabilities</b>				
Accounts payable		\$ 264,779	\$ 19,342	\$ 40,121
Due to student groups				
<b>Total Liabilities</b>		<b>\$ 264,779</b>	<b>\$ 19,342</b>	<b>\$ 40,121</b>
<b>Net Position Held in Trust</b>	<b>\$ 1,357,222</b>			

See Accompanying Notes to Financial Statements

Statement of Changes in Fiduciary Net Position

**Fayette County School District**

Year Ended June 30, 2021

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Contributions	\$ 47,614
Gains on investments	<u>260,762</u>
<b>Total Additions</b>	308,376
 <b>Deductions</b>	
Non-Institutional Services	<u>59,795</u>
<b>Total Deductions</b>	<u>59,795</u>
<b>Change in Net Position</b>	248,581
 <b>Net Position, Beginning of Year</b>	<u>1,108,641</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,357,222</u></u>

See Accompanying Notes to Financial Statements

## **Notes to Financial Statements**

## Notes to Financial Statements

### Fayette County School District

June 30, 2021

#### Note A--Reporting Entity

The Fayette County Board of Education (the "Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Fayette County School District (the "District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources. However, the District is not a component unit of any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the District, have not originated within the District itself such as booster clubs, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Fayette County Board of Education Finance Corporation (the "Corporation") are included in the accompanying financial statements. On December 10, 1990, the Board authorized the establishment of the Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and Kentucky Revised Statutes ("KRS") 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

#### Note B--Summary of Significant Accounting Policies

**Basis of Presentation--**District-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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary 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 District-wide financial statements and the statements for governmental funds.

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

The District-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. The District allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the District-wide statement of activities.

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

The District has the following funds:

Governmental Fund Types

- (1) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (2) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (3) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

- (4) District Activity Funds, Fund 22-District activity funds are used to support co-curricular activities, and are not raised and expended by student groups. District activity funds accounted for in the district bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all district expenditures.
- (5) School Activity Funds, Fund 25-School activity funds are used to support school activity groups and are raised and expended by student groups. School activity funds are accounted for in the school district secondary bank account which are subject to the Redbook guidelines. This fund is a pass through related to GASB 84 implementation.
- (6) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.
- (7) The Facility Support Program (Building Fund) of Kentucky Fund accounts for funds generated by the building tax levy and also participates in the Kentucky School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (8) 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. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (9) Permanent Funds include the Anthony Dey Fund, Lexington Industrial School Fund and the N. Isabel Schmidt Fund. Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the District.

Proprietary Fund Types (Enterprise Funds)

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

Continued



**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

- (2) The After School Program Fund is used to support the after school programs at the individual schools, which have their own program. These funds are used to support the resources needed to actively manage this program.

The District applies all Governmental Accounting Standards Boards ("GASB") pronouncements to proprietary funds.

Fiduciary Fund Types (Agency and Private Purpose Funds)

- (1) The Agency funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Publication *Uniform Program of Accounting for School Activity Funds*.
- (2) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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

**Revenues**--Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

**Unearned Revenue**--Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**Donated Commodities**--The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

**Expenses/Expenditures**--On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Budgetary Process**--The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the statement of revenues, expenditures and changes in fund balances – governmental funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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

**Inventories**--On the District-wide financial statements inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the general fund inventories use the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

In the governmental funds balance sheet, inventories in the General Fund are equally offset by a reserve which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

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

The property tax rates assessed for the year ended June 30, 2020 were \$0.81 per \$100 valuation for real property and \$0.76 per \$100 valuation for business personal property. Motor vehicle tax was \$0.592 per \$100 valuation of motor vehicles.

The following is the District's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	- Assessment date
October 1, year of levy	- Taxes levied
November 30, year of levy	- 2% discount allowed
December 31, year of levy	- 1% discount allowed
January 31, following year	- Gross amount due
February 1, following year	- Delinquent date, 1 1/2% interest added per month
April 1, following year	- 10% penalty added

The District levies a 3.0% utility tax on all businesses and households within Fayette County.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions and other compensation to individuals for services performed or rendered within the County, and on the net profits of all businesses, professions or occupations from activities conducted within the County.

**Investments**--The Private Purpose Trust Funds record investments at their quoted market prices in the statement of fiduciary net assets. All realized gains and losses in fair value are recorded in the statement of changes in fiduciary net position.

The Permanent Funds record investments at their quoted market prices in the governmental funds balance sheet. All realized gains and losses in fair value are recorded in the governmental funds statement of revenue, expenditures and changes in fund balances.

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

**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 District-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 District-wide statement of net position and in the respective funds financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of hand held technology purchases for which the threshold is \$500. This threshold was implemented on July 1, 2013. Improvements are capitalized while the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation is computed in the District-wide statement of activities and in the proprietary funds statement of revenues, expense and changes in net position, using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
General equipment	7-15 years

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

**Accrued Liabilities and Long-Term Obligations**--All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. School building revenue bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

**Fund Balance Reserves** Under GASB Statement No. 54, fund balance is separated into five categories, as follows:

Nonspendable	Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand
Restricted	Legally restricted under federal or state law, bond authority, or grantor contract
Committed	Commitments passed by the Board
Assigned	Funds assigned to management priority including issued encumbrances
Unassigned	Funds available for future operations

Encumbrances are reported as an assignment of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2021 in the governmental funds balance sheet.

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

**Operating Revenues and Expenses**--Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided at the various schools.

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

Continued

**Fayette County School District**

June 30, 2021

**Note B--Summary of Significant Accounting Policies--Continued**

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

**Postemployment Benefits Other than Pensions ("OPEB")**--For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Teachers Retirement System and the County Employees Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, the Systems recognize benefit payments when due and payable, in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**Note C--Cash and Cash Equivalents**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held at the Bank of New York Mellon in the District's name.

**Note D--Investments**

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name.

Statutes authorize the District to invest in the following:

- (1) Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States Government up to the amount insured;

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note D—Investments--Continued**

- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

As of June 30, 2021, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,357,222</u>	A	N/A

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, require the District to address the following risks related to its investments:

Credit Risk--Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, 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. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk--interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk--The District's investment policy places no limit on the amount the District may invest in any one issuer.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note D--Investments--Continued**

Fair Value Measurement--The District's investments are measured and reported at fair value and classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

Investments by Fair Value Level:

		<u>Fair Value</u>	<u>Quoted Prices in Markets for Identical Assets - Level 1</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,357,222</u>	<u>\$ 1,357,222</u>

**Note E--Receivables**

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

	<u>Governmental Activities/ Governmental Funds</u>	<u>Business-Type Activities/ Proprietary Funds</u>	<u>Total</u>
<b>Accounts and grants receivable from outside sources</b>			
Accounts receivable	\$ 300,085	\$ 1,691,923	\$ 1,992,008
Taxes receivable	14,708,400		14,708,400
Grants receivable	<u>21,596,617</u>		<u>21,596,617</u>
	<u>\$ 36,605,102</u>	<u>\$ 1,691,923</u>	<u>\$ 38,297,025</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.



Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note F--Interfund Receivables and Payables**

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide statement of net position. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	KETS Match	\$ 773,547
Operating	General	Construction	Construction	8,101,245
Operating	Capital Outlay	Debt Service	Debt Service	2,666,474
Operating	Capital Outlay	Construction	Construction	1,288,374
Operating	Building Fund	Debt Service	Debt Service	34,640,809
Operating	Building Fund	Construction	Construction	2,758,767
Operating	Special Revenue	General Fund	Indirect Costs	1,707,175
Operating	Special Revenue	Special Revenue	FFF Transfer	13,947

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note G--Capital Assets**

Capital Asset activity for the year ended June 30, 2021 consisted of the following:

	<b>Balance July 1, 2020</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance June 30, 2021</b>
<b><u>Governmental Activities</u></b>				
Land	\$ 20,528,445	\$ 13,304,045		\$ 33,832,490
Buildings and improvements	889,762,053	\$ 10,838,060		900,600,113
Technology equipment	14,134,154	808,118	\$ (3,292,949)	11,649,323
Vehicles	28,509,802	115,327	(56,160)	28,568,969
General equipment	5,140,036	23,093	(445,145)	4,717,984
Construction in progress	29,510,862	47,261,720	(2,961,736)	73,810,846
	987,585,352	72,350,363	(6,755,990)	1,053,179,725
Less accumulated depreciation	(355,135,619)	(27,184,227)	3,789,098	(378,530,748)
<b>Total Governmental Activities Capital Assets, Net</b>	<b>\$ 632,449,733</b>	<b>\$ 45,166,136</b>	<b>\$ (2,966,892)</b>	<b>\$ 674,648,977</b>
<b><u>Business-Type Activities</u></b>				
Food service equipment	\$ 13,464,549	\$ 597,842	\$ (465,156)	\$ 13,597,235
Technology equipment	199,864	119,817	(6,655)	313,026
Vehicles	113,480	101,764		215,244
	13,777,893	819,423	(471,811)	14,125,505
Less accumulated depreciation	(9,295,326)	(998,220)	459,170	(9,834,376)
<b>Total Business-Type Activities Capital Assets, Net</b>	<b>\$ 4,482,567</b>	<b>\$ (178,797)</b>	<b>\$ (12,641)</b>	<b>\$ 4,291,129</b>

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note G--Capital Assets--Continued**

Depreciation expense for the year ended June 30, 2021 for governmental activities by function is listed below:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 25,466,564
Student Support Services	1,354
District administration	334,114
Plant operations and maintenance	189,543
Student transportation	<u>1,192,652</u>
	<u>\$ 27,184,227</u>

**Note H--Capital Lease Obligations**

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

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 1,698,501
2023	1,284,166
2024	1,286,075
2025	1,106,746
2026	1,070,540
2027 and thereafter	<u>1,962,584</u>
Total minimum lease payments	8,408,612
Less amount representing interest	<u>739,923</u>
Present value of net minimum lease payments	7,668,689
Capital lease obligations, due within one year	<u>1,503,765</u>
<b>Capital Lease Obligations, Due After One Year</b>	<u><u>\$ 6,164,924</u></u>

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note H--Capital Lease Obligations--Continued**

The following is an analysis of the assets under capital lease obligations:

<u>Class of Property</u>	<u>Net Book Value as of June 30, 2021</u>
Buses	<u>\$ 6,780,113</u>

**Note I--School Building Revenue Bonds**

The various issues of school building revenue bonds are as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2021</u>
2011A	52,175,000	2.500% - 5.000%	-
2011B	16,590,000	2.000% - 2.375%	8,445,000
2012A	42,310,000	3.000% - 4.000%	27,265,000
2012B	56,730,000	2.000% - 3.250%	35,220,000
2013A	49,270,000	2.000% - 5.000%	45,445,000
2014A	30,260,000	2.000% - 5.000%	18,420,000
2014B	13,935,000	2.000% - 4.750%	13,785,000
2015A	30,230,000	5.000%	22,495,000
2015B	35,615,000	4.000%	33,115,000
2015D	101,665,000	3.000% - 5.000%	100,075,000
2018A	30,870,000	4.000%	29,015,000
2019	25,260,000	3.000% - 5.000%	23,785,000
2020A	71,455,000	2.000% - 5.000%	71,455,000
2020B	20,950,000	2.000% - 4.000%	20,950,000
2020C	32,605,000	.0450% - 2.000%	<u>31,930,000</u>
		<b>School Building Revenue Bonds</b>	481,400,000
		Unamortized Bond Premium	16,453,952
		Less unamortized deferred losses	<u>(10,007,407)</u>
			<u>\$ 487,846,545</u>

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note I--School Building Revenue Bonds--Continued**

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund), is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the 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 school building revenue bonds are collateralized primarily by the educational facilities constructed by the District with bond proceeds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly.

The bonds may be called prior to maturity by the District 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, for debt service as of June 30, 2020 (principal and interest) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Commission Participation</u>	<u>District's Portion</u>
2022	\$ 25,025,000	\$ 17,254,838	\$ 3,556,741	\$ 38,723,097
2023	25,885,000	16,384,538	3,556,741	38,712,797
2024	25,885,000	15,461,584	3,556,741	37,789,843
2025	26,880,000	14,463,904	3,556,742	37,787,162
2026	27,120,000	13,435,629	2,768,196	37,787,433
2027-2031	136,055,000	51,710,351	11,981,337	175,784,014
2032-2036	154,805,000	22,913,572	7,195,649	170,522,923
2037-2041	<u>59,745,000</u>	<u>2,935,175</u>	<u>2,973,397</u>	<u>59,706,778</u>
	<u>\$ 481,400,000</u>	<u>\$ 154,559,591</u>	<u>\$ 39,145,544</u>	<u>\$ 596,814,047</u>

During the year ended June 30, 2021, the District made principal payments of \$23,665,000

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note I--School Building Revenue Bonds--Continued**

In fiscal year 2021, bond issue series 2011A was refunded with bond series 2020C. The Board of the District approved this advance refunding on October 26, 2020. It was sold on November 24, 2020 and the proceeds were placed in an escrow account to be redeemed on June 1, 2021. The difference in funds needed to service the original series 2011A debt service payment compared to the series 2020C is \$4,422,936. This advance refunding resulted in a new present value saving amount of \$4,089,608. The remaining balance of bond series 2011A was \$31,035,000. This balance was defeased on June 1, 2021.

**Note J--Accrued Sick Leave**

In accordance with generally accepted governmental accounting principles, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

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

**Note K--Long-Term Liabilities**

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
School building revenue bonds	\$ 411,080,000	\$ 125,010,000	\$ 54,690,000	\$ 481,400,000	\$ 25,025,000
Capital lease obligations	9,159,507		1,490,818	7,668,689	1,503,765
Accrued sick leave	6,425,604	4,894,724	2,476,609	8,843,719	1,920,490
	<u>\$ 426,665,111</u>	<u>\$ 129,904,724</u>	<u>\$ 58,657,427</u>	<u>\$ 497,912,408</u>	<u>\$ 28,449,255</u>

**Note L--On-Behalf Payments**

For the year ended June 30, 2021, total payments of \$136,585,020 were made for life insurance, health insurance, Kentucky Teachers Retirement System ("KTRS") matching, and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expenditure/expense accounts on the statement of activities and on the statement of revenues, expenditures, and changes in fund balances. These revenues and expenditures are not budgeted by the District.

