

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

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SUMMERS, MCCRARY & SPARKS, P.S.C.
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INDEPENDENT AUDITOR'S REPORT

To the Kentucky State Committee of School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, KY 40322

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 3-9 and 61-69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Menifee County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021, on our consideration of Menifee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Menifee County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Summers, McCrary & Sparks, PSC

Lexington, KY
October 22, 2021

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

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

FINANCIAL HIGHLIGHTS

The General fund has \$9,092,497 in revenue, which primarily consisted of the state program (SEEK), property, utilities, franchise and motor vehicle taxes. Excluding inter-fund transfers, there was \$8,977,210 in General Fund expenditures. This includes on-behalf payments of \$2,658,554.

The beginning General Fund balance was \$1,171,541. The ending balance for the General Fund was \$1,410,527 for June 30, 2021, noting an increase of \$238,986.

The Menifee County School District continues to make student achievement our highest priority. We have 1 to 1 devices in the hands of all students across the school district. We added additional staff to address learning loss due to the COVID 19 pandemic.

Menifee Central School was completed in June of 2021, allowing all students kindergarten through 8th grade begin the 2021-2021 school year in a new 21st Century building. The Menifee County Elementary School has been demolished. We continue addressing facility needs at Menifee County High School including a new greenhouse and upgrading the HVAC control systems and clean air intake to improve air quality for students.

Menifee County School District has begun the process of addressing facilities where flooding is a continual issue by beginning the process of constructing a new Board Office beside Menifee Central School out of the flood zone.

CURRENT ISSUES

One of the greatest concerns looking ahead at the future fiscal years is the impact of the federal sequestration - or loss of federal funds for the next eight years, averaging a decline of 7.8% to 9.1%. In addition, the governor has implemented a 17% cut to state departments. These cuts could potentially cause reduced funding from the state and ensure we will have to be prepared to reduce expenditures accordingly. Finally, the impact of the pension issues in Kentucky and the increase of costs for County Employees Retirement System matching requirement could potentially affect the future spending for the District.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$1,120,731 as of June 30, 2021 as compared to \$233,834 after the implementation of GASB 84 in the prior year.

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 is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

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

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current Assets	\$ 4,478,503	\$ 13,305,781	\$ (8,827,278)
Noncurrent Assets	<u>26,520,776</u>	<u>17,483,115</u>	<u>9,037,661</u>
Total Assets	<u>30,999,279</u>	<u>30,788,896</u>	<u>210,383</u>
Deferred Outflows of Resources	<u>2,094,444</u>	<u>1,604,886</u>	<u>489,558</u>
Current Liabilities	1,504,865	1,521,225	(16,360)
Noncurrent Liabilities	<u>29,263,490</u>	<u>29,507,530</u>	<u>(244,040)</u>
Total Liabilities	<u>30,768,355</u>	<u>31,028,755</u>	<u>(260,400)</u>
Deferred Inflows of Resources	<u>1,204,637</u>	<u>1,131,193</u>	<u>73,444</u>
Net Position			
Investment in capital assets (net)	4,005,497	(6,001,948)	10,007,445
Restricted	2,942,990	12,108,549	(9,165,559)
Unrestricted	<u>(5,827,756)</u>	<u>(5,872,767)</u>	<u>45,011</u>
Total Net Position	<u>\$ 1,120,731</u>	<u>\$ 233,834</u>	<u>\$ 886,897</u>

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

The following table presents a summary of changes in net position for the fiscal years ended June 30, 2020 and 2021.

	Net Change in Position					
	Governmental		Business-type		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Local revenue sources	\$1,778,866	\$1,865,266	\$2,053	\$83,888	\$181,543	\$1,949,154
State revenue sources	7,851,173	7,168,474	39,830	42,883	9,490,379	7,211,357
Federal revenue sources	2,315,015	1,803,948	807,107	915,989	3,122,122	2,719,937
Investments	101,054	313,703	0	0	101,054	313,703
Total Revenue	12,046,108	11,151,391	848,990	1,042,760	12,895,098	12,194,151
Expenses:						
Instruction	5,228,467	5,277,817	0	0	5,228,467	5,277,817
Student support services	1,102,933	954,842	0	0	1,102,933	954,842
Instructional support	458,537	496,056	0	0	458,537	496,056
District administration	399,671	509,088	0	0	399,671	509,088
School administration	427,776	579,028	0	0	427,776	579,028
Business support	504,273	409,140	0	0	504,273	409,140
Plant operations	1,384,440	1,248,343	0	0	1,384,440	1,248,343
Student transportation	682,847	899,100	0	0	682,847	899,100
Community service	173,755	329,224	0	0	173,755	329,224
Interest on long-term debt	652,172	709,189	0	0	652,172	709,189
Food service	115,265	0	878,065	1,047,069	993,330	1,047,069
Total Expenses	11,130,136	11,411,827	878,065	1,047,069	12,008,201	12,458,896
Change in net position	915,972	(260,436)	(29,075)	(4,309)	886,897	(264,745)
Beginning net position	485,266	695,079	(251,432)	(247,123)	233,834	447,956
Effect of adoption of GASB 84	0	50,623	0	0	0	50,623
Beginning net position - restated	485,266	745,702	(251,432)	(247,123)	233,834	498,579
Ending net position	\$1,401,238	\$485,266	(\$280,507)	(\$251,432)	\$1,120,731	\$233,834

Governmental Activities

The majority of revenue was derived from state funding making up 65% of the total revenue and local revenue sources making up 15% of total revenue. Instruction makes up 47% of total Governmental Fund Expenses. Central support services expenses are: Transportation 6%, Maintenance & Operations 12%, School Administration 4% and Other Support Functions 31%.

Business-Type Activities

Revenues for Food Service Fund totals \$848,990 as of June 30, 2021, a decrease of \$193,770 from 2020. These revenues include lunchroom sales, federal and state grants, and federal commodities. Total Operating Expenses for Food Service Fund totals \$878,065 as of June 30, 2021, a decrease of \$169,004 from 2020. The Change in Net position (Revenues less Expenses) for the Food Service Fund is a decrease of \$29,075.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

FUND FINANCIAL ANALYSIS

Comments on Budget Comparisons

The District’s total general fund revenues for the fiscal year ended June 30, 2021 net of inter-fund transfers, were \$9,092,497, a decrease of \$159,436 from the total revenues of \$9,251,933 for 2020.

The following tables presents a summary of operations, excluding transfers for selected funds (including on-behalf payments). Food service amounts are presented on the accrual basis while General fund, Special Revenue fund, Debt Service fund and Construction fund amounts are on the modified accrual basis.

	For the Year ending June 30, 2021				
	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>FOOD SERVICE FUND</u>
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 586,799	\$ 0	\$ 0	\$ 0	\$ 0
Motor vehicle	210,079	0	0	0	0
Utilities	279,232	0	0	0	0
Franchise	276,071	0	0	0	0
Earnings on investments	11,185	0	89,869	0	0
Other local revenues	74,335	50,473	8,805	0	0
Intergovernmental - state	7,553,676	806,980	10,527	879,803	39,830
Intergovernmental - federal	101,120	2,213,895	0	0	807,107
Lunchroom sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,053</u>
TOTAL REVENUES	<u>9,092,497</u>	<u>3,071,348</u>	<u>109,201</u>	<u>879,803</u>	<u>848,990</u>
EXPENDITURES:					
Instruction:	4,647,952	1,953,004	0	0	0
Support Services:					
Student	982,357	221,816	0	0	0
Instructional staff	219,047	388,771	0	0	0
District administration	482,899	0	0	0	0
School administration	537,860	0	0	0	0
Business	425,117	15,209	0	0	0
Plant operations and maintenance	919,326	125,034	0	0	0
Student transportation	444,905	86,309	0	0	0
Food Service	0	115,265	0	0	878,065
Community Service	0	154,864	0	0	0
Capital Outlay	168,428	0	9,339,067	0	0
Debt service	<u>149,319</u>	<u>0</u>	<u>0</u>	<u>5,892,378</u>	<u>0</u>
TOTAL EXPENDITURES	<u>8,977,210</u>	<u>3,060,272</u>	<u>9,339,067</u>	<u>5,892,378</u>	<u>878,065</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ 115,287</u>	<u>\$ 11,076</u>	<u>\$ (9,229,866)</u>	<u>\$ (5,012,575)</u>	<u>\$ (29,075)</u>

