

**ROCKCASTLE COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2022

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Rockcastle County School District
Mt. Vernon, KY

Report on the Audit of the Financial Statements

Opinions

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 Rockcastle County School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change In Accounting Principle

As discussed in Note T to the financial statements, in 2022 the District adopted new accounting guidance, *GASBS No. 87, Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information on pages as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 District's internal control over financial reporting and compliance.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

As management of the Rockcastle County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the district was \$3,090,525.18. Ending fund balance was \$4,967,931.58 of which \$3,357,884.96 was General Fund, \$1,610,046.62 was in the following restricted funds: Building Fund and Construction Fund.
 - The ending cash balance was \$3,357,884.96 for the District.
 - The General Fund Revenue totaled \$28,839,290.67 which primarily consists of state program funding (SEEK), property, utility and motor vehicle taxes. General Fund expenditures total \$25,481,405.71 exclusive of other financing sources. These totals include \$7,475,547.22 of on-behalf payments from the Commonwealth of Kentucky for health insurance, life insurance and Kentucky Teachers' Retirement contributions.
 - The school district continues a concentrated effort to build and maintain facilities that are state of the art and well maintained. The district composes of three elementary schools (grades P-5), one middle school (grades 6- 8), one high school (grades 9-12), one area technology center school (grades 9-12), and an alternative school (grades 6-12) in addition to a central office, the alternative school, and a central teaching and training center.
 - The efforts of the Rockcastle County Board of Education along with district and school leadership has been instrumental in providing a variety of learning platforms during the global pandemic. The efforts to feed, learn and support students and families has been the highest priority for the district. Additional federal grant funding has provided financial resources to expand virtual educational services during COVID 19.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Rockcastle County School District's basic financial statements. The District's basic financial statements are comprised of 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.

District-Wide Financial Statements - The district-wide financial statements are designed to provide readers with a broad overview of the Rockcastle County School District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Rockcastle County School 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 Rockcastle County School District is improving or deteriorating.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

The statement of activities presents information showing how the Rockcastle County School 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 district-wide financial statements outline functions of the Rockcastle County School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on the table of contents in 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 fund is our food service operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents in 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 district-wide and fund financial statements. The notes to the financial statements can be found on the table of contents in 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 were more than liabilities and deferred inflows by approximately \$10,463,798 as of June 30, 2022. 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.

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.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

2022 District-Wide Governmental Net position compared to 2021 as follows:

Table 1
Net Position (in Millions)

	Governmental		Business-type		Total		Total Percentage Change 2021-2022
	Activities		Activities		School District		
	2021	2022	2021	2022	2021	2022	
Assets:							
Current and Other Assets	6.54	8.31	0.52	0.89	7.06	9.20	30%
Capital Assets	29.74	32.46	0.41	0.41	30.15	32.87	9%
Total Assets	36.28	40.77	0.93	1.30	37.21	42.07	13%
Deferred Outflows	4.36	4.41	0.16	0.14	4.52	4.55	1%
	4.36	4.41	0.16	0.14	4.52	4.55	
Liabilities:							
Current Liabilities	1.14	1.25	0.00	-	1.14	1.25	9%
Noncurrent Liabilities	27.27	26.76	0.64	0.55	27.91	27.31	-2%
Total Liabilities	28.41	28.01	0.65	0.55	29.06	28.56	-2%
Deferred Inflows	3.79	6.71	0.06	0.17	3.85	6.88	79%
	3.79	6.71	0.06	0.17	3.85	6.88	
Invested in Capital Assets							
Net of Debt	21.69	20.95	0.41	0.41	22.10	21.37	-3%
Restricted	2.39	4.00	-	0.31	2.39	4.31	80%
Unrestricted Net Position	(15.63)	(14.49)	(0.03)		(15.66)	(14.49)	-7%
Total Net Position	8.45	10.46	0.37	0.72	8.82	11.19	27%

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

GOVERNMENTAL ACTIVITIES

Ending net position was \$11.19 million for the District. This was an increase of \$2.37 million from 2021.

Changes in Net Position
(in millions)