**Fayette County School District**

June 30, 2021

**Note M--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.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**Note N--Litigation**

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 financial statements as a result of the cases presently in progress.

**Note O--Risk Management**

The District is exposed to various forms of loss of assets associated with perils such as injuries to employees, fire, personal liability, theft, vehicular accidents, errors and omissions, and fiduciary responsibility. Each of these risk areas is addressed through the purchase of insurance, and settled claims resulting from these risks having not exceeded commercial insurance coverage in any of the past three fiscal years. The District has purchased certain coverage which is retrospectively rated, including workers' compensation insurance.

Continued

**Fayette County School District**

June 30, 2021

**Note O--Risk Management--Continued**

Starting in 1979, the Fayette County Board of Education participated in Kentucky School Boards Insurance Trust ("KSBIT"), a Kentucky School Boards Association ("KSBA") program. KSBIT was created in 1978 to provide insurance to Kentucky school districts through self-insured pools that provided workers compensation, property, and liability coverage. The organization stopped offering insurance coverage in 2013 as the program had incurred an estimated \$60 million deficit on 116,000 claims and over \$400 million in claims expenses. All of Kentucky's public school districts and other education related entities that participated in KSBIT are responsible for eliminating the deficit. The Kentucky Department of Insurance ("DOI") has taken over the KSBIT insurance programs and has placed them into rehabilitation to collect money owed by former participants. An assessment plan and collection methodology was processed through Franklin Circuit Court with some modifications being made by the judge and there is additional litigation that could impact the final amount owed by all members. The rehabilitator has invoiced all former members for workers' compensation liabilities dating to 1990 and liability insurance liabilities dating back to 2008.

Fayette County's workers' compensation assessment is \$2,537,694 and its property and liability assessment is \$583,416. The District took a three-year pay back on the property and liability assessment and a seven-year pay back on the workers' compensation assessment as there are no financing costs associated with these options. The payback plan required 40% down on property and liability and 25% down on workers' compensation with the balance being paid in equal payments over 6 remaining years. The property and liability payback concluded in August 2016:

Year 1 - \$867,789 (8/31/2014)  
Year 2 - \$492,237 (8/31/2015)  
Year 3 - \$492,237 (8/31/2016)  
Year 4 - \$317,212 (8/31/2017)  
Year 5 - \$317,212 (8/31/2018)  
Year 6 - \$317,212 (8/31/2019)  
Year 7 - \$317,212 (8/31/2020)

A settlement was reached between the Kentucky League of Cities and schools participating in the KSBIT program. On December 14, 2016, Fayette County Public Schools received a one-time payment of \$63,416. Court orders and other information are available at [www.ksbit-wc.com](http://www.ksbit-wc.com). The district will budget for these payments annually and pay the remaining balance on or before August 31<sup>st</sup> of each year.



**Fayette County School District**

June 30, 2021

**Note P--Retirement Plans**

**Classified Employees**--Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current rate for employer match is 24.06% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to CERS for the years ended June 30, 2020, 2019, and 2018 were \$15,288,916, \$15,222,566 and \$13,123,471 respectively, equal to the required contributions for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

**Certified Employees**--Certified employees are covered by the Kentucky Teachers' Retirement System ("TRS"), a cost-sharing multiple-employer defined benefit plan. TRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 12.855% of their annual covered compensation. The Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$136,585,020, are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2021, this funding amounted to approximately \$2,965,223.

TRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

**Retirement Plan**--The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these Plans.

**Fayette County School District**

June 30, 2021

**Note Q--Deferred Compensation**

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

**Note R--Post-Employment Health Care Benefits**

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the TRS plans.

**Note S--Commitments**

As of June 30, 2021, the District had outstanding commitments for construction of approximately \$89,052,289.

**Note T--COBRA**

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

**Note U--Leases**

The District has a piece of equipment under an operating lease, which expires June 30, 2022. Rent expense for the year ended June 30, 2021 was \$498,500.

**Note V--Pension Plans**

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

Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

*Plan description*--Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

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

**General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")**

*Plan description*--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.KY.gov/employers/information/gasb-65-67/>.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Employees with an account established prior to July 1, 2002 receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Employees hired on or after July 1, 2008, will receive monthly benefits equal to the average of their top three salary years multiplied by a sliding scale rate from 1.7% up to 2.5% based on years of service up to 30 years, beyond 30 years of service, the rate increases to 3.0%. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

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

Contributions--Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees are required to contribute 9.105% of their salaries to the System.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. The required matching contribution for those employees classified as critical shortage is 24.8%. 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.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount for each plan recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 183,461,045
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>1,093,095,583</u>
	<u><u>\$ 1,276,556,628</u></u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2020, the District's proportion was 2.392% percent.

For the year ended June 30, 2021, the District recognized pension expense of \$30,450,506 related to CERS and \$121,288,428 related to TRS, of which \$79,120,515 was recognized on the fund financial statements as it represented amounts paid on the District's behalf during the year. The District also recognized revenue of \$121,288,428 (TRS Sched B) for TRS support provided by the Commonwealth.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 4,574,938	
Changes of assumptions	7,163,844	
Net difference between projected and actual earnings on pension plan investments	7,952,421	\$ 3,361,538
Changes in proportion and differences between District contributions and proportionate share of contributions	4,079,740	
District contributions subsequent to the measurement date	<u>11,825,051</u>	
<b>Total</b>	<u>\$ 35,595,994</u>	<u>\$ 3,361,538</u>

\$11,825,051 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30:</u>	
2021	\$ 10,055,432
2022	6,203,990
2023	2,306,178
2024	1,843,806

*Actuarial assumptions*--The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.3 - 11.55%	3.50-7.30%
Investment rate of return, net of investment expense and inflation	6.25%	7.50%

Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

For CERS, 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For TRS, 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 with a setback of 2 years for males and 1 year for females.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report dated August 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Cash	3.00%	2.25%
Real Return	15.00%	3.95%
	<hr/>	
Total	<u>100.0%</u>	

Continued



**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.60%
International Equity	22.00%	5.60%
Fixed Income	15.00%	0.00%
Additional Categories *	7.00%	2.50%
Real Estate	7.00%	4.30%
Private Equity	7.00%	7.70%
Cash	2.00%	-0.50%
 Total	 <u>100%</u>	

*Discount rate*--For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.50% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate ("SEIR") that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note V--Pension Plans--Continued**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 208,367,530	\$ 183,461,045	\$ 131,784,506
TRs	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

**Note W--Other Post-Employment Benefits ("OPEB")**

**General Information about the OPEB Plans**

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

The State reports a liability, deferred outflows of resources 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:

Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

**TRS Medical Insurance Plan**

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

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

*Contributions*--In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from State appropriation and 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.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits ("OPEB") plan for members that cover all regular full-time members employed in non-hazardous duty positions of any State department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

At June 30, 2021, the District reported a liability of \$104,050,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 2.391%.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

The amount recognized by the District as its proportionate share of the OPEB liability is as follows:

District's proportionate share of the CERS OPEB liability	\$ 57,742,574
District's proportionate share of the TRS OPEB liability	<u>104,050,000</u>
	<u>\$ 161,792,574</u>

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,379,809. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs (CERS and TRS combined) from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,647,573	\$ 54,012,106
Changes of assumptions	16,351,795	61,078
Net difference between projected and actual earnings on pension plan investments	6,484,466	1,178,238
Change in proportion and differences between District contributions and proportionate share of contributions	8,519,399	44,857
District contributions subsequent to the measurement date	<u>11,399,415</u>	
Total	<u>\$ 52,402,648</u>	<u>\$ 55,296,279</u>

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,399,415 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:

<b>Year Ending June 30:</b>	
2021	\$ (2,043,155)
2022	\$ (1,214,176)
2023	\$ (2,353,097)
2024	\$ (2,272,305)
2025	\$ (4,642,687)
Thereafter	\$ (1,635,000)

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

	<b>CERS</b>	<b>TRS</b>
Inflation	2.30%	3.00%
Projected Salary increases	3.3 - 11.55%	3.5 - 7.3%
Investment rate of return	6.25%	7.50%
Real Wage Growth	2.00%	0.50%
Wage Inflation		3.50%
Healthcare trend rates		
Under 65	7.00% at 1/1/20 decreasing to an ultimate rate of 4.05% by FY 2032	decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and Older	5.00% at 1/1/20 decreasing to an ultimate rate of 4.05% by FY 2030	5.25% for FY 2020 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B Premiums		6.49% for FY 2020 with an ultimate rate of 5.00% by 2031
Municipal Bond Index Rate	2.45%	3.50%
Discount Rate	5.34%	8.00%
Single Equivalent Interest Rate		8.0%, net of OPEB plan investment expense, including inflation.

Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

TRS 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 the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015, adopted by the Board on September 19, 2016.

CERS mortality rates for active members were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 set back for one year for females was used. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.60%
International Equity	22.00%	5.60%
Fixed Income	15.00%	-
Additional Categories	7.00%	2.50%
Real Estate	7.00%	4.30%
Private Equity	7.00%	7.70%
Cash	2.00%	-0.50%
Total	<u>100.00%</u>	

Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits (“OPEB”)--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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	18.75%	4.50%
International Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit / High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u><u>100.00%</u></u>	

*Discount rate*--For CERS, the discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 57,742,574	\$ 57,742,574	\$ 44,240,117
TRs	6.50%	8.00%	8.50%
District's proportionate share of net OPEB liability	\$ 84,540,625	\$ 104,050,000	\$ 110,553,125

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	6.00%	7.00%	8.00%
District's proportionate share of net OPEB liability	\$ 44,707,185	\$ 57,742,574	\$ 73,561,327
TRs	6.25%	7.25%	8.25%
District's proportionate share of net OPEB liability	\$ 125,756,000	\$ 104,050,000	\$ 85,926,000

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

Continued



**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

**TRS Life Insurance Plan**

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

*Benefit provided*--The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable 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 payroll of members is contributed by the state.

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

State's proportionate share of the KTRS net OPEB liability	\$ 2,520,000
District's proportionate share of the KTRS OPEB liability	<u>-</u>
	<u>\$ 2,520,000</u>

For the year ended June 30, 2021, the District recognized revenue of \$121,354 for support provided by the State. At June 30, 2021, the District did not have any deferred outflows of resources or deferred inflows of resources related to the collective net OPEB liability for life insurance benefits.

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--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	7.50%, net of OPEB Plan Investment Expense, including inflation
Projected Salary Increases	3.50 - 7.20%, including inflation
Inflation Rate	3.00%
Wage Inflation	3.50%
Municipal Bond Index Rate	2.19%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.50%, net of OPEB Plan Investment Expense, including inflation

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns. The municipal bond rate is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Continued

Notes to Financial Statements--Continued

**Fayette County School District**

June 30, 2021

**Note W--Other Post-Employment Benefits ("OPEB")--Continued**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.60%
International Equity	23.00%	5.60%
Fixed Income	18.00%	0.00%
Real Estate	6.00%	4.30%
Private Equity	5.00%	7.70%
Other Additional Categories	6.00%	2.50%
Cash (LIBOR)	2.00%	-0.50%
Total	<u>100.0%</u>	

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

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

**Fayette County School District**

June 30, 2021

**Note X--Recent GASB Pronouncements**

The GASB has issued several reporting standards that will become effective for fiscal year 2022 and later years' financial statements.

Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements.

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources management focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, the primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

**Fayette County School District**

June 30, 2021

**Note Y--Subsequent Events**

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through November 15, 2021, the date the financial statements were available to be issued.

**Note Z--Impact of COVID-19**

In March 2020, the World Health Organization declared the spread of Coronavirus ("COVID-19") as a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of operations and financial results for the fiscal year ending June 30, 2021. Management believes that the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing. In response to COVID-19, government assistance was allocated to the District. Federal CARES Act funding totaling \$65,871,262 was awarded to the District through the Kentucky Department of Education and the Child Care Council, of which \$26,518,241 was expended and recognized as grant revenues in fiscal year ended June 30, 2021. A portion of the funds are to be allocated to eligible private schools as well. The remaining awarded funds are available to draw in the fiscal year ending June 30, 2022 for eligible expenditures. These funds are approved for expenditures that are necessary to maintain the operation and continuity of services in local education agencies and continuing to employ existing staff of the local educational agency.