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

For the Year ending June 30, 2020

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	FOOD SERVICE FUND
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 541,267	\$ 0	\$ 0	\$ 0
Motor vehicle	159,179	0	0	0
Utilities	284,935	0	0	0
Franchise	327,916	0	0	0
Earnings on investments	37,688	0	276,015	0
Other local revenues	77,367	92,452	0	0
Intergovernmental - state	7,632,126	356,509	0	42,883
Intergovernmental - federal	191,455	1,612,493	0	915,989
Lunchroom sales	0	0	0	83,888
TOTAL REVENUES	9,251,933	2,061,454	276,015	1,042,760
EXPENDITURES:				
Instruction:	5,069,123	1,177,680	0	0
Support Services:				
Student	892,591	173,890	0	0
Instructional staff	259,430	431,282	0	0
District administration	515,620	0	0	0
School administration	613,644	0	0	0
Business	353,350	31,823	0	0
Plant operations and maintenance	941,690	16,257	0	0
Student transportation	675,670	35,773	0	0
Food Service	0	61,696	0	1,047,069
Community Service	0	160,747	0	0
Capital Outlay	208,648	0	5,574,272	0
Debt service	166,065	0	0	0
TOTAL EXPENDITURES	9,695,831	2,089,148	5,574,272	1,047,069
Excess (Deficit) of Revenues over Expenditures	\$ (443,898)	\$ (27,694)	\$ (5,298,257)	\$ (4,309)

Debt

At June 30, 2021, the School District had \$22,767,047 in revenue bonds and capital leases outstanding, less a discount of 134,543; of this amount \$11,066,098 is to be paid from the KSFCC funding provided by the State of Kentucky. A total of \$1,167,782 is due within one year.

Capital Assets

The Board added \$9,507,495 to the governmental funds and \$29,529 to the proprietary funds in capital assets during the year, primarily for land acquisition for and construction of the new K-8 school.

Comments on Budget Comparisons

General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$115,724 more than budget. General fund budget compared to actual expenditures varied slightly from line item to line item with the ending actual expenditures being \$620,447 less than budgeted.

**MENIFEE COUNTY SCHOOL DISTRICT – FRENCHBURG, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency.

Questions regarding this report should be directed to Lorri Bartley, CFE, Finance Officer (606) 768-8002 or by mail at the Menifee County Board of Education, 202 Back Street, Frenchburg, KY 40322.

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

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current Assets			
Cash and cash equivalents	\$ 3,759,195	\$ 177,089	\$ 3,936,284
Accounts receivable			
Accounts	32,297	29,346	61,643
Intergovernmental - Federal	381,988	-	381,988
Inventory	-	39,322	39,322
Other assets	59,266	-	59,266
Total Current Assets	<u>4,232,746</u>	<u>245,757</u>	<u>4,478,503</u>
Noncurrent Assets			
Non-depreciated capital assets	15,785,888	-	15,785,888
Net depreciated capital assets	10,687,893	46,995	10,734,888
Total Noncurrent Assets	<u>26,473,781</u>	<u>46,995</u>	<u>26,520,776</u>
TOTAL ASSETS	<u>30,706,527</u>	<u>292,752</u>	<u>30,999,279</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred loss on refunding	117,225	-	117,225
Pension - CERS	737,995	35,931	773,926
OPEB - CERS	569,489	53,041	622,530
OPEB - KTRS	580,763	-	580,763
Total deferred outflow of resources	<u>2,005,472</u>	<u>88,972</u>	<u>2,094,444</u>
LIABILITIES:			
Current Liabilities			
Accounts payable	29,821	-	29,821
Accrued salaries	1,253	-	1,253
Current portion of bond obligations	1,050,000	-	1,050,000
Current portion of capital lease obligations	117,782	-	117,782
Current portion of accrued sick leave	17,985	2,614	20,599
Accrued interest payable	212,097	-	212,097
Unearned revenues	73,313	-	73,313
Total Current Liabilities	<u>1,502,251</u>	<u>2,614</u>	<u>1,504,865</u>
Noncurrent Liabilities			
Noncurrent portion of bond obligations	20,885,457	-	20,885,457
Noncurrent portion of capital lease obligations	579,265	-	579,265
Net pension liability - CERS	3,844,195	540,160	4,384,355
Net OPEB liability - CERS	1,288,357	91,666	1,380,023
Net OPEB liability - KTRS	1,827,000	-	1,827,000
Noncurrent portion of accrued sick leave	207,390	-	207,390
Total Noncurrent Liabilities	<u>28,631,664</u>	<u>631,826</u>	<u>29,263,490</u>
TOTAL LIABILITIES	<u>30,133,915</u>	<u>634,440</u>	<u>30,768,355</u>
DEFERRED INFLOW OF RESOURCES			
Pension - CERS	111,453	907	112,360
OPEB - CERS	286,393	26,884	313,277
OPEB - KTRS	779,000	-	779,000
Total deferred inflow of resources	<u>1,176,846</u>	<u>27,791</u>	<u>1,204,637</u>
NET POSITION			
Net Investment in Capital Assets	3,958,502	46,995	4,005,497
Restricted			
Capital projects (expendable)	2,623,314	-	2,623,314
Other purposes	76,533	243,143	319,676
Unrestricted	<u>(5,257,111)</u>	<u>(570,645)</u>	<u>(5,827,756)</u>
TOTAL NET POSITION	<u>\$ 1,401,238</u>	<u>\$ (280,507)</u>	<u>\$ 1,120,731</u>

See Accompanying Notes to the Financial Statements

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

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 5,228,467	\$ -	\$ 2,315,014	\$ -	\$ (2,913,453)	\$ -	\$ (2,913,453)
Support Services:							
Student	1,102,933	-	-	-	(1,102,933)	-	(1,102,933)
Instructional staff	458,537	-	-	-	(458,537)	-	(458,537)
District administration	399,671	-	-	-	(399,671)	-	(399,671)
School administration	427,776	-	-	-	(427,776)	-	(427,776)
Business	504,273	-	-	-	(504,273)	-	(504,273)
Plant operations and maintainance	1,384,440	-	-	-	(1,384,440)	-	(1,384,440)
Student transportation	682,847	-	-	-	(682,847)	-	(682,847)
Community services	173,755	-	-	-	(173,755)	-	(173,755)
Food service	115,265	-	-	-	(115,265)	-	(115,265)
Interest on long-term debt	652,172	-	-	879,803	227,631	-	227,631
Total Governmental Activities	11,130,136	-	2,315,014	879,803	(7,935,319)	-	(7,935,319)
Business Type Activities:							
Food Service	878,065	2,053	846,937	-	-	(29,075)	(29,075)
Total Business Type Activities	878,065	2,053	846,937	-	-	(29,075)	(29,075)
Total Primary Government	\$ 12,008,201	\$ 2,053	\$ 3,161,951	\$ 879,803	\$ (7,935,319)	\$ (29,075)	\$ (7,964,394)
			General Revenues:				
			Taxes:				
			Property		\$ 835,615	\$ -	\$ 835,615
			Motor vehicle		210,079	-	210,079
			Utilities		279,232	-	279,232
			Franchise		276,071	-	276,071
			State and formula grants		6,969,750	-	6,969,750
			Interest and investment earnings		101,054	-	101,054
			Miscellaneous		177,855	-	177,855
			Gain/(Loss) on disposal		1,635	-	1,635
			Total General Revenues and Transfers		8,851,291	-	8,851,291
			Change in Net Position		915,972	(29,075)	886,897
			Net Position - beginning		485,266	(251,432)	233,834
			Net Position - end of year		\$ 1,401,238	\$ (280,507)	\$ 1,120,731

See Accompanying Notes to the Financial Statements

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

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE (GRANT) FUNDS</u>	<u>CONSTRUCTION FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:						
Cash and cash equivalents	\$ 1,059,348	\$ -	\$ 2,447,420	\$ -	\$ 252,427	\$ 3,759,195
Accounts receivable						
Accounts	32,297	-	-	-	-	32,297
Intergovernmental - Federal	-	381,988	-	-	-	381,988
Due from other funds	308,675	-	-	-	-	308,675
Other assets	59,266	-	-	-	-	59,266
TOTAL ASSETS	<u>\$ 1,459,586</u>	<u>\$ 381,988</u>	<u>\$ 2,447,420</u>	<u>\$ -</u>	<u>\$ 252,427</u>	<u>\$ 4,541,421</u>
LIABILITIES:						
Accounts payable	\$ 29,821	\$ -	\$ -	\$ -	\$ -	\$ 29,821
Due to other funds	-	308,675	-	-	-	308,675
Accrued salaries	1,253	-	-	-	-	1,253
Sick leave payable	17,985	-	-	-	-	17,985
Unearned revenue	-	73,313	-	-	-	73,313
TOTAL LIABILITIES	<u>49,059</u>	<u>381,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>431,047</u>
FUND BALANCES:						
Restricted						
Capital projects	-	-	2,447,420	-	175,894	2,623,314
Other	-	-	-	-	76,533	76,533
Assigned	-	-	-	-	-	-
Committed	113,994	-	-	-	-	113,994
Unassigned	1,296,533	-	-	-	-	1,296,533
TOTAL FUND BALANCES	<u>1,410,527</u>	<u>-</u>	<u>2,447,420</u>	<u>-</u>	<u>252,427</u>	<u>4,110,374</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,459,586</u>	<u>\$ 381,988</u>	<u>\$ 2,447,420</u>	<u>\$ -</u>	<u>\$ 252,427</u>	<u>\$ 4,541,421</u>