	Governmental Activities				Business-Type Activities		Total School District		Total Percentage Change 2021-2022
	2021		2022		2021		2022		
Revenues:									
Charges for services	\$ -	\$ -	\$ 0.02	\$ 0.04	\$ 0.02	\$ 0.04			153%
Operating grants and contributions	6.62	6.38	2.91	3.49	9.52	9.87			4%
Capital grants and contributions	1.02	-	-	-	1.02	-			-100%
General revenues	25.19	27.43	(0.09)	(0.08)	25.10	27.35			9%
Total revenue	32.82	33.81	2.83	3.44	35.65	37.25			4%
Expenses:									
Instruction	\$ 20.68	\$ 19.56	\$ -	\$ -	\$ 20.68	\$ 19.56			-5%
Student	1.92	2.73	-	-	1.92	2.73			42%
Instructional staff	1.24	1.76	-	-	1.24	1.76			42%
District administration	0.41	0.51	-	-	0.41	0.51			23%
School administration	1.60	1.81	-	-	1.60	1.81			13%
Business	0.37	0.43	-	-	0.37	0.43			16%
Plant operation & maintenance	2.06	2.35	-	-	2.06	2.35			14%
Student transportation	1.59	1.66	-	-	1.59	1.66			5%
Food Service Operations	0.03	0.15	2.49	3.06	2.52	3.21			27%
Community services operations	0.34	0.33	-	-	0.34	0.33			-4%
Building Acqu & Construction	0.01	-	-	-	0.01	-			
Amortization	0.04	-	-	-	0.04	-			-100%
Depreciation	1.19	1.16	0.03	0.03	1.22	1.19			-3%
Interest on long-term debt	0.25	0.40	-	-	0.25	0.40			61%
Total Expenses	\$ 31.73	\$ 32.84	\$ 2.52	\$ 3.09	\$ 34.26	\$ 35.93			5%
Change in net position	\$ 1.08	\$ 0.97	\$ 0.32	\$ 0.35	\$ 1.39	\$ 1.32			5%

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

CAPITAL ASSETS

At the end of fiscal 2022, the District had \$32.87 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a decrease (including additions and deductions) of \$2.7 million over last year.

Capital Assets (net) at Year-End FY2022

	Governmental Activities		Business Type Activities		Totals	
	2021	2022	2021	2022	2021	2022
Land	658,955	658,955	-	-	658,955	658,955
Land Improvements	95,196	90,090	-	-	95,196	90,090
Buildings & Improvements	27,697,794	26,808,562	342,643	326,422	28,040,437	27,134,984
Technology Equipment	(1,878)	-	52	52	(1,826)	52
Vehicles	1,284,043	1,325,887	-	-	1,284,043	1,325,887
General Equipment	10,070	123,214	64,240	84,684	74,310	207,898
Construction In Progress	-	3,452,720	-	-	-	3,452,720

DEBT

Capital lease and general obligation debt increased \$3.46 million from FY 2021.

Outstanding Debt at Year-End
(in Millions)

	Governmental Activities	
	2021	2022
General Obligation Bonds	\$ 8.05	\$ 11.51
Total Obligations	<u>\$ 8.05</u>	<u>\$ 11.51</u>

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$3,383,582.56 which is more than last year's fund balance of \$3,099,094.10. The unassigned portion of the fund balance at the end of fiscal

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS

Year ended June 30, 2022

year 2022 is \$3,357,884.96 compared to \$3,073,396.50 from the preceding year. The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2022:

REVENUE		
	Governmental	Proprietary
Local Revenue Sources	5,339,914	38,495
State Revenue Sources	24,036,634	-
Federal Revenue Sources	5,390,334	3,487,840
Other	4,044,727	12,522
Transfers	1,309,848	-
TOTALS	40,121,457	3,538,857
EXPENDITURES	Governmental	Proprietary
Instruction	20,190,801	-
Student Support Services	2,738,537	-
Instructional Staff Support Services	1,799,137	-
District Admin Support	516,225	-
School Admin Support	1,869,993	-
Business Support Services	441,333	-
Plant Operation & Management	2,515,637	-
Student Transportation	2,022,332	-
Food Service Operations	149,726	3,089,820
Community Services	326,168	-
Building Acqu & Construction	53,992	-
Debt Service	947,815	-
Site Improvement	-	-
Building Renovations	3,398,727	-
Other Items	-	-
Transfers	1,213,216	96,633
TOTALS	38,183,639	3,186,453
Excess / (Deficit)	1,937,818	352,404

Comments on Budget Comparisons

- The District’s total general fund revenues for the fiscal year ended June 30, 2022 net of other financing sources and uses were \$28.8 million including “On-Behalf” payments.
- The total cost of all general fund programs and services was \$25.4 compared to \$23.2 the prior fiscal year.

Rockcastle County School District
MANAGEMENT DISCUSSION & ANALYSIS
Year ended June 30, 2022

BUDGETARY IMPLICATIONS

By law, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2021-2022 with a 7.4% general fund contingency.

Issues which will impact future budgets include:

- Increased salary and salary fixed costs, along with staffing shortages.
- Navigating inflation cost to all areas of services.
- Improving programming while meeting the academic standards and needs of all students.
- Addressing learning loss and social mental health needs as a result of the COVID-19 pandemic.

Questions regarding this report should be directed to the Jenny Sweet, Director of Finance or, Carrie Ballinger Superintendent at (606) 256-2125 or by mail at Rockcastle County Board of Education, 245 Richmond Street, Mount Vernon, Kentucky 40456.