**Required Supplementary Information**

## **Budgetary Comparison Information**

Statement of Revenues and Expenditures - Budget and Actual  
General Fund

Fayette County School District

June 30, 2021

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
From local sources				
Property taxes	\$ 220,054,250	\$ 220,054,250	\$ 220,874,702	\$ 820,452
Motor vehicle taxes	12,200,000	12,200,000	14,514,316	2,314,316
Utility taxes	21,000,000	21,000,000	22,556,561	1,556,561
Occupational license tax	32,000,000	32,000,000	40,264,653	8,264,653
Earnings on investments	1,275,000	1,275,000	51,137	(1,223,863)
Other sources	3,384,900		3,138,430	3,138,430
State sources				
SEEK	88,014,866	82,828,509	85,302,104	2,473,595
Other state revenues	132,075,200	69,507,557	133,679,116	64,171,559
<b>Total Revenues</b>	<b>510,004,216</b>	<b>438,865,316</b>	<b>520,381,019</b>	<b>81,515,703</b>
<b>Expenditures</b>				
Instruction	332,895,247	326,682,208	324,553,327	2,128,881
Support services				
Student	28,639,122	30,152,992	30,558,969	(405,977)
Instruction staff	21,795,267	22,183,731	20,608,281	1,575,450
District administration	8,699,310	6,243,851	6,008,813	235,038
School administration	30,435,733	30,135,714	29,658,944	476,770
Business	30,286,611	37,728,356	29,949,961	7,778,395
Plant operation & maintenance	48,807,704	44,783,524	41,248,116	3,535,408
Student transportation	24,018,831	21,500,823	17,625,978	3,874,845
Food Service	2,625,000	2,625,000		2,625,000
Community service	591,540	728,602	662,200	66,402
Debt service	1,720,522	1,720,523	1,720,523	
<b>Total Expenditures</b>	<b>530,514,887</b>	<b>524,485,324</b>	<b>502,595,112</b>	<b>21,890,212</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>(20,510,671)</b>	<b>(85,620,008)</b>	<b>17,785,907</b>	<b>103,405,915</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets			6,352	6,352
Operating transfer in	1,567,000	1,567,000	2,206,438	639,438
Operating transfers out	(7,192,380)	(8,054,105)	(4,827,652)	3,226,453
Capital Lease Proceeds				
Contingency	(37,500,000)	(37,500,000)		37,500,000
<b>Total Other Financing Sources (Uses)</b>	<b>(43,125,380)</b>	<b>(43,987,105)</b>	<b>(2,614,862)</b>	<b>41,372,243</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>(63,636,051)</b>	<b>(129,607,113)</b>	<b>15,171,045</b>	<b>\$ 144,778,158</b>
<b>Fund Balance, July 1, 2020</b>	<b>123,175,841</b>	<b>244,399,823</b>	<b>63,636,051</b>	
<b>Fund Balance, June 30, 2021</b>	<b>\$ 59,539,790</b>	<b>\$ 114,792,710</b>	<b>\$ 78,807,096</b>	

See Accompanying Independent Auditors' Report



Statement of Revenues and Expenditures-Budget and Actual  
Special Revenue Fund

Fayette County School District

June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>Revenues</b>				
State sources-Other state revenue	\$ 13,778,071	\$ 18,942,217	\$ 18,245,043	\$ (697,174)
Governmental grants	38,910,586	81,033,658	49,130,713	(31,902,945)
Other sources	312,650	617,390	1,062,311	444,921
<b>Total Revenues</b>	<b>53,001,307</b>	<b>100,593,265</b>	<b>68,438,067</b>	<b>(32,155,198)</b>
<b>Expenditures</b>				
Instruction	27,503,460	63,537,025	36,927,197	26,609,828
Support services				
Student	3,064,101	1,690,915	1,620,057	70,858
Instruction staff	2,437,834	2,651,911	4,010,939	(1,359,028)
District administration		2,411,124	2,411,124	
School administration	182,167	184,060	506,902	(322,842)
Business	14,451,899	7,902,461	10,381,844	(2,479,383)
Plant operation & maintenance	381,846	4,119,985	4,642,641	(522,656)
Student transportation		1,013,754	1,200,984	(187,230)
Food Service		4,070,696	2,452,581	1,618,115
Community service activities	3,160,000	4,419,860	3,654,993	764,867
<b>Total Expenditures</b>	<b>51,181,307</b>	<b>92,001,791</b>	<b>67,809,262</b>	<b>24,192,529</b>
<b>Revenues in Excess of (Less Than) Expenditures</b>	<b>1,820,000</b>	<b>8,591,474</b>	<b>628,805</b>	<b>(7,962,669)</b>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	140,000	773,547	787,494	13,947
Operating transfer out	(1,960,000)	(9,486,417)	(2,220,385)	7,266,032
<b>Total Other Financing Sources (Uses)</b>	<b>(1,820,000)</b>	<b>(8,712,870)</b>	<b>(1,432,891)</b>	<b>7,279,979</b>
<b>Revenues in Excess of Expenditures</b>		<b>(121,396)</b>	<b>(804,086)</b>	<b>\$ (682,690)</b>
<b>Fund Balance, July 1, 2019</b>			<b>988,582</b>	
<b>Fund Balance, June 30, 2020</b>	<b>\$ -</b>	<b>\$ (121,396)</b>	<b>\$ 184,496</b>	

See Accompanying Independent Auditors' Report

## Schedule of Revenues and Expenditures – Budget and Actual

### **Fayette County School District**

Year Ended June 30, 2020

### **Explanation of Significant Budget Variances**

#### **General Fund**

The Commonwealth of Kentucky pays certain employee benefit expenses, including health insurance and the employer match for the Kentucky Teachers Retirement Systems, on-behalf of its districts. Districts have the option to budget these expenses for financial statement presentation. For the 2019-2020 fiscal years, these expenses were budgeted and totaled \$125 million. On the expenditure side, beyond the effects of on-behalf payments, expenditures that increased included Instruction, Student Support, School Administration Support, Business Support Services, Plant Operations, Student Transportation and Community Services.

#### **Special Revenue Fund**

Most budget variances in this fund occur as a result of the difficulties in preparing an annual budget for grants that may cover periods of twenty-four months or longer, where the budget may have been recognized in one year and expenditures continue into future years. This is most noticeable in governmental grants revenues and instruction expenditures. In these categories, the District had multiple-year grants that were significantly reduced for current year funding. For these grants, the District continues to spend the existing grant, which was budgeted in the annual budget in a previous year, with no or a reduced budget to compare to in the current year. The District utilizes month to date project reports to review and analyze the true effect of the Special Revenue Fund related to the multi-year grant project effect.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability  
 - County Employees Retirement System Non-Hazardous

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion (Percentage) of Net Pension Liability	2.39%	2.37%	2.26%	2.23%	2.33%	2.39%	2.52%
District's Proportion (Amount) of Net Pension Liability	\$ 183,461,045	\$ 166,598,548	\$ 137,771,830	\$ 130,354,035	\$ 115,180,974	\$ 102,690,080	\$ 81,724,304
District's Covered-Employer payroll	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	289.96%	271.98%	225.57%	227.21%	212.59%	183.25%	102.42%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions  
 - County Employees Retirement System Non-Hazardous

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 11,825,051	\$ 9,691,632	\$ 8,118,518	\$ 7,564,024	\$ 6,646,241	\$ 6,802,888	\$ 6,671,804
Contributions in relation to the actuarially determined contribution	<u>\$ 11,825,051</u>	<u>\$ 9,691,632</u>	<u>8,118,518</u>	<u>7,564,024</u>	<u>6,646,241</u>	<u>6,802,888</u>	<u>6,671,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
Contributions as a percentage covered- employee payroll	18.6894%	15.8220%	13.2920%	13.1845%	12.2667%	12.1400%	8.3610%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability  
 - Kentucky Teachers Retirement System