See Accompanying Notes to the Financial Statements

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

Total Governmental Fund Balances	\$	4,110,374
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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</p>		
Capital assets		26,473,781
<p>Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position</p>		
Deferred loss on refunding		117,225
Pension deferred outflows		737,995
OPEB deferred outflows		1,150,252
Net pension liability		(3,844,195)
Net OPEB liability		(3,115,357)
Pension deferred inflows		(111,453)
OPEB deferred inflows		(1,065,393)
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position</p>		
Bond obligations		(21,935,457)
Capital lease		(697,047)
Accrued interest		(212,097)
Accrued sick leave		(207,390)
		(23,052,391)
Net Position of Governmental Activities	\$	1,401,238

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
From local sources:						
Taxes:						
Property	\$ 586,799	\$ -	\$ -	\$ -	\$ 248,816	\$ 835,615
Motor vehicle	210,079	-	-	-	-	210,079
Utilities	279,232	-	-	-	-	279,232
Franchise	276,071	-	-	-	-	276,071
Earnings on investments	11,185	-	89,869	-	-	101,054
Other local revenues	74,335	50,473	8,805	-	44,256	177,869
Intergovernmental - State	7,553,676	806,980	10,527	879,803	679,653	9,930,639
Intergovernmental - Indirect federal	101,120	2,213,895	-	-	-	2,315,015
TOTAL REVENUES	<u>9,092,497</u>	<u>3,071,348</u>	<u>109,201</u>	<u>879,803</u>	<u>972,725</u>	<u>14,125,574</u>
EXPENDITURES:						
Current:						
Instruction:	4,647,952	1,953,004	-	-	46,865	6,647,821
Support Services:						
Student	982,357	221,816	-	-	14,837	1,219,010
Instructional staff	219,047	388,771	-	-	-	607,818
District administration	482,899	-	-	-	-	482,899
School administration	537,860	-	-	-	-	537,860
Business	425,117	15,209	-	-	-	440,326
Plant operations and maintainance	919,326	125,034	-	-	-	1,044,360
Student transportation	444,905	86,309	-	-	235	531,449
Community services	-	154,864	-	-	-	154,864
Food Service	-	115,265	-	-	-	115,265
Capital outlay	168,428	-	9,339,067	-	-	9,507,495
Debt service	149,319	-	-	5,872,628	-	6,021,947
TOTAL EXPENDITURES	<u>8,977,210</u>	<u>3,060,272</u>	<u>9,339,067</u>	<u>5,872,628</u>	<u>61,937</u>	<u>27,311,114</u>
Excess (Deficit) of Revenues over Expenditures	<u>115,287</u>	<u>11,076</u>	<u>(9,229,866)</u>	<u>(4,992,825)</u>	<u>910,788</u>	<u>(13,185,540)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	43,273	32,197	2,295	752,575	-	830,340
Operating transfers out	(34,492)	(43,273)	-	-	(752,575)	(830,340)
Sale of Equipment	1,635	-	-	-	-	1,635
Bond Discount	-	-	-	(19,750)	-	(19,750)
Issuance of Debt	113,283	-	-	4,260,000	-	4,373,283
TOTAL OTHER FINANCING SOURCES (USES):	<u>123,699</u>	<u>(11,076)</u>	<u>2,295</u>	<u>4,992,825</u>	<u>(752,575)</u>	<u>4,355,168</u>
Net Change in Fund Balances	238,986	-	(9,227,571)	-	158,213	(8,830,372)
Fund balance - beginning of year	<u>1,171,541</u>	<u>-</u>	<u>11,674,991</u>	<u>-</u>	<u>94,214</u>	<u>12,940,746</u>
Fund balance - end of year	<u>\$ 1,410,527</u>	<u>\$ -</u>	<u>\$ 2,447,420</u>	<u>\$ -</u>	<u>\$ 252,427</u>	<u>\$ 4,110,374</u>

See Accompanying Notes to the Financial Statements

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

Net Change in Fund Balances - Total Governmental Funds	\$ (8,830,372)
Amounts reported for governmental activities in the statement of activities are different because:	
Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities:	
Amortization expense	(19,758)
Bond discount	19,750
Issuance of debt proceeds are recognized in this fund financial statement as resources available for use as current financial resources, but these proceeds are not recognized in the statement of activities.	
Issuance of debt	(4,373,283)
Capital outlays are reported as expenditures in the fund financial statement because they are current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Capital outlays	9,507,495
Depreciation expense	(497,951)
Generally, expenditures recognized in the fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	
Accrued interest	46,458
Sick leave	16,040
Deferred loss on refunding	130,250
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.	
KTRS on-behalf revenue	(2,132,086)
KTRS on-behalf pension expense	2,081,086
KTRS on-behalf OPEB expense	51,000
Pension expense	(302,799)
OPEB expense	7,317
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.	
	<u>5,212,825</u>
Change in Net Position of Governmental Activities	<u>\$ 915,972</u>

See Accompanying Notes to the Financial Statements

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

	GENERAL FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Taxes:				
Property	\$ 603,283	\$ 620,318	\$ 586,799	\$ (33,519)
Motor vehicle	160,000	193,217	210,079	16,862
Franchise	326,341	276,071	276,071	-
Utilities	281,910	289,000	279,232	(9,768)
Earnings on investments	64,000	48,452	11,185	(37,267)
Other local revenues	88,970	62,964	74,335	11,371
Intergovernmental - State	8,035,177	7,311,149	7,553,676	242,527
Intergovernmental - Federal	203,368	175,602	101,120	(74,482)
TOTAL REVENUES	<u>9,763,049</u>	<u>8,976,773</u>	<u>9,092,497</u>	<u>115,724</u>
EXPENDITURES:				
Current:				
Instruction:	5,285,961	4,531,619	4,647,952	(116,333)
Support Services:				
Student	1,096,065	1,110,893	982,357	128,536
Instructional staff	305,533	292,421	219,047	73,374
District administration	549,391	441,309	482,899	(41,590)
School administration	770,072	566,637	537,860	28,777
Business	394,933	447,114	425,117	21,997
Plant operations and maintenance	1,155,469	1,114,223	935,571	178,652
Student transportation	951,271	942,987	597,088	345,899
Noninstructional	47	48	-	48
Debt service	168,242	150,406	149,319	1,087
TOTAL EXPENDITURES	<u>10,676,984</u>	<u>9,597,657</u>	<u>8,977,210</u>	<u>620,447</u>
Excess (Deficit) of Revenues over Expenditures	<u>(913,935)</u>	<u>(620,884)</u>	<u>115,287</u>	<u>736,171</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	12,063	-	43,273	43,273
Operating transfers out	(233,127)	(32,850)	(34,492)	(1,642)
Sale of equipment	56,831	-	1,635	1,635
Issuance of debt	220,000	220,000	113,283	(106,717)
Contingency	(683,688)	(632,624)	-	632,624
TOTAL OTHER FINANCING SOURCES (USES):	<u>(627,921)</u>	<u>(445,474)</u>	<u>123,699</u>	<u>569,173</u>
Net Change in Fund Balance	(1,541,856)	(1,066,358)	238,986	1,305,344
Fund balance - beginning of year	<u>1,541,856</u>	<u>1,066,358</u>	<u>1,171,541</u>	<u>105,183</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,410,527</u>	<u>\$ 1,410,527</u>