Rockcastle County School District
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,772,079	\$ 847,854	\$ 3,619,933
Investments	3,025,698		3,025,698
Receivables (net)			
Taxes	74,834		74,834
Accounts	55,158		55,158
Intergovernmental	2,386,264		2,386,264
Inventories		41,575	41,575
Capital assets:			
Land, improvements, and construction in progress	10,458,444		10,458,444
Other capital assets, net of depreciation	22,000,983	411,158	22,412,141
Total capital assets	<u>32,459,427</u>	<u>411,158</u>	<u>32,870,584</u>
Total assets	<u>40,773,459</u>	<u>1,300,587</u>	<u>42,074,045</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,505,767	72,170	1,577,937
Deferred outflows related to OPEB	2,887,893	66,207	2,954,100
Deferred savings from refunding bonds	18,265		18,265
Total deferred outflows of resources	<u>4,411,925</u>	<u>138,377</u>	<u>4,550,303</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>45,185,384</u>	<u>1,438,964</u>	<u>46,624,348</u>
LIABILITIES			
Accrued interest payable	137,811		137,811
Accounts payable	56,109	319	56,427
Unearned revenue	386,779		386,779
Long-term liabilities:			
Due within 1 year:			
Bond obligations	668,355		668,355
Total due within 1 year	<u>668,355</u>	<u>-</u>	<u>668,355</u>
Due in more than 1 year:			
Bond obligations	10,836,747		10,836,747
Sick leave	270,695		270,695
Net pension liability	8,803,493	421,948	9,225,441
Net OPEB liability	6,848,794	126,667	6,975,461
Total due in more than 1 year	<u>26,759,729</u>	<u>548,616</u>	<u>27,308,345</u>
Total liabilities	<u>28,008,783</u>	<u>548,935</u>	<u>28,557,718</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,890,940	90,632	1,981,572
Deferred inflows related to OPEB	4,821,863	74,572	4,896,435
Total deferred inflows of resources	<u>6,712,803</u>	<u>165,204</u>	<u>6,878,007</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>34,721,586</u>	<u>714,139</u>	<u>35,435,725</u>
NET POSITION			
Net Investment in capital assets	20,954,324	411,158	21,365,482
Restricted for:			
Capital projects	3,975,980		3,975,980
Food Service		313,668	313,668
Permanent-spendable	25,000		25,000
Deficit	(14,491,507)		(14,491,507)
Total net position	<u>10,463,798</u>	<u>724,825</u>	<u>11,188,623</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 45,185,384</u>	<u>\$ 1,438,964</u>	<u>\$ 46,624,348</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Activities
Year Ended June 30, 2022

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:							
Instruction	\$ 19,480,312	\$ -	\$ 3,863,101	\$ -	\$ (15,617,211)		\$ (15,617,211)
Support Services							
Student	2,508,781		497,511		(2,011,270)		(2,011,270)
Instructional Staff	1,396,311		276,900		(1,119,412)		(1,119,412)
District Administration	506,893		100,521		(406,372)		(406,372)
School Administration	1,810,296		358,996		(1,451,300)		(1,451,300)
Business	431,719		85,613		(346,106)		(346,106)
Plant Operation & Maintenance	2,346,412		465,312		(1,881,100)		(1,881,100)
Student Transportation	1,663,980		329,980		(1,333,999)		(1,333,999)
Food Service Operations	149,726		29,692		(120,034)		(120,034)
Building Acquisition & Construction				1,051,614	1,051,614		1,051,614
Community Services Operations	326,168		64,682		(261,486)		(261,486)
Depreciation	1,156,724		229,388		(927,337)		(927,337)
Interest on general long-term debt	402,482		79,815		(322,666)		(322,666)
Total governmental activities	<u>32,179,804</u>	<u>-</u>	<u>6,381,512</u>	<u>1,051,614</u>	<u>(24,746,678)</u>		<u>(24,746,678)</u>
Business-type activities:							
Food service operations	3,056,079	38,495	3,487,840			\$ 470,257	470,257
Depreciation	33,741					(33,741)	(33,741)
Total business-type activities	<u>3,089,820</u>	<u>38,495</u>	<u>3,487,840</u>	<u>-</u>	<u>-</u>	<u>436,516</u>	<u>436,516</u>
Total primary government	\$ <u>35,269,624</u>	\$ <u>38,495</u>	\$ <u>9,869,352</u>	\$ <u>1,051,614</u>	<u>(24,746,678)</u>	<u>436,516</u>	<u>(24,310,162)</u>
General revenues:							
Taxes:							
Property taxes					2,509,069		2,509,069
Motor vehicle taxes					629,174		629,174
Utility taxes					842,774		842,774
Student activities					789,554		789,554
State and formula grants					21,326,723		21,326,723
Other local revenue					487,980		487,980
Unrestricted investment earnings					81,363	12,522	93,885
Transfers in (out)					96,633	(96,633)	-
Total general revenues					<u>26,763,270</u>	<u>(84,110)</u>	<u>26,679,159</u>
Change in net position					2,016,591	352,406	2,368,997
Net position - beginning					8,447,206	372,419	8,819,626
Net position - ending					<u>\$ 10,463,798</u>	<u>\$ 724,825</u>	<u>\$ 11,188,623</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Balance Sheet
Governmental Funds
June 30, 2022