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net pension liability associated with the District	7.8750%	7.3906%	7.5726%	7.3505%	7.1970%	7.0862%	7.0004%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>1,093,095,583</u>	<u>1,025,857,579</u>	<u>991,563,128</u>	<u>1,983,376,595</u>	<u>2,123,121,587</u>	<u>1,648,984,314</u>	<u>1,438,529,901</u>
<b>Total</b>	<u><u>\$ 1,093,095,583</u></u>	<u><u>\$ 1,025,857,579</u></u>	<u><u>\$ 991,563,128</u></u>	<u><u>\$ 1,983,376,595</u></u>	<u><u>\$ 2,123,121,587</u></u>	<u><u>\$ 1,648,984,314</u></u>	<u><u>\$ 1,438,529,901</u></u>
District's covered-employee payroll	\$ 264,760,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,911,879	\$ 225,602,190	\$ 217,587,702

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of District Contributions  
 - Kentucky Teachers Retirement System

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 79,120,515	\$ 77,201,469	\$ 71,846,318	\$ 70,468,176	\$ 34,934,106	\$ 34,103,241	\$ 6,305,145
Contributions in relation to the contractually required contribution	<u>79,120,515</u>	<u>77,201,469</u>	<u>71,846,318</u>	<u>70,468,176</u>	<u>34,934,106</u>	<u>34,103,241</u>	<u>6,305,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Districts' covered payroll	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,638,752	\$ 225,602,190	\$ 217,587,702
Contributions as a percentage of covered-employee payroll	29.8872%	29.9669%	29.2432%	28.9422%	14.9522%	15.1165%	2.8977%

\*\*Schedule is intended to show information for ten years. Additional years  
 will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability  
 - County Employees Retirement System Non-Hazardous

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion (Percentage) of Net OPEB Liability	2.391%	2.368%	2.262%	2.227%	N/A
District's Proportion (Amount) of Net OPEB Liability	\$ 57,742,574	\$ 39,833,924	\$ 40,162,603	\$ 44,770,619	\$ 32,271,102
District's Covered-Employer payroll	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	91.26%	65.03%	65.76%	78.04%	59.56%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB  
 - County Employees Retirement System Non-Hazardous

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,118,199	\$ 4,684,231	\$ 5,168,083	\$ 5,101,778	\$ 6,646,241
Contributions in relation to the actuarially determined contribution	<u>\$ 4,118,199</u>	<u>\$ 4,684,231</u>	<u>5,168,083</u>	<u>5,101,778</u>	<u>6,646,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
Contributions as a percentage covered- employee payroll	6.5088%	7.6472%	8.4614%	8.8927%	12.2667%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report



Schedule of the District's Proportionate Share of the Collective Net OPEB Liability  
 - Kentucky Teachers Retirement System - Medical Insurance

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	4.123%	3.998%	3.894%	3.865%
District's proportionate share of the net OPEB liability	\$ 104,050,000	\$ 117,017,000	\$ 135,114,000	\$ 137,820,000
Commonwealth's proportion of the net OPEB liability associated with the District	3.303%	3.229%	3.356%	3.157%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>83,348,000</u>	<u>94,499,000</u>	<u>116,441,000</u>	<u>112,579,000</u>
<b>Total</b>	<u><u>\$ 187,398,000</u></u>	<u><u>\$ 211,516,000</u></u>	<u><u>\$ 251,555,000</u></u>	<u><u>\$ 250,399,000</u></u>
District's covered-employee payroll	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	39.3041%	45.4219%	54.9946%	56.6044%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB  
 - Kentucky Teachers Retirement System - Medical Insurance

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 7,281,216	\$ 6,961,825	\$ 6,936,623	\$ 6,621,930
Contributions in relation to the actuarially determined contribution	<u>7,281,216</u>	<u>6,961,825</u>	<u>6,936,623</u>	<u>6,621,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	2.7504%	2.7023%	2.8234%	2.7197%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB

- Kentucky Teachers Retirement System - Life Insurance

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	0.0000%	0.0000%	0.0000%	0.0000%

\*\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability  
 - Kentucky Teachers Retirement System - Life Insurance

**Fayette County School District**

Years Ended June 30

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net OPEB liability associated with the District	7.8649%	7.0642%	7.0856%	6.8627%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>2,520,000</u>	<u>2,195,000</u>	<u>1,998,000</u>	<u>1,507,000</u>
Total	<u>\$ 2,520,000</u>	<u>\$ 2,195,000</u>	<u>\$ 1,998,000</u>	<u>\$ 1,507,000</u>
District's covered-employee payroll	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.0000%	0.0000%	0.0000%	0.0000%
Plan fiduciary net position as a percentage of the total OPEB liability	71.5700%	73.4000%	75.0000%	79.9900%

\*\*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Notes to Required Supplementary Information - County Employee Retirement System

**Fayette County School District**

Year Ended June 30, 2021

**Changes of Benefit Terms**

2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

**Changes of Assumptions**

2021	Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30% - 11.55% OPEB - single discount rate changed from 5.68% to 5.34%
2020	Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%
2019	Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%
2018	Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the price inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.
2017	None
2016	Pension -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%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Notes to Required Supplementary Information - Teachers Retirement System

**Fayette County School District**

Year Ended June 30, 2021

**Pension:**

**Changes of Benefit Terms**

2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

**Changes of Assumptions**

2021	The municipal bond index rate decreased from 3.89% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89% The discount rate increased from 4.49% to 7.5%
2018	The municipal bond index rate increased from 3.01% to 3.56% The discount rate increased from 4.20% to 4.49%
2017	The municipal bond index rate decreased from 3.82% to 3.01% The discount rate decreased from 4.88% to 4.20%
2016	The municipal bond index rate decreased from 4.35% to 3.82%

**Medical Insurance Plan**

**Changes of Benefit Terms**

2021	None
2020	None
2019	None
2018	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

**Changes of Assumptions**

2021	The municipal bond index rate decreased from 3.50% to 2.19% Health Care Cost Trends for Under Age 65 decreased from 7.5% to 7.25% Health Care Cost Trends for Ages 65 and Older decreased from 5.50% to 5.25% Health Care Cost Trends for Medicare Part B Premiums increased from 2.63% to 6.49%
2020	The municipal bond index rate decreased from 3.89% to 3.50% Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50% Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50% Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%
2019	The municipal bond index rate increased from 3.56% to 3.89% Health Care Costs Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%
2018	None

Notes to Required Supplementary Information - Teachers Retirement System

**Fayette County School District**

Year Ended June 30, 2021

**Life Insurance Plan**

**Changes of Benefit Terms**

2021	None
2020	None
2019	None
2018	None

**Changes of Assumptions**

2021	The municipal bond index rate decreased from 3.50% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89%
2018	None