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

	SPECIAL REVENUE FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
REVENUES:				
From local sources:				
Other local revenues	\$ 129,832	\$ 2,634	\$ 50,473	\$ 47,839
Intergovernmental - State	383,772	787,983	806,980	18,997
Intergovernmental - Indirect federal	1,707,677	2,984,965	2,213,895	(771,070)
TOTAL REVENUES	<u>2,221,281</u>	<u>3,775,582</u>	<u>3,071,348</u>	<u>(704,234)</u>
EXPENDITURES:				
Current:				
Instruction:	1,475,258	2,389,686	1,953,004	436,682
Support Services:				
Student	194,494	431,908	221,816	210,092
Instructional staff	386,540	419,903	388,771	31,132
Business	15,000	109,997	15,209	94,788
Plant operations and maintenance	26,000	40,320	125,034	(84,714)
Student transportation	34,167	124,726	86,309	38,417
Food service	52,000	101,404	115,265	(13,861)
Community services	136,927	131,644	154,864	(23,220)
Capital outlay	-	53,900	-	53,900
TOTAL EXPENDITURES	<u>2,320,386</u>	<u>3,803,488</u>	<u>3,060,272</u>	<u>743,216</u>
Excess (Deficit) of Revenues over Expenditures	<u>(99,105)</u>	<u>(27,906)</u>	<u>11,076</u>	<u>38,982</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	33,999	32,850	32,197	(653)
Operating transfers out	(7,550)	-	(43,273)	43,273
Sale of equipment	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES):	<u>26,449</u>	<u>32,850</u>	<u>(11,076)</u>	<u>42,620</u>
Net Change in Fund Balance	(72,656)	4,944	-	(4,944)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ (72,656)</u>	<u>\$ 4,944</u>	<u>\$ -</u>	<u>\$ (4,944)</u>

See Accompanying Notes to the Financial Statements

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021**

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 177,089
Accounts receivable	29,346
Inventory	39,322
Total Current Assets	<u>245,757</u>
Noncurrent Assets	
Machinery & equipment	158,112
Accumulated depreciation	(111,117)
Total Noncurrent Assets	<u>46,995</u>
TOTAL ASSETS	<u>292,752</u>
DEFERRED OUTFLOW OF RESOURCES	
Pension - CERS	35,931
OPEB - CERS	53,041
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>88,972</u>
LIABILITIES:	
Current Liabilities	
Sick leave payable	<u>2,614</u>
Noncurrent Liabilities	
Net pension liability - CERS	540,160
Net OPEB liability - CERS	91,666
TOTAL LIABILITIES	<u>634,440</u>
DEFERRED INFLOW OF RESOURCES	
Pension - CERS	907
OPEB - CERS	26,884
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>27,791</u>
NET POSITION:	
Net Investment in Capital Assets	46,995
Restricted	243,143
Unrestricted	(570,645)
TOTAL NET POSITION	<u>\$ (280,507)</u>

See Accompanying Notes to the Financial Statements

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

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom sales	\$ 1,235
Other operating revenues	818
TOTAL OPERATING REVENUES	2,053
OPERATING EXPENSES:	
Salaries and wages	273,131
Employee benefits	197,757
Contract services	5,771
Materials and supplies	393,509
Miscellaneous	6,486
Depreciation	1,411
TOTAL OPERATING EXPENSES	878,065
Operating income (loss)	(876,012)
NON-OPERATING REVENUES (EXPENSES)	
Federal grants	754,473
Federal commodities	52,634
State grants	39,830
Loss on disposal	-
NON-OPERATING REVENUES (EXPENSES)	846,937
Change in net position	(29,075)
Net position - beginning	(251,432)
Net position - end of year	\$ (280,507)

See Accompanying Notes to the Financial Statements

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

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from lunchroom sales	\$ 2,545
Cash paid to suppliers	(350,224)
Cash paid to employees	(365,702)
Cash paid for other activities	(5,771)
Net Cash Provided (Used) by Operating Activities	(719,152)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	754,473
State Grants	6,811
Net Cash Provided (Used) by Noncapital Activities	761,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(29,529)
Loss on disposal	-
Net Cash Provided (Used) by Financing Activities	(29,529)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	-
Net Cash Provided (Used) by Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	12,603
Cash and cash equivalents - beginning of year	164,486
Cash and cash equivalents - end of year	\$ 177,089
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (876,012)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Cash from Operating Activities:	
Federal commodities	52,634
On-behalf payments	33,020
Depreciation	1,411
Changes in Assets and Liabilities:	
Accounts Receivable	492
Inventory	(4,889)
Deferred outflows	(14,271)
Accounts payable	2,026
Deferred inflows	(38,981)
Net pension liability	57,465
Net OPEB liability	67,953
Net Cash Provided (Used) by Operating Activities	\$ (719,152)
Schedule of non-cash transactions:	
Donated commodities received from federal government	\$ 52,634
On-behalf payments	\$ 33,020

See Accompanying Notes to the Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Menifee County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Menifee County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

Blended Component Unit

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

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

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

Basis of Presentation

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

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

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

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

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

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

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

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

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

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

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

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

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

- 1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK), Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non-major fund of the District.

Fund Financial Statements

- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

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

II. Proprietary Fund Types (Enterprise Fund)

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

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

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

Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

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

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.

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$0.534 per \$100 valuation for real property, \$0.534 per \$100 valuation for business personal property and \$0.432 per \$100 valuation for motor vehicles.

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

Cash and Cash Equivalents

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

Inventory

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

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

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

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

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

Capital Assets (Cont'd)

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

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

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of the accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

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

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

Budgetary Process

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

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

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS and KTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Both systems publish separate financial statements as described in Note 6

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 7.

Fund Balances

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

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance restricted for capital projects consists of \$2,447,120 in the construction fund, \$91,385 in the SEEK capital outlay fund, and \$84,509 in the FSPK building fund, for a total of \$2,623,314 at June 30, 2021. Fund balance restrict for other purposes consists of \$36,256 in the district activity fund and \$40,277 in the student activity fund, for a total of \$76,533 at June 30, 2021.

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

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

Fund Balances (Cont'd)

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. At June 30, 2021, The District had committed fund balance for sick leave of \$113,994 in the general fund.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

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

Net Position

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

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

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

Operating Revenues and Expenses

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

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

Interfund Activity

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

Bond Issuance Costs

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows- contributions to the CERS and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 6 and 7), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 5).

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

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

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

New Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that lease are financings of the right to use an underlying asset. GASB 87 will be effective for fiscal years beginning after June 15, 2021. The District has not determined the financial impact of the implementation of GASBS No. 87, but many of the leases reported in Note 5 will be reported as intangible assets and lease liabilities with the implementation of GASBS No. 87.

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

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* (GASB 92). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the District beginning with its year ending June 30, 2022.

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

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

Adoption of the provisions required upon issuance did not have a material effect on the District's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2021, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District will review its current IT subscription services to evaluate the impact of this standard, but since the recognized value for the intangible assets is generally the same as the corresponding subscription liability, there will be minimal financial impact for the District.

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

NOTE 2 - CASH AND INVESTMENTS

Deposits and Investments

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

Cash and Cash Equivalents

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

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

NOTE 2 - CASH AND INVESTMENTS (Cont'd)

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

At year end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC Insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$3,936,284. The bank balance for the same time was \$4,379,408. Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital Assets not being depreciated:				
Land	\$302,590	\$0	\$0	\$302,590
Construction in Progress	6,341,028	9,339,067	196,796	15,483,298
Total Capital Assets not being depreciated	6,643,618	9,339,067	196,796	15,785,888
Other Capital Assets				
Land Improvements	264,754	0	0	264,754
Buildings & Improvements	15,500,353	196,796	0	15,697,149
Technological Equipment	0	0	0	0
Vehicles	2,291,334	152,183	16,975	2,426,542
General Equipment	96,608	16,245	0	112,853
Total Other Assets	18,153,049	365,224	16,975	18,501,298
Less accumulated depreciation for:				
Land Improvements	(231,407)	(7,424)	0	(238,831)
Buildings & Improvements	(5,588,376)	(381,934)	0	(5,970,310)
Technological Equipment	0	0	0	0
Vehicles	(1,435,125)	(106,299)	(16,975)	(1,524,449)
General Equipment	(77,520)	(2,294)	0	(79,814)
Total accumulated depreciation	(7,332,429)	(497,951)	(16,975)	(7,813,405)
Other Capital Assets, net	10,820,619	(132,727)	0	10,687,893
Governmental Activities, net	<u>\$17,464,237</u>	<u>\$9,206,340</u>	<u>\$196,796</u>	<u>\$26,473,781</u>
Business Activities:				
Technological Equipment	\$0	\$0	\$0	\$0
General Equipment	128,584	29,529	0	158,112
Total	128,584	29,529	0	158,112
Less accumulated depreciation for:				
Technological Equipment	0	0	0	0
General Equipment	(109,706)	(1,411)	0	(111,117)
Total accumulated depreciation	(109,706)	(1,411)	0	(111,117)
Business Activities, net	<u>\$18,878</u>	<u>\$28,118</u>	<u>\$0</u>	<u>\$46,995</u>

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

NOTE 3 - CAPITAL ASSETS (Cont'd)

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

Governmental Activities:	
Instruction	\$2,625
Support Services:	
Student	110,618
District Administration	6,027
Business Support Services	5,640
Plant Operations & Maintenance	277,419
Student Transportation	95,622
Total depreciation expense, governmental activities	\$497,951

NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Menifee County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. During fiscal year 2021, School Building Refunding Revenue Bond of 2020 was approved on September 30, 2020 and delivered on October 13, 2020 in the amount of \$4,260,000 for the purpose of financing the construction of the new Menifee Elementary School.