	Governmental Funds						
	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and cash equivalents	\$	\$	\$ 1,739,120	\$ 1,736,162	\$	\$ 512,279	\$ 3,987,561
Investments	2,525,698			500,000			3,025,698
Receivables, net							
Taxes-current	60,259						60,259
Taxes-delinquent	14,575						14,575
Interfund (Special Revenue Fund)	1,924,444						1,924,444
Accounts	49,365	5,793					55,158
Intergovernmental	58,981	2,327,282					2,386,264
Total assets	<u>4,633,322</u>	<u>2,333,075</u>	<u>1,739,120</u>	<u>2,236,162</u>	<u>-</u>	<u>512,279</u>	<u>11,453,958</u>
LIABILITIES							
Cash shortage	1,215,482						1,215,482
Accounts payable	34,257	21,852					56,109
Interfund payable (General Fund)		1,924,444					1,924,444
Unearned revenue		386,779					386,779
Total liabilities	<u>1,249,739</u>	<u>2,333,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,582,815</u>
FUND BALANCE							
Nonspendable	25,000						25,000
Restricted	698		1,739,120	2,236,162		-	3,975,980
Committed						512,279	512,279
Unassigned	3,357,885						3,357,885
Total fund balance	<u>3,383,583</u>	<u>-</u>	<u>1,739,120</u>	<u>2,236,162</u>	<u>-</u>	<u>512,279</u>	<u>7,871,144</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,633,322</u>	<u>\$ 2,333,075</u>	<u>\$ 1,739,120</u>	<u>\$ 2,236,162</u>	<u>\$ -</u>	<u>\$ 512,279</u>	<u>\$ 11,453,959</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Fund balances-total governmental funds	\$	7,871,144
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		32,459,427
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		18,265
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(137,810)
Bonds payable		(11,505,102)
Sick leave liability		(270,695)
Net pension liability		(8,803,493)
Net OPEB liability		(6,848,794)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows related to pensions		1,505,767
Deferred outflows related to OPEB		2,887,893
Deferred inflows related to OPEB		(4,821,863)
Deferred inflows related to pensions		(1,890,940)
		(1,890,940)
Net position of governmental activities	\$	10,463,798

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>FSPK Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
From Local Sources							
Taxes							
Property	\$ 1,824,237		\$ 684,832				\$ 2,509,069
Motor vehicle	629,174						629,174
Utilities	842,774						842,774
Student activities						789,554	789,554
Earnings on investments	52,076	4,427		23,649		1,211	81,363
Other local revenue	307,918	154,372				25,690	487,980
Intergovernmental - state	20,859,505	1,227,811	801,788		230,585	249,826	23,369,516
Intergovernmental - federal	236,633	5,153,701					5,390,334
Total revenues	<u>24,752,317</u>	<u>6,540,311</u>	<u>1,486,620</u>	<u>23,649</u>	<u>230,585</u>	<u>1,066,281</u>	<u>34,099,763</u>
EXPENDITURES							
Instruction	13,879,242	5,664,022				572,537	20,115,801
Support Services							
Student	2,470,887	42,650					2,513,537
Instructional Staff	1,222,735	184,117				26,285	1,433,137
District Administration	516,225						516,225
School Administration	1,869,993						1,869,993
Business	441,333						441,333
Plant Operation & Maintenance	2,401,276	113,243					2,514,519
Student Transportation	1,735,135	262,574				24,623	2,022,332
Food Service						149,726	149,726
Community Operations		326,168					326,168
Building Acquisitions & Construction				53,992			53,992
Building Improvements				3,398,727			3,398,727
Debt Service				31,303	916,512		947,815
Total expenditures	<u>24,536,825</u>	<u>6,592,774</u>	<u>-</u>	<u>3,484,023</u>	<u>916,512</u>	<u>773,172</u>	<u>36,303,305</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	215,493	(52,463)	1,486,620	(3,460,374)	(685,927)	293,109	(2,203,542)
OTHER FINANCING SOURCES (USES)							
Sale of equipment							-
Bond proceeds				3,870,000			3,870,000
Underwriters premium				174,727			174,727
Payment to escrow agent							-
Operating transfers in	346,459	52,463		225,000	685,927		1,309,848
Operating transfers (out)	(277,463)		(685,927)			(249,826)	(1,213,216)
Total other financing sources and (uses)	<u>68,996</u>	<u>52,463</u>	<u>(685,927)</u>	<u>4,269,727</u>	<u>685,927</u>	<u>(249,826)</u>	<u>4,141,360</u>
NET CHANGE IN FUND BALANCE	284,488	-	800,693	809,353	-	43,283	1,937,818
FUND BALANCE-BEGINNING	<u>3,099,094</u>	<u>-</u>	<u>938,427</u>	<u>1,426,809</u>	<u>-</u>	<u>468,996</u>	<u>5,933,325</u>
FUND BALANCE-ENDING	<u>\$ 3,383,583</u>	<u>\$ -</u>	<u>\$ 1,739,120</u>	<u>\$ 2,236,162</u>	<u>\$ -</u>	<u>\$ 512,279</u>	<u>\$ 7,871,143</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities**
 Year ended June 30, 2022