## Combining Supplementary Information



Combining Balance Sheet - Nonmajor Governmental Funds

**Fayette County School District**

June 30, 2021

	<u>Permanent Funds</u>					
	<u>Building Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>School Activity Fund</u>	<u>District Activity Fund</u>	<u>Lexington Industrial School Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 2,865,239	\$ 1,060,420	\$ 4,400,019	\$ 342,060		\$ 8,667,738
Interfund Receivables				2,681,484		2,681,484
Accounts receivable-taxes				22,244		22,244
<b>Total Assets</b>	<u>\$ 2,865,239</u>	<u>\$ 1,060,420</u>	<u>\$ 4,400,019</u>	<u>\$ 3,045,788</u>	<u>\$ -</u>	<u>\$ 11,371,466</u>
<b>Liabilities</b>						
Accounts Payable			\$ 114	\$ 20,500		\$ 20,614
Interfund Payables			2,681,484			2,681,484
Deferred Revenue			1,718,421	3,025,288		4,743,709
<b>Total Liabilities</b>			4,400,019	3,045,788		7,445,807
<b>Fund Balances</b>						
Restricted	\$ 2,865,239	1,060,420				3,925,659
Unassigned						-
<b>Total Fund Balances</b>	<u>2,865,239</u>	<u>1,060,420</u>				<u>3,925,659</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,865,239</u>	<u>\$ 1,060,420</u>	<u>\$ 4,400,019</u>	<u>\$ 3,045,788</u>	<u>\$ -</u>	<u>\$ 11,371,466</u>

See Accompanying Independent Auditors' Report

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Nonmajor Governmental Funds

Fayette County School District

June 30, 2021

	Permanent Funds							Total Nonmajor Governmental Funds
	Building Fund	SEEK Capital Outlay Fund	School Activity Fund	District Activity Fund	Anthony Dey Fund	Lexington Industrial School Fund	N.Isabel Schmidt Fund	
<b>Revenues</b>								
Local sources								
Property taxes	\$ 36,059,857							\$ 36,059,857
Motor vehicle taxes	1,217,289							1,217,289
State Sources								
SEEK program		\$ 3,683,558						3,683,558
Earnings on investments								
Federal Sources			\$ 1,321,460					1,321,460
Other sources			(1,119,906)	\$ (1,792,022)		\$ 3,892		(2,908,036)
<b>Total Revenues</b>	37,277,146	3,683,558	201,554	(1,792,022)		3,892		39,374,128
<b>Expenditures</b>								
Instruction			(3,312,979)	844,308				(2,468,671)
Support services								
Instruction staff			43,350	45,154				88,504
Student Transportation			2,630					2,630
Non-Instruction			787,070					787,070
Community service activities						4,319		4,319
<b>Total Expenditures</b>			(2,479,929)	889,462		4,319		(1,586,148)
<b>Revenue in Excess of (Less Than) Expenditures</b>	37,277,146	3,683,558	2,681,483	(2,681,484)		(427)		40,960,276
<b>Other Financing Sources (Uses)</b>								
Operating transfers in /out	(37,399,576)	(3,954,848)	(2,681,483)	2,681,484				(41,354,423)
<b>Net Change in Fund Balances</b>	(122,430)	(271,290)				(427)		(394,147)
<b>Fund Balances</b>								
Beginning of Year	2,987,669	1,331,710				427		4,319,806
<b>Fund Balance End of Year</b>	<u>\$ 2,865,239</u>	<u>\$ 1,060,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,925,659</u>

See Accompanying Independent Auditors' Report.

## **Reports Required by the Single Audit Act**

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards***



**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed In Accordance with  
*Government Auditing Standards***

Members of the Board  
Fayette County School District  
Lexington, Kentucky

**Report on Financial Statements**

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 *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fayette County School District (the "District") as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2021.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 with specific state statutes or regulations identified in the *Kentucky School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

### **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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Strothman and Company*

Louisville, Kentucky  
November 15, 2021

**Independent Auditors' Report on Compliance for Each Major  
Program; Report on Internal Control Over Compliance;  
and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**



**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Members of the Board of Education  
Fayette County School District  
Lexington, Kentucky

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

We have audited Fayette County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* (July 2021) that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the Summary of the Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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



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

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

## **Report on Internal Control Over Compliance**

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

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

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

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November 15, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on those financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

*Strothman and Company*

Louisville, Kentucky  
November 15, 2021

**Schedule of Expenditures of Federal Awards**

Schedule of Expenditures of Federal Awards

**Fayette County School District**

Year Ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Education</b>				
<b>Pass-through from:</b>				
<b>KY Department of Education</b>				
Education for Homeless Children and Youth	84.196	3990002-19-316F		\$ 25,916
Education for Homeless Children and Youth	84.196	3990002-20-316G		<u>33,797</u>
				59,713
Title I Grants to Local Educational Agencies	84.010	3100002-18-310E		266,145
Title I Grants to Local Educational Agencies	84.010	3100002-19-310F		1,769,230
Title I Grants to Local Educational Agencies	84.010	3100002-19-310FM		1,652
Title I Grants to Local Educational Agencies	84.010	3100002-20-310G		9,614,094
Title I Grants to Local Educational Agencies	84.010	3100002-20-310GM		33,022
Title I Grants to Local Educational Agencies	84.010	3100002-20-310GN		147,040
Title I Grants to Local Educational Agencies	84.010	310002-17-320DC		687,641
Title I Grants to Local Educational Agencies	84.010	3100202-19-320FE		469
Title I Grants to Local Educational Agencies	84.010	3100202-20-320GA		18,955
Title I Grants to Local Educational Agencies	84.010	3100202-20-320GC		26,715
Title I Grants to Local Educational Agencies	84.010	3100202-20-320GE		<u>126,208</u>
				12,691,171
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A180017-313E		17,516
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S013A190017-313F		<u>11,166</u>
				28,682

Continued

Schedule of Expenditures of Federal Awards--Continued

**Fayette County School District**

Year Ended June 30, 2021

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Through Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Migrant Education State Grant Program	84.011	3110002-18-311E		95
Migrant Education State Grant Program	84.011	3110002-19-311F		154,948
Migrant Education State Grant Program	84.011	3110002-20-311G		<u>138,456</u>
				293,499
English Language Acquisition State Grants	84.365	3300002-18-345E		248,214
English Language Acquisition State Grants	84.365	3300002-18-345EI		36,512
English Language Acquisition State Grants	84.365	3300002-19-345F		<u>389,237</u>
				673,963
Career and Technical Education -- Basic Grants to States	84.048	3710002-18-348F		13,677
Career and Technical Education -- Basic Grants to States	84.048	3710002-19-348FA		38,609
Career and Technical Education -- Basic Grants to States	84.048	3710002-20-348G		<u>495,160</u>
				547,446
Comprehensive Literacy Development	84.371	3220002-17-466E		892
Comprehensive Literacy Development	84.371	3220002-17-466F		75,622
Comprehensive Literacy Development	84.371	3220002-18-466FS		6,347
Comprehensive Literacy Development	84.371	3220002-19-466G		179,629
Comprehensive Literacy Development	84.371	3220001-19-466GS		<u>119,257</u>
				381,747