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

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

<u>Issue</u>	<u>Proceeds</u>	<u>Rates</u>	<u>Maturity Dates</u>	<u>Outstanding Balance June 30, 2020</u>
2012R	\$2,345,000	5.00%	12/1/2030	\$470,000
2015	1,160,000	5.00%	12/1/2030	925,000
2019	14,355,000	3.00%	8/1/2039	13,985,000
2019B	2,750,000	2.25-2.75%	2/1/2040	2,690,000
2020	4,260,000	1.40-3.00%	5/1/2031	4,000,000
	\$24,870,000			\$22,070,000

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

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

Year	Menifee County School District		Kentucky School Construction Commission		Total
	Principal	Interest	Principal	Interest	
2022	\$470,006	\$283,204	\$579,994	\$271,441	\$1,604,645
2023	485,470	273,382	594,530	259,464	1,612,846
2024	492,570	261,210	582,430	246,867	1,583,077
2025	502,547	250,359	597,453	234,478	1,584,837
2026	512,105	239,250	612,895	221,712	1,585,962
2027-2030	2,192,012	837,475	2,617,988	751,230	6,398,705
2031-2035	3,197,968	707,629	2,867,032	599,997	7,372,626
2036-2040	3,151,224	225,858	2,613,776	187,218	6,178,076
	<u>\$11,003,902</u>	<u>\$3,078,367</u>	<u>\$11,066,098</u>	<u>\$2,772,407</u>	<u>\$27,920,774</u>

Capital Leases

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

Class of Property	Amount
Buses Book Value	\$1,579,264

During fiscal year 2021, KISTA Bond Pool Sizing First Series of 2021 was approved on April 1, 2021 and delivered on April 6, 2021 in the amount of \$113,283 for the purpose of purchasing a new school bus.

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

Year Ending June 30	Capital Lease Payable
2022	\$133,398
2023	113,100
2024	103,907
2025	100,418
2026	97,276
Thereafter	212,790
Total Minimum lease payments	760,890
Less: Amount of Interest	(63,843)
Present value of net minimum lease payments	<u>\$697,047</u>

KSBIT Payable

In 2013, the Kentucky School Board Insurance Trust (KSBIT) notified the District that its self-insurance pools for worker's compensation and liability insurance were underfunded. As a result, an assessment was required, under a fair methodology to be approved by the Kentucky Department of Insurance, of current and past participating members, to fund the deficit and the transfer of liability to a qualified insurer/reinsurer. On June 24, 2013, the KSBIT Board voted to submit a plan to the Kentucky Department of Insurance using the novation option of funding.

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

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

A novation transfers all existing KSBIT claims and risk to a highly rated reinsurer which will take over the future responsibility for all present and future claims. The District's liability under the novation method was estimated to be \$52,258. The District elected to make an initial payment of 25% of its assessment and finance the remaining liability over 6 years. The plan was approved in June 2014 and the first payment was due by August 15, 2014. The final payment was made during the year ended June 30, 2021.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds	\$22,890,182	\$4,260,000	\$5,080,182	\$22,070,000	\$1,050,000
Less: Bond Discount	(121,526)	(19,750)	6,733	(134,543)	0
Capital Leases	716,407	113,283	132,643	697,047	117,782
KSBIT	6,532	0	6,532	0	0
Sick Leave	223,429	5,592	1,032	227,989	20,599
Total	<u>\$23,715,024</u>	<u>\$4,359,125</u>	<u>\$5,227,122</u>	<u>\$22,860,493</u>	<u>\$1,188,381</u>

NOTE 5 - COMMITMENTS UNDER NON-CAPITALIZED LEASES

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

Year Ending June 30:	Amount
2022	\$33,816
2023	33,816
Total	<u>\$67,632</u>

Expenditures for equipment under operating leases for the year ended June 30, 2021 totaled \$33,816.

NOTE 6 – RETIREMENT 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 Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2021, Kentucky Revised Statute (“KRS”) Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death.

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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.

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

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

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

General information about the Teachers’ Retirement System of the State of Kentucky (“TRS of Ky”)

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 of Ky)—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 of Ky was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS of Ky is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS of Ky issues a separate publicly available financial report that can be obtained from the TRS of Ky website, at <https://trs.ky.gov/administration/financial-reports-information/>.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service.

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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

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

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

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than \$6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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

If an employee terminates covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

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

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

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

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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

District's proportionate share of the CERS net pension liability	\$ 4,384,355
Commonwealth's proportionate share of TRS of Ky net pension liability associated with the District	<u>19,215,139</u>
Total	<u>\$ 23,599,494</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 0.057163 percent. For the year ended June 30, 2021, the District recognized pension expense of \$361,940 related to CERS and a negative expense of \$585,741 related to TRS of Ky. The District also recognized an additional negative on-behalf revenue of \$2,132,086 for TRS of Ky based on the actuarially-determined pension expense. TRS has reported negative pension expense since the 2018 measurement period.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 109,332	\$ -
Changes of assumptions	171,202	-
Net difference between projected and actual earnings on pension plan investments	190,047	80,334
Changes in proportion and differences between District contributions and proportionate share of contributions	27,752	32,026
District contributions subsequent to the measurement date	<u>275,593</u>	<u>-</u>
	<u>\$ 773,926</u>	<u>\$ 112,360</u>

\$275,593 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:

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

Fiscal Year Ended	
June 30:	
2022	\$ 164,660
2023	\$ 124,181
2024	\$ 53,069
2025	\$ 44,064
2026	\$ 0
Thereafter	\$ 0

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

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

For CERS, mortality tables were revised for the 2019 measurement based on an experience study completed in March 2019. The mortality table used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

For TRS of Ky, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward two years for males and one year for females. The RP-2000 Disabled Mortality Table (set forward two years for males and seven years for females) is used for death after disability retirement. The last experience study for the period July 1, 2010 – June 30, 2015, was performed in 2016.

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

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

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

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

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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

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

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

	<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	\$ 5,406,863	\$	4,384,355	\$	3,537,679
KTRS	6.50%		7.50%		8.50%
District's proportionate share					
of net pension liability	\$ 0	\$	0	\$	0

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

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

NOTE 6 – RETIREMENT PLANS (Cont'd)

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 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 this financial statement.

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS

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

CERS Other Postemployment Benefits

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

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans.

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2020 measurement period, CERS allocated 4.76% of the 19.30% actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1% of the Tier 2 and 3 6% employee contributions are allocated to the health insurance plan.

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

At June 30, 2021, the District reported a liability of \$1,380,023 for its proportionate share of the CERS collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.057151 percent.

The amount recognized by the District as its proportionate share of the OPEB liability was \$1,380,023 as of June 30, 2021, and \$964,164 as of June 30, 2020. The District recognized OPEB expense of \$79,710 as the OPEB liability and the related deferred inflows of resources decreased while deferred outflows of resources increased.

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 230,573	\$ 230,753
Changes of assumptions	240,042	1,460
Net difference between projected and actual earnings on OPEB plan investments	74,028	28,159
Changes in proportion and differences between District contributions and proportionate share of contributions	9,917	52,905
District contributions subsequent to the measurement date	67,970	-
	<u>\$ 622,530</u>	<u>\$ 313,277</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$67,970 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$62,064
2023	\$75,638
2024	\$49,664
2025	\$56,625
2026	(\$2,707)
Thereafter	\$0

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

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

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major class are summarized in the table below.

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

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

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

Discount rate – The single discount rate of 5.34% for CERS nonhazardous and 5.30% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2020. The Single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 1,772,924	\$ 1,380,023	\$ 1,057,320

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

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
CERS	6.00% decreasing to 3.05%	7.00% decreasing to 4.05%	8.00% decreasing to 5.05%
District's proportionate share of net OPEB liability	\$ 1,068,483	\$ 1,380,023	\$ 1,758,084

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from <http://kyret.ky.gov/>.

TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS

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

Plan description—In addition to the pension benefits described in Note H, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky 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 of Ky Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS of Ky Medicare Eligible Health Plan.