Net change in fund balances-total governmental funds	\$	1,937,818
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		289,806
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		598,221
<p>Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		2,715,245
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(4,566)
<p>Bonds sold at a discount/premium are deducted/added to the related bond issues and amortized over the life of the bond in the government wide financial statements, but are recognized in the year the bonds are sold in the fund financial statements.</p>		
		6,747
<p>Bond and capital 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.</p>		
		585,000
<p>Bond proceeds are reported as revenues but are recorded as an increase of liabilities net of premiums and discounts in the government wide financial statements</p>		
		(4,044,727)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		(39,667)
Noncurrent sick leave payable		(27,285)
		(66,952)
Change in net position of governmental activities	\$	<u><u>2,016,591</u></u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	School Food Services
ASSETS	
Cash and cash equivalents	\$ 847,854
Accounts receivable	
Inventories	41,575
Capital assets:	
Other capital assets, net of depreciation	411,158
Total assets	<u>1,300,587</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	72,170
Deferred outflows related to OPEB	66,207
	<u>138,377</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>1,438,964</u>
LIABILITIES	
Accounts payable	319
Net pension liability	421,948
Net OPEB liability	126,667
Total liabilities	<u>548,935</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	90,632
Deferred inflows related to OPEB	74,572
Total deferred inflows of resources	<u>165,204</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>714,139</u>
NET POSITION	
Net Investment in capital assets	411,158
Restricted for food service	313,668
Total net position	<u>724,825</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,438,964</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

		<u>Enterprise Funds</u>
		<u>School Food Services</u>
OPERATING REVENUES		
Lunchroom sales	\$	38,495
Total operating revenues		<u>38,495</u>
OPERATING EXPENSES		
Depreciation		33,741
Food service operations		
Employee services		1,108,196
Operational expense		<u>1,947,883</u>
Total operating expenses		<u>3,089,820</u>
Operating income (loss)		<u>(3,051,324)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental revenues		3,487,840
Transfers in (out)		(96,633)
Earnings from investments		<u>12,522</u>
Total nonoperating revenues (expenses)		<u>3,403,730</u>
CHANGE IN NET POSITION		352,406
NET POSITION-BEGINNING		372,419
NET POSITION-ENDING	\$	<u><u>724,825</u></u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

Enterprise Funds

School
Food
Services

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	90,242
Payments to suppliers		(1,113,328)
Payments to employees		(1,924,844)
Net cash provided (used) by operating activities		<u>(2,947,929)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating grants and contributions		3,487,840
Transfers		(96,633)
Net cash provided (used) by noncapital financing activities		<u>3,391,208</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of capital assets		(37,964)
Interest		12,522
Net cash provided (used) by investing activities		<u>(25,441)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

417,837

CASH AND CASH EQUIVALENTS-BEGINNING

430,016

CASH AND CASH EQUIVALENTS-ENDING

\$ 847,854

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$	(3,051,324)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		33,741
Changes in assets and liabilities:		
Receivables		51,747
Inventory		(2,232)
Deferred Inflows		101,602
Deferred Outflows		17,179
Pension liability		(68,156)
OPEB liability		(27,585)
Accounts payable		(2,900)
Net cash provided (used) by operating activities	\$	<u><u>(2,947,929)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$160,096 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$667,118 provided by state government.

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Rockcastle 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 District itself such as Band Boosters, Parent-Teacher Associations, etc.

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

The Board authorized establishment of the Rockcastle County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Rockcastle County Board of Education.

Basis of Presentation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Within the General Fund, a permanent fund was established from a gift to the Rockcastle High School for scholarships the benefit of students seeking a college degree. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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. KDE requires this fund to be a major fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(C) Student Activities Fund

The Student Activities Fund accounts are used to support co-curricular activities, and are raised and expended by student groups. These funds are subject to “Redbook”.

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District’s facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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 major fund of the District.