Continued

Schedule of Expenditures of Federal Awards--Continued

**Fayette County School District**

Year Ended June 30, 2021

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Through Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EA		93
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EB		25,788
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EC		19,552
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EL		21,300
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EN		1,367
Twenty-First Century Community Learning Centers	84.287	3400002-18-550EX		15,815
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FB		44,896
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FC		68,432
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FL		114,940
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FM		100,000
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FT		94,256
Twenty-First Century Community Learning Centers	84.287	3400002-19-550FX		69,372
				575,811
Supporting Effective Instruction State Grants	84.367	3230002-18-401E		783,089
Supporting Effective Instruction State Grants	84.367	3230002-19-401F		639,589
Supporting Effective Instruction State Grants	84.367	3230003-19-401FM		22,991
Supporting Effective Instruction State Grants	84.367	3230002-19-401FP		45,763
Supporting Effective Instruction State Grants	84.367	3230002-20-401GP		9,671
				1,501,103
Student Support and Academic Enrichment Program	84.424	3420002-18-552EP		15,281
Student Support and Academic Enrichment Program	84.424	3420002-18-552ES		45,878
Student Support and Academic Enrichment Program	84.424	3420002-18-552EW		105,259
Student Support and Academic Enrichment Program	84.424	3420002-19-552FP		5,749
Student Support and Academic Enrichment Program	84.424	3420002-19-552FS		153,581

Continued

Schedule of Expenditures of Federal Awards--Continued

**Fayette County School District**

Year Ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Student Support and Academic Enrichment Program	84.424	3420002-19-552FT		163,324
Student Support and Academic Enrichment Program	84.424	3420002-19-552FW		17,068
Student Support and Academic Enrichment Program	84.424	3420002-20-552GA		3,884
Student Support and Academic Enrichment Program	84.424	3420002-20-552GP		1,800
Student Support and Academic Enrichment Program	84.424	3420002-20-552GS		168,772
Student Support and Academic Enrichment Program	84.424	3420002-20-552GT		178,102
Student Support and Academic Enrichment Program	84.424	3420002-20-552GW		299,220
				<u>1,157,918</u>
 <b>Special Education Cluster</b>				
Special Education Grants to States	84.027	3810002-18-337E		1,900
Special Education Grants to States	84.027	3810002-18-337EC		168,900
Special Education Grants to States	84.027	3810002-18-337EP		60,850
Special Education Grants to States	84.027	3810002-20-337F		996,847
Special Education Grants to States	84.027	3810001-19-337FE		3,624
Special Education Grants to States	84.027	3810002-20-337FP		20,629
Special Education Grants to States	84.027	3810002-20-337G		5,330,983
Special Education Grants to States	84.027	3810002-20-337GE		121,354
Special Education Grants to States	84.027	3810002-20-337GP		37,471
Special Education Preschool Grants	84.173	3800002-18-343EP		3,604
Special Education Preschool Grants	84.173	3800002-19-343F		74,841
Special Education Preschool Grants	84.173	3800002-19-343FP		4,119
Special Education Preschool Grants	84.173	3800002-20-343G		108,360
				<u>6,933,482</u>

Continued

Schedule of Expenditures of Federal Awards--Continued

**Fayette County School District**

Year Ended June 30, 2021

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Expenditures</b>
<b>Stabilization Cluster</b>				
COVID-19 Governor's Emergency Education Relief Fund	84.425C	CARE-20-633F		968
COVID-19 Governor's Emergency Education Relief Fund	84.425C	CARE-20-633FP		45,437
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21-554G		5,602,794
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21-554GD		4,820,832
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21-554GS		2,762,669
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20-613F		9,668,945
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002-20-613FP		412,054
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	613FT		16,580
				<u>23,330,279</u>
<b>Total Pass-through from KY Department of Education</b>				<b>48,174,814</b>
<b>U.S. Department of Defense</b>				
ROTC Language and Culture Training Grants	12.357	33-540-504F		123,723
ROTC Language and Culture Training Grants	12.357	33-540-504G		108,128
Language Grant Program	12.900			53,646
				<u>285,497</u>
<b>Total U.S. Department of Defense</b>				<b>285,497</b>
<b>U.S. Department of Agriculture</b>				
<b>Food Distribution Cluster</b>				
Commodity Supplemental Food Program	10.565			599,358
Child and Adult Care Food Program	10.558			29,619
Summer Food Service Program for Children	10.559			9,002,991
				<u>9,631,968</u>
<b>Total U.S. Department of Agriculture</b>				<b>9,631,968</b>

Continued



Schedule of Expenditures of Federal Awards--Continued

**Fayette County School District**

Year Ended June 30, 2021

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass Though Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. Department of Health and Human Services</b>				
Child Care and Development Block Grant	93.575	658FC		218,657
Child Care and Development Block Grant	93.575	658FL		40,186
Child Care and Development Block Grant	93.575	658FP		35,851
Child Care and Development Block Grant	93.575	672G		8,339
Refugee and Entrant Assistance Discretionary Grants	93.576	254-108000-20-420F		20,956
Refugee and Entrant Assistance Discretionary Grants	93.576	240-108000-21-420G		41,219
Every Student Succeeds Act/Preschool Development Grants	93.434	33-540-646FB		535
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	493F		770
<b>Total U.S. Department of Health and Human Services</b>				<b>366,513</b>
<b>U.S. Department of Justice</b>				
STOP School Violence	16.839	494G		49,417
<b>U.S. Department of Treasury</b>				
Coronavirus Relief Fund	21.019	CARES-20 -17GG		5,186,357
Coronavirus Relief Fund	21.019	663G		461,240
<b>Total U.S. Department of Treasury</b>				<b>5,647,597</b>
<b>Corporation for National and Community Service</b>				
Americorps	94.006	33-540-587FR		7,950
Americorps	94.006	33-540-587GR		59,442
				<b>67,392</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$</b>	<b>\$ 64,223,198</b>

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

**Fayette County School District**

June 30, 2021

**Note A--Basis of Presentation**

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

**Note B--Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C--Indirect Cost Rate**

The District has not elected to use the 10% de minimis indirect costs rate as allowed under the Uniform Guidance.

## **Schedule of Findings and Questioned Costs**

Schedule of Findings and Questioned Costs

**Fayette County School District**

Year Ended June 30, 2021

**Section I – Summary of Audit Results**

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Fayette County School District (the "District").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>
<b>U.S. Department of Education</b>	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
COVID-19 Governor's Emergency Education Relief Fund	84.425C
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D
<b>U.S. Department of Treasury</b>	
Coronavirus Relief Fund	21.019

**Note:** Program descriptions match the Assistance Listing Numbers  
(see [www.sam.gov](http://www.sam.gov))

8. The threshold used for distinguishing between Type A and B programs was \$1,926,696.
9. The District qualified as a low risk auditee.

Continued

Schedule of Findings and Questioned Costs--Continued

**Fayette County School District**

Year Ended June 30, 2021

**Section II – Findings – Financial Statement Audit**

There were no findings to be reported.

**Section III – Findings – Major Federal Program Audit**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

## **Schedule of Prior Audit Findings**

Schedule of Prior Audit Findings

**Fayette County School District**

Year Ended June 30, 2021

**Section II – Findings – Financial Statement Audit**

There were no findings to be reported.

**Section III – Findings – Major Federal Program Audit**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.