Contributions—In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. In addition, the state contributes 2.32% for OPEB plan pre-funding. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2021, the District reported a liability of \$1,827,000 for its proportionate share of the collective net OPEB liability for medical insurance. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the District's proportion was 0.072375 percent.

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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

District's proportionate share of the net OPEB liability	\$ 1,827,000
State's proportionate share of the net OPEB liability associated with the District	<u>1,463,000</u>
Total	<u>\$ 3,290,000</u>

For the fiscal year ended June 30, 2021, the District recognized a decrease in OPEB expense of \$74,002 as the liability decreased, deferred outflows and inflows of resource increased, and deferred contributions decreased. In addition, the District recognized on-behalf revenue and expenses of \$102,388 for support provided by the State as a nonemployer contributing entity. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

KTRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 779,000
Changes of assumptions	111,000	-
Net difference between projected and actual earnings on OPEB plan investments	59,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	286,000	-
District contributions subsequent to the measurement date	<u>124,763</u>	<u>-</u>
	<u>\$ 580,763</u>	<u>\$ 779,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$124,763 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	(\$69,000)
2023	(\$64,000)
2024	(\$65,000)
2025	(\$61,000)
2026	(\$52,000)
Thereafter	(\$12,000)

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for death benefits 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 death after disability retirement.

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

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

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS District's proportionate share of MIF net OPEB liability	\$ 2,208,000	\$ 1,827,000	\$ 1,508,000

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

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

	1% Decrease 6.25% decreasing to 4%	Current Health Care Trend Rate 7.25% decreasing to 5%	1% Increase 8.25% decreasing to 6%
KTRS District's proportionate share of net OPEB liability	\$ 1,448,000	\$ 1,827,000	\$ 2,293,000

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

TRS Life Insurance Plan

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

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

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.07%) of the gross annual payroll of members is contributed by the state.

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

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

District's proportionate share of the net OPEB liability	\$	0
State's proportionate share of the net OPEB liability associated with the District		44,000
Total		\$ 44,000

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

For the year ended June 30, 2021, the District recognized OPEB revenue and expense of \$2,130 for support provided by the State.

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

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S Equity	40.0%	4.6%
International Equity	23.0%	5.6%
Fixed Income	18.0%	0.0%
Real Estate	6.0%	4.3%
Private Equity	5.0%	7.7%
Additional Categories*	6.0%	2.5%
Cash	<u>2.0%</u>	-0.50%
Total	<u>100.0%</u>	

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

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

NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)

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

OPEB plan fiduciary net position – TRS of Ky issues a publicly available financial report that can be obtained at http://www.TRSofKy.ky.gov/05_publications/index.htm.

NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2021, this amount totaled \$227,989. The District follows a policy of funding up to one-half of the total amount accrued as a commitment of the General Fund balance.

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 – CONTINGENCIES

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

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

NOTE 10 – CONTINGENCIES (Cont'd)

Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

NOTE 11 - RISK MANAGEMENT

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

The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis.

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

NOTE 12 - COBRA

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

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

NOTE 13 - DEFICIT OPERATING/ FUND BALANCES

The Food Service Fund is operating as a deficit fund balance of \$280,507 at June 30, 2021. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) of revenues over expenditures resulting in the following reductions of fund balances:

Food Service Fund	\$ 29,075
School Activity Fund	\$ 7,021
District Activity Fund	\$ 10,660
Construction Fund	\$ 9,227,571

NOTE 14 – INTERFUND TRANSACTIONS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS Matching	\$32,197
General	Construction	Construction	\$2,295
Special Revenue	General	Expense Reimbursement	\$43,273
Building	Debt Service	Debt Service	\$752,575

NOTE 15 - ON-BEHALF PAYMENTS

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

Kentucky Teachers Retirement System	\$ 1,495,345
Health & Life Insurance	1,127,255
KISTA	0
Technology	68,974
Debt Service	879,803
Recognized at the Fund Level	3,571,377
Additional pension expense recognized at the Government-Wide Level	(2,081,086)
Total On-Behalf	\$ 1,490,291

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

General Fund	\$ 2,658,554
Food Service Fund	33,020
Debt Service Fund	879,803
Total	\$ 3,571,377

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

NOTE 16– LITIGATION

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

NOTE 17– SUBSEQUENT EVENTS

In preparing these financial statements, management of the District has evaluated events and transaction for potential recognition or disclosure through October 22, 2021, the date the financial statements were available to be issued.

NOTE 18 – RISKS AND UNCERTAINTIES

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

MENIFEE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL SCHEDULES

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

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
COUNTY EMPLOYEES RETIREMENT SYSTEM:							
District's proportion of the net pension liability	0.057163%	0.057339%	0.056269%	0.061230%	0.061114%	0.062460%	0.059290%
District's proportionate share of the net pension liability	\$ 4,384,355	\$ 4,032,677	\$ 3,426,954	\$ 3,583,980	\$ 3,009,036	\$ 2,685,437	\$ 1,923,000
District's covered-employee payroll	\$ 1,407,783	\$ 1,390,354	\$ 1,381,363	\$ 1,455,002	\$ 1,454,566	\$ 1,961,629	\$ 1,457,224
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.44%	290.05%	248.08%	246.32%	206.87%	136.90%	131.96%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 19,215,139	\$ 16,946,953	\$ 15,950,244	\$ 31,883,890	\$ 35,652,060	\$ 29,954,231	\$ 30,126,070
Total	<u>\$ 19,215,139</u>	<u>\$ 16,946,953</u>	<u>\$ 15,950,244</u>	<u>\$ 31,883,890</u>	<u>\$ 35,652,060</u>	<u>\$ 29,954,231</u>	<u>\$ 30,126,070</u>
District's covered-employee payroll	\$ 4,744,724	\$ 4,884,093	\$ 4,277,541	\$ 4,241,958	\$ 4,185,045	\$ 4,179,746	\$ 4,347,207
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	58.80%	59.30%	56.40%	54.60%	55.30%	53.60%

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
COUNTY EMPLOYEES RETIREMENT SYSTEM:								
Contractually required contribution	\$ 275,593	\$ 295,114	\$ 242,246	\$ 201,942	\$ 207,967	\$ 173,629	\$ 186,481	\$ 257,491
Contributions in relation to the contractually required contribution	<u>275,593</u>	<u>295,114</u>	<u>242,246</u>	<u>201,942</u>	<u>207,967</u>	<u>173,629</u>	<u>186,481</u>	<u>257,491</u>
Contribution deficiency (excess)			-	-	-	-	-	-
District's covered-employee payroll	\$ 1,427,944	\$ 1,521,546	\$ 1,493,499	\$ 1,381,363	\$ 1,455,002	\$ 1,454,566	\$ 1,961,629	\$ 1,457,224
District's contributions as a percentage of its covered-employee payroll	19.30%	19.40%	16.22%	14.62%	14.29%	11.94%	9.51%	17.67%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 4,744,724	\$ 4,884,093	\$ 4,526,990	\$ 4,277,541	\$ 4,241,958	\$ 4,185,045	\$ 4,179,746	\$ 4,347,207
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Changes of Benefit Terms -

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

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

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

Actuarial Methods and Assumptions:

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

The 2020 actuarial valuation used update mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2020, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

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

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

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Changes of Benefit Terms - None

Changes of Assumptions:

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

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

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

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

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

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

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
COUNTY EMPLOYEES RETIREMENT SYSTEM:				
District's proportion of the net OPEB liability	0.057151%	0.057324%	0.056269%	0.061230%
District's proportionate share of the net OPEB liability	\$ 1,380,023	\$ 964,164	\$ 999,009	\$ 1,230,932
District's covered-employee payroll	\$ 1,407,783	\$ 1,390,354	\$ 1,381,363	\$ 1,455,002
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	98.03%	69.35%	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	60.44%	57.62%	52.40%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:				
District's proportion of the net OPEB liability	0.072375%	0.065876%	0.062625%	0.062290%
District's proportionate share of the net OPEB liability	\$ 1,827,000	\$ 1,928,000	\$ 2,173,000	\$ 2,221,000
State's proportionate share of the net OPEB liability associated with the District	\$ 1,463,000	\$ 1,557,000	\$ 1,873,000	\$ 1,814,000
Total	<u>\$ 3,290,000</u>	<u>\$ 3,485,000</u>	<u>\$ 4,046,000</u>	<u>\$ 4,035,000</u>
District's covered-employee payroll	\$ 4,744,724	\$ 4,884,093	\$ 4,277,541	\$ 4,241,958
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	38.51%	39.48%	50.80%	52.36%
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	32.58%	25.50%	21.18%