Construction Fund

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

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 exchangetransactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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 resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Unearned revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as 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 the revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned 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.

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.

Inventories

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.

Prepaid Assets

Payments made that will benefit periods beyond the end of the current fiscal year are recorded as

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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 government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market 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. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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	10-12 years
Furniture and fixtures	7 years
Other	10 years

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 judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted:	Legally restricted under legislation, bond authority, or grantor contract.
Committed:	Commitments of future funds for specific purposes passed by the Board.
Assigned:	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned:	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – 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 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. The property tax rates assessed for the year ended June 30, 2021, to finance the General Fund operations were \$.429 per \$100 valuation of real property, \$.429 per \$100 valuation for business personal property and \$.483 per \$100 valuation for motor vehicles.

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

Operating and Non-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 the various schools.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

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

Interfund Receivables/Payables

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

Interfund Transfers

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

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’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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 the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

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 (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds. Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Recent GASB Pronouncements

GASB issued Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. This statement was adopted by the District this fiscal year. This statement reclassified all agency funds as special revenue funds. These funds were shifted into the Special

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Revenue Fund and a new non-major governmental fund, Student Activity Funds. See also Note T.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the District's fiscal year ending June 30, 2021.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the District's fiscal year ending June 30, 2021.

GASB issued Statement No. 95, *Postponement of the Effective dates of Certain Authoritative Guidance*, effective for the District's fiscal year ending June 30, 2021.

The adoption of GASB statement Numbers 88, 90, and 95 did not have an impact on the District's financial position or results of operations.

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

GASB issued Statement No. 87, *Leases*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the District's fiscal year ending June 30, 2023.

GASB issued Statement No. 92, *Omnibus 2020*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the District's fiscal year ending June 30, 2022.

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the District's fiscal year ending June 30, 2023.

GASB issued statement No. 96, *Subscription-Based Information Technology Agreements*, effective for the District's fiscal year ended June 30, 2023.

GASB issued statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, effective for the District's fiscal year end June 30, 2022.

GASB issued statement No. 98, *The Annual Comprehensive Financial Report*, effective for the District's fiscal year ended June 30, 2022.

GASB Statement No. 99, *Omnibus 2022*, effective for the District's year ended June 30, 2023

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Statement No. 62 effective for the District's year ended June 30, 2024

GASB Statement No. 101, *Compensated Absences*, effective for the District's year ended June 30, 2025

The impact of these pronouncements on the District's financial statement has not been determined

NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

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.

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 \$3,619,933. The bank balance for the same time was \$4,782,743.

The General Fund had \$2,525,698 in certificates of deposit at June 30, 2022 to maximize interest earned for the fund and the Construction Fund had \$500,000 in certificates of deposit to maximize interest earned for the fund. Non-negotiable certificates of deposit are stated at cost which approximates fair value.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Land	\$ 658,955	\$ -	\$ -	\$ 658,955
Land improvements	1,197,944	-	-	1,197,944
Buildings	49,796,034	-	-	49,796,034
Technology equipment	958,997	-	-	958,997
Vehicles	5,822,606	295,410	-	6,118,016
General equipment	351,924	126,020	-	477,944
Construction in progress	-	3,452,720	-	3,452,720
Total at historical cost	\$ <u>58,786,459</u>	\$ <u>3,874,150</u>	\$ <u>-</u>	\$ <u>62,660,609</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,102,748	\$ 5,106	\$ -	\$ 1,107,854
Buildings	22,098,239	887,355	-	22,985,594
Technology equipment	960,875	-	-	960,875
Vehicles	4,538,563	253,567	-	4,792,129
General equipment	341,854	12,877	-	354,730
Total accumulated depreciation	\$ <u>29,042,278</u>	\$ <u>1,158,905</u>	\$ <u>-</u>	\$ <u>30,201,182</u>
Governmental Activities				
Capital Assets-net	\$ <u>29,744,182</u>	\$ <u>2,715,245</u>	\$ <u>-</u>	\$ <u>32,459,427</u>
<u>Business-Type Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Buildings	\$ 880,926	\$ -	\$ -	\$ 880,926
Technology equipment	35,760	-	-	35,760
General equipment	542,807	37,964	-	580,771
Total at historical cost	\$ <u>1,459,493</u>	\$ <u>37,964</u>	\$ <u>-</u>	\$ <u>1,497,457</u>
Less: Accumulated depreciation				
Buildings	538,283	16,221	-	554,504
Technology equipment	35,708	-	-	35,708
General equipment	478,567	17,520	-	496,087
Total accumulated depreciation	\$ <u>1,052,559</u>	\$ <u>33,741</u>	\$ <u>-</u>	\$ <u>1,086,299</u>
Business-Type Activities				
Capital Assets-net	\$ <u>406,934</u>	\$ <u>4,223</u>	\$ <u>-</u>	\$ <u>411,158</u>

Depreciation expense was not allocated to governmental functions.

NOTE D – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Rockcastle County School District Finance Corporation.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2022 are summarized below:

<u>Bond Issues</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Bonds Outstanding</u>			<u>Bonds Outstanding</u>
				<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
2015	\$ 655,000	8/1/35	3.25%	\$ 530,000	\$ -	\$ 30,000	\$ 500,000
2015R	\$ 1,015,000	8/1/2026	1.0 - 2.25%	735,000	-	130,000	605,000
2018	\$ 6,530,000	2/1/30	3.0 - 3.375%	6,410,000	-	245,000	6,165,000
2016	\$ 500,000	5/1/2036	2.6%	400,000	-	20,000	380,000
2021	\$ 3,870,000	8/1/2040	2.0 - 4.0%	-	3,870,000	160,000	3,710,000
				8,075,000	3,870,000	585,000	11,360,000
Addition (Less): (Discount)/Premium				(22,878)	174,727	6,747	145,102
Totals				\$ 8,052,122	\$ 4,044,727	\$ 591,747	\$ 11,505,102

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022 for debt service, (principal and interest) are as follows:

<u>Fiscal Year Ended at June 30,</u>	<u>Principal</u>		<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Local</u>	<u>KSFCC</u>	<u>Total</u>	<u>Total</u>
2023	\$ 394,887	\$ 135,113	\$ 270,132	\$ 51,773	\$ 530,000	\$ 321,905
2024	407,923	137,077	257,893	48,187	545,000	306,080
2025	425,913	139,087	245,305	44,550	565,000	289,855
2026	438,790	141,210	231,815	40,802	580,000	272,618
2027	459,305	135,695	218,080	37,000	595,000	255,080
2028-2032	2,619,520	530,480	858,403	137,480	3,150,000	995,883
2033-2037	3,199,383	535,617	454,821	52,667	3,735,000	507,488
2038-2041	1,604,923	55,077	62,854	1,859	1,660,000	64,713
	\$ 9,550,644	\$ 1,809,356	\$ 2,599,301	\$ 414,319	\$ 11,360,000	\$ 3,013,620

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accumulated Sick Leave

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. The activity during fiscal year 2020 for accumulated sick leave is as follows:

	2021			2022
	Outstanding	Additions	Retirements	Outstanding
	Balance			Balance
Sick Leave	\$ 243,410	\$ 27,285		\$ 270,695

Net Pension & OPEB Liability

The changes in net pension and net OPEB liabilities is below

	2021			2022
Description	Outstanding	Additions	Retirements	Outstanding
	Balance			Balance
Net Pension Liability	\$ 11,382,311	\$ -	\$ 2,156,870	\$ 9,225,441
Net OPEB Liability	8,675,418	-	1,699,957	6,975,461
Totals	\$ 20,057,729	\$ -	\$ 3,856,827	\$ 16,200,902

NOTE E – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first

ten years. In addition, 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 has been amended to change the benefit structure for members hired on or after that date.

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. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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 12.855% of their salaries to the System.

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

Medical Insurance Plan

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

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 United States Code, sec. 401(h) and a 115 trust fund that went into effect on July 1, 2010. The insurance trust fund

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4)(b).

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—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-point seventy-five percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

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

District's proportionate share of KTRS net pension liability	\$	-
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>47,489,597</u>
	\$	<u>47,489,597</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on 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, 2022, the District’s proportion was 0.3649%.

Actuarial Methods and Assumptions—The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Inflation	2.5%
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality

Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2020 with projection scale AA, set back one year for females rather than the 1994 Group Annuity Mortality Tables which was used prior to 2016. For the 2011 valuation through the 2013 valuation, an interest smoothing methodology was used to calculate liabilities for purposes of determining the actuarially determined contributions.

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7
Other Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.10%. 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 Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
Commonwealth's proportionate share of net pension liability	\$ 64,188,360	\$ 47,489,597	\$ 33,618,659

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publicly available at <http://www.TRS.ky.gov/>.

County Employees Retirement System

Plan description—Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% of the member's salary. During the year ending June 30, 2022, the District contributed \$990,300 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

CERS-Medical Insurance Plan

In addition to the CERS pension benefits described above, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2022, the District's proportion was 0.144695%.