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

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
COUNTY EMPLOYEES RETIREMENT SYSTEM:					
Contractually required contribution	\$ 67,970	\$ 72,785	\$ 78,558	\$ 65,548	\$ 70,515
Contributions in relation to the contractually required contribution	<u>67,970</u>	<u>72,785</u>	<u>78,558</u>	<u>65,548</u>	<u>70,515</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 1,427,944	\$ 1,521,546	\$ 1,493,499	\$ 1,381,363	\$ 1,455,002
District's contributions as a percentage of its covered-employee payroll	4.76%	4.78%	5.26%	4.75%	4.85%
 KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
Contractually required contribution	\$ 124,763	\$ 127,761	\$ 114,708	\$ 111,554	\$ 106,720
Contributions in relation to the contractually required contribution	<u>124,763</u>	<u>127,761</u>	<u>114,708</u>	<u>111,554</u>	<u>106,720</u>
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 4,176,961	\$ 4,289,221	\$ 3,832,402	\$ 4,277,541	\$ 4,241,958
District's contributions as a percentage of its covered-employee payroll	2.99%	2.98%	2.99%	2.61%	2.52%

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

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

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

COUNTY EMPLOYEES RETIREMENT SYSTEM:

Valuation Date: June 30, 2020

Changes in actuarial assumptions:

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

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

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2020

2017 Changes to benefit terms:

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

2019 Changes to assumptions:

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

2020 Changes to assumptions:

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

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

	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
KENTUCKY TEACHER'S RETIREMENT SYSTEM:				
District's proportion of the net OPEB liability	0%	0%	0%	0%
District's proportionate share of the net OPEB liability	-	-	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 44,000	\$ 36,000	\$ 32,000	\$ 24,000
Total	<u>\$ 44,000</u>	<u>\$ 36,000</u>	<u>\$ 32,000</u>	<u>\$ 24,000</u>
District's covered-employee payroll	\$ 4,744,724	\$ 4,884,093	\$ 4,277,541	\$ 4,241,958
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	73.40%	75.00%	79.99%

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

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

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

	2021	2020	2019	2018	2017
KENTUCKY TEACHER'S RETIREMENT SYSTEM:					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	\$ 4,176,961	\$ 4,289,221	\$ 3,832,402	\$ 4,277,541	\$ 4,241,958
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

KENTUCKY TEACHER'S RETIREMENT SYSTEM:

Valuation Date: June 30, 2020

Changes to benefit terms:

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

MENIFEE COUNTY SCHOOL DISTRICT

SUPPLEMENTAL SCHEDULES

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

	<u>DISTRICT ACTIVITY FUND</u>	<u>SCHOOL ACTIVITY FUND</u>	<u>SEEK CAPITAL OUTLAY FUND</u>	<u>FSPK BUILDING FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 36,256	\$ 40,277	\$ 91,385	\$ 84,509	\$ 252,427
TOTAL ASSETS	<u>\$ 36,256</u>	<u>\$ 40,277</u>	<u>\$ 91,385</u>	<u>\$ 84,509</u>	<u>\$ 252,427</u>
FUND BALANCES:					
Restricted	\$ 36,256	\$ 40,277	\$ 91,385	\$ 84,509	\$ 252,427
TOTAL FUND BALANCES	<u>\$ 36,256</u>	<u>\$ 40,277</u>	<u>\$ 91,385</u>	<u>\$ 84,509</u>	<u>\$ 252,427</u>

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES:					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ 248,816	\$ 248,816
Interest on investments	-	-	-	-	-
Other Local revenues	4,177	40,079	-	-	44,256
Intergovernmental - State	-	-	91,385	588,268	679,653
TOTAL REVENUES	<u>4,177</u>	<u>40,079</u>	<u>91,385</u>	<u>837,084</u>	<u>972,725</u>
EXPENDITURES:					
Current:					
Instruction	-	46,865	-	-	46,865
Student Services:					
Student Support	14,837	-	-	-	14,837
Plant operations and maintenance	-	-	-	-	-
Student Transportation	-	235	-	-	235
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
TOTAL EXPENDITURES	<u>14,837</u>	<u>47,100</u>	<u>-</u>	<u>-</u>	<u>61,937</u>
Excess (Deficit) of Revenues over Expenditures	<u>(10,660)</u>	<u>(7,021)</u>	<u>91,385</u>	<u>837,084</u>	<u>910,788</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	(752,575)	(752,575)
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>-</u>	<u>(752,575)</u>	<u>(752,575)</u>
Net Change in Fund Balances	(10,660)	(7,021)	91,385	84,509	158,213
Fund balance - beginning of year	<u>46,916</u>	<u>47,298</u>	<u>-</u>	<u>-</u>	<u>94,214</u>
Fund balance - end of year	<u>\$ 36,256</u>	<u>\$ 40,277</u>	<u>\$ 91,385</u>	<u>\$ 84,509</u>	<u>\$ 252,427</u>

**MENIFEE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balances June 30, 2020	Receipts	Disbursements	Cash Balances June 30, 2021	Accounts Receivable June 30, 2021	Accounts Payable June 30, 2021	Due To Student Groups June 30, 2021
Menifee Co. High School	\$ 37,145	\$ 38,950	\$ 43,699	\$ 32,396	\$ -	\$ -	\$ 32,396
Menifee Co. Elementary	9,650	1,129	3,166	7,613	-	-	7,613
Botts Elementary	503	0	235	268	-	-	268
	<u>\$ 47,298</u>	<u>\$ 40,079</u>	<u>\$ 47,100</u>	<u>\$ 40,277</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 40,277</u>

**MENIFEE COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
MENIFEE COUNTY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

ACCOUNTS:	Cash Balances June 30, 2020	Receipts	Disbursements	Cash Balances June 30, 2021	Accounts Receivable June 30, 2021	Accounts Payable June 30, 2021	Due To Student Groups June 30, 2021
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sweep	-	-	-	-	-	-	-
Faculty Vending	-	-	-	-	-	-	-
Student Vending	333	-	-	333	-	-	333
Student Parking	710	210	-	920	-	-	920
Volleyball	-	800	800	-	-	-	-
Athletic Concessions	2,524	1,535	2,771	1,288	-	-	1,288
Support Baseball	3,403	-	3,403	-	-	-	-
Basketball - Boys	2,282	4,449	5,877	854	-	-	854
Basketball - Girls	3,019	5,188	5,974	2,233	-	-	2,233
Cross Country - Girls & Boys	-	-	-	-	-	-	-
Track - Boys & Girls	-	-	-	-	-	-	-
Support Volleyball	-	-	-	-	-	-	-
Support Softball	3,919	332	430	3,821	-	-	3,821
Support Cheerleaders	1,162	1,577	2,417	322	-	-	322
Soccer - Boys	215	1,356	1,571	-	-	-	-
Soccer - Girls	-	1,265	1,265	-	-	-	-
Support Boys Soccer	6,703	-	3,587	3,116	-	-	3,116
Support Girls Soccer	191	-	93	98	-	-	98
Baseball	-	3,307	610	2,697	-	-	2,697
Support Boys Basketball	-	-	-	-	-	-	-
Support Girls Basketball	-	-	-	-	-	-	-
Softball	-	1,810	466	1,344	-	-	1,344
Cheerleading	-	-	-	-	-	-	-
FCCLA	367	-	-	367	-	-	367
FFA	1,380	3,961	3,003	2,338	-	-	2,338
Wildcat Medical Club	90	-	-	90	-	-	90
Journalism	-	-	-	-	-	-	-
Athletics	2,851	1,494	3,456	889	-	-	889
Junior Class	2,373	5,830	5,217	2,986	-	-	2,986
Senior Class	2,060	-	-	2,060	-	-	2,060
BETA Club	971	-	250	721	-	-	721
STLP	212	-	-	212	-	-	212
Band	1,277	-	456	821	-	-	821
Special Education	171	-	104	67	-	-	67
Academic	-	-	-	-	-	-	-
FCA	11	11	-	22	-	-	22
National Honor Society	-	-	-	-	-	-	-
FFA Horticulture Fund	705	5,399	1,623	4,481	-	-	4,481
Student Council	216	-	-	216	-	-	216
Future Business Leaders	-	250	150	100	-	-	100
Educators Rising	-	30	30	-	-	-	-
Health Occupation Student	-	146	146	-	-	-	-
Start-Up Change	-	-	-	-	-	-	-
Guidance	-	-	-	-	-	-	-
Wildcat Behavior	-	-	-	-	-	-	-
TOTALS	\$ 37,145	\$ 38,950	\$ 43,699	\$ 32,396	\$ -	\$ -	\$ 32,396

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
Passed Through Kentucky Department of Education			
United States Department of Agriculture			
Child Nutrition Cluster-Cluster			
National School Lunch Program			
National School Lunch Program	10.555	4002823	\$52,634
National School Lunch Program	10.555	7750002-20	8,921
School Breakfast Program	10.553	7760005-20	5,575
Summer School Feeding Program	10.559	7690024-20	11,612
Summer School Feeding Program	10.559	7690024-21	57,230
Summer School Feeding Program	10.559	7740023-20	112,984
Summer School Feeding Program	10.559	7740023-21	558,151
Total Child Nutrition Cluster-Cluster			807,107
Total United States Department of Agriculture			807,107
United States Department of Education			
Special Education Cluster (IDEA)-Cluster			
Special Education_Grants to States	84.027	3810002-19	14,928
Special Education_Grants to States	84.027	3810002-20	196,761
Total Special Education_Grants to States			211,689
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	3800002-20	3,688
Total Special Education_Preschool Grants			3,688
Total Special Education Cluster (IDEA)-Cluster			215,377
Education Stabilization Fund			
COVID-19 ESSER FUNDS	84.425D	4000003-20	377,312
COVID-19 ESSER FUNDS	84.425D	4200002-21	507,395
COVID-19 GEER FUNDS	84.425C	CARES ACT - GEER--633F	69,797
Total Education Stabilization Funds			954,504
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	3100002-19	23,214
Title I Grants to Local Educational Agencies	84.010	3100002-20	523,685
Title I Grants to Local Educational Agencies	84.010	3100002-18	3,366
Title I Grants to Local Educational Agencies	84.010	3220002-17	26,636
Title I Grants to Local Educational Agencies	84.010	3100202-17	81,414
Total Title I Grants to Local Educational Agencies			658,315
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	3710002-19	1,535
Career and Technical Education -- Basic Grants to States	84.048	3710002-20	3,688
Career and Technical Education -- Basic Grants to States	84.048	3710002-18	407
Total Career and Technical Education -- Basic Grants to States			5,630
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers	84.287	3400002-19	84,634
Twenty-First Century Community Learning Centers	84.287	3400002-18	14,886
Total Twenty-First Century Community Learning Centers			99,520
Gaining Early Awareness and Readiness for Undergraduate Programs			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GEAR UP - ACADEMIC SPECIALIST-- 379FA	8,230
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GEAR UP - ACADEMY SPECIALIST-- 379GA	100,970
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	GEAR UP - DIRECT SERVICES--349GD	2,700
Total Gaining Early Awareness and Readiness for Undergraduate Programs			111,900
Rural Education			
Rural Education	84.358	3140002-20	18,680
Total Rural Education			\$18,680

The accompanying notes are an integral part of this schedule

MENIFEE COUNTY BOARD OF EDUCATION
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2021

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Improving Teacher Quality State Grants</i>			
Improving Teacher Quality State Grants	84.367	3230002-20	\$57,097
Total Improving Teacher Quality State Grants			<u>57,097</u>
<i>Striving Readers/Comprehensive Literacy Development</i>			
Striving Readers/Comprehensive Literacy Development	84.371	STRIVING READERS GRANT--466F	32,015
Striving Readers/Comprehensive Literacy Development	84.371	STRIVING READERS GRANT--466E	1,037
Total Striving Readers/Comprehensive Literacy Development			<u>33,052</u>
<i>Student Support and Academic Enrichment Program</i>			
Student Support and Academic Enrichment Program	84.424	3420002-19	17,145
Student Support and Academic Enrichment Program	84.424	3420002-20	31,899
Total Student Support and Academic Enrichment Program			<u>49,044</u>
Total United States Department of Education			<u>2,203,119</u>
Department of Health and Human Services			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-20	150
<i>Total Department of Health and Human Services</i>			<u>150</u>
Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA -677FC	2,753
<i>Total Department of Homeland Security</i>			<u>2,753</u>
Department of The Treasury			
<i>Coronavirus Relief Fund</i>			
CARES- Coronavirus Relief Fund	21.019	17GG	288,241
<i>Total Coronavirus Relief Fund</i>			<u>288,241</u>
Total Department of the Treasury			<u>288,241</u>
Total Expenditures of Federal Awards			<u><u>\$3,301,370</u></u>

The accompanying notes are an integral part of this schedule

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

NOTE 1- BASIS OF PRESENTATION

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

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2021, the District received food commodities totaling \$52,634.

NOTE 4 – SUBRECIPIENTS

The District did not pass through any federal awards to a subrecipient in the current fiscal year.

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

To the Kentucky State Committee for School District Audits
Members of the Board of Education
Menifee County School District
Frenchburg, KY 40322

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Menifee County School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Menifee County School District's basic financial statements, and have issued our report thereon dated October 22, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Menifee County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

We noted certain matters that we reported to management for the District in a separate letter dated October 22, 2021.

Purpose of this Report

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

Summers, McCrary & Sparks, PSC

Lexington, KY
October 22, 2021

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

To the Kentucky State Committee for School District Audits
Members for the Board of Education
Menifee County School District
Frenchburg, KY 40322

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Summers, McCrary & Sparks, PSC

Lexington, KY
October 22, 2021

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiencies identified
 yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over majority programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified
 yes X none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with 2 CFR section 200.516 (a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
#84.425D	ESSER Funds
#10.553;#10.555;#10.556;#10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? X yes no

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

Section II – Financial Statement Findings

No findings in the current year

Section III – Federal Award Findings and Questioned Costs

No findings in the current year.

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

Financial Statement Findings

No findings in the prior year.

Federal Award Findings and Questioned Costs

No findings in the prior year.

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Members of the Board of Education
Menifee County School District
Frenchburg, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 22, 2021 on the financial statements of the Menifee County School District

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

Respectfully,

Summers, McCrary & Sparks, PSC

Summers, McCrary & Sparks, PSC
Lexington, Kentucky
October 22, 2021

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

BOARD

Nothing noted.

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Comment: During our review of the transfer forms, it was noted that the transfer forms were not being completed completely. Specifically, the transfer # and date were not being filled out on the forms. We recommend the bookkeeper review the Transfers section of the "Redbook", which states "Amount may be transferred between activity accounts only by proper completion of a Transfer Form (F-SA-10).

Response: We will ensure that the transfer forms include a number and date in the future.

MENIFEE COUNTY ELEMENTARY SCHOOL

Comment: During our review of the transfer forms, it was noted that the transfer forms were not being completed completely. Specifically, the transfer # and date were not being filled out on the forms. We recommend the bookkeeper review the Transfers section of the "Redbook", which states "Amount may be transferred between activity accounts only by proper completion of a Transfer Form (F-SA-10).

Response: We will ensure that the transfer forms include a number and date in the future.

BOTTS ELEMENTARY

Comment: During our review of the transfer forms, it was noted that the transfer forms were not being completed completely. Specifically, the transfer # and date were not being filled out on the forms. We recommend the bookkeeper review the Transfers section of the "Redbook", which states "Amount may be transferred between activity accounts only by proper completion of a Transfer Form (F-SA-10).

Response: We will ensure that the transfer forms include a number and date in the future.

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

STATUS OF PRIOR YEAR COMMENTS

BOARD

Nothing Noted.

SCHOOL ACTIVITY FUNDS

MENIFEE COUNTY HIGH SCHOOL

Previously, during our testing of cash receipts, we found multiple instances of students not signing the Multiple Receipt Form when turning in money. We recommend the bookkeeper and teachers review the Receipts section of the "Redbook" which states Students third grade and above must sign the Multiple Receipt Form. There were no similar findings in the current year.

Previously, during our testing of cash disbursements, we found an instance where a Cash Advance was not done on the Cash Advance form. We recommend the bookkeeper review the Cash Advances & Travel Reimbursements section of the "Redbook" which states: "Cash advances shall be supported by the Advance Report (F-SA-9). There were no similar findings in the current year.

Previously, the Principal did not complete the Combined Budget in a timely manner. There were no similar findings in the current year.

MENIFEE COUNTY ELEMENTARY SCHOOL

Previously, the Principal did not complete the Combined Budget in a timely manner. There were no similar findings in the current year.

BOTTS ELEMENTARY

Previously, the Principal did not complete the Combined Budget in a timely manner. There were no similar findings in the current year.

Previously, during our testing of Booster Clubs, we noted the PTO did not complete a Budget worksheet. (Form F-SA-4B). We recommend the bookkeeper review the External Support/Booster Organizations section in the Redbook, which states, "Each external support/booster organization must submit an annual F-SA-4B to the principal within the first 30 days of the school year or within 30 days of the first transaction of the group." There were no similar findings in the current year.