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of CERS net pension liability	\$	9,225,441
Commonwealth's proportionate share of the CERS net pension liability associated with the District		<u>-</u>
	\$	<u>9,225,441</u>

For the year ended June 30, 2022, the District recognized pension expense of \$275,889. At June 30, 2022, 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	\$ 105,936	\$ 89,539
Changes of assumptions	123,816	-
Net difference between projected and actual earnings on pension plan investments	357,886	1,587,482
Changes in proportion and differences between District contributions and proportionate share of contributions	-	304,551
District contributions subsequent to the measurement date	<u>990,300</u>	<u>-</u>
	\$ <u>1,577,938</u>	\$ <u>1,981,572</u>

The \$990,300 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, 2022.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		<u>Year Ended June 30,</u>
2023	\$	(344,870)
2024		(382,258)
2025		(281,760)
2026		<u>(385,046)</u>
	\$	<u><u>(1,393,934)</u></u>

Actuarial Methods and Assumptions—The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2020. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of Pay
Amortization Period	30-year closed period at June 30, 2019
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.00%
 Phase-In Provision	 Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Amortization method changed to Level Percent of Pay
- Amortization period increased to 30 years
- Salary increase changed to 10.30% max

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous plan.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0%
Cash	1.50%	-.60%
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
	<u>100.00%</u>	

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

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

1% Decrease	Current Discount Rate	1% Increase
5.25%	6.25%	7.25%
11,832,066 \$	9,225,441	\$ 7,068,520

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publicly available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2021, there are no payables to CERS.

Other Retirement Plans

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

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency.

GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements.

NOTE F – ACCOUNTING STANDARDS STATEMENT NO. 75

Government Accounting Standards Board (GASB) Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than OPEB's, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the postemployment benefits other than OPEB for both systems.

TRS – General Information about the OPEB Plans

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<http://www.trs.ky.gov/financial-reports-information> .

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

Retiree Medical Plan funded by the Medical Insurance Fund

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

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

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

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

At June 30, 2022, the District reported a liability of \$4,206,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was .196012 percent.

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of KTRS net OPEB liability	\$	4,206,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>3,416,000</u>
	\$	<u><u>7,622,000</u></u>

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,501,000
Changes of assumptions	1,100,000	-
Net difference between projected and actual earnings on pension plan investments		449,000
Changes in proportion and differences between District contributions and proportionate share of contributions	48,000	316,000
District contributions subsequent to the measurement date	<u>358,565</u>	<u>-</u>
	\$ <u><u>1,506,565</u></u>	\$ <u><u>3,266,000</u></u>

The \$358,565 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 collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>	
2023	\$	(522,000)
2024		(524,000)
2025		(489,000)
2026		(442,000)
2027		(125,000)
Thereafter		<u>(16,000)</u>
	\$	<u><u>(2,118,000)</u></u>

Changes of Benefit Terms - None

Actuarial Methods and Assumptions—The total OPEB liability was determined using an actuarial valuation of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	26 years
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%, net of OPEB plan investment expense, includes price inflation
Municipal Bond Index Rate	2.13%
Investment Rate of Return	7.1%, net of OPEB plan investment expense, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary Increase	3.0 to 7.5%, including wage inflation
Discount Rate	7.1%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members.

The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Long-Term Expected Real Rate Percentage of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	(0.1)%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories: high yield	8.0%	1.7%
Other additional categories	9.0%	2.2%
Cash	1.00%	(0.3)%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2018. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the MIF were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system’s actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30,2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if/when the MIF is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

equal to the actuarially determined contribution (ADC), as determined by the prior year’s valuation and in accordance with the MIF’s funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

In developing the adjustments to the statutory contributions in future years the following was assumed:

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- A 0% active member growth rate was assumed for the purposes of developing estimates for new entrants (membership dates beyond June 30, 2020).

Based on these assumptions, the MIF’s fiduciary net position was not projected to be depleted.

The following table presents the net OPEB liability of the Commonwealth associated with the District, calculated using the health care cost trend rates, as well as what the Commonwealth’s 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:

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 5,385,000	\$ 4,206,000	\$ 3,231,000

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:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,056,000	\$ 4,206,000	\$ 5,637,000

Other Post Employment Benefits Liabilities related to the Life Insurance Plan funded by - Life Insurance Plan (LIF)

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 - Effective July 1, 2000, the Kentucky Teachers’ Retirement System shall:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member’s estate or to a party designated by the member on a form prescribed by the retirement system; and
- Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members. This life insurance benefit shall be payable upon the death of an active contributing member to the member’s estate or to a party designated by the member on a form prescribed by the retirement system.

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

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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 KTRS net OPEB liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		<u>45,000</u>
	\$	<u><u>45,000</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2021, the District recognized OPEB revenue of \$291,450 for support provided by the State.

Actuarial Methods and 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:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	5-year smoothed value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Investment Rate of Return	7.1%, includes price inflation
Inflation	2.5%
Real Wage Growth	0.25 %
Wage Inflation	2.75%
Salary Increase	3 to 7.5%, including wage inflation
Discount Rate	7.1%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5- year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

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

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate Percentage of Return
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-.10%
Real Estate	6.00%	4.0%
Private Equity	5.00%	6.90%
Additional categories	6.00%	2.10%
Cash	1.00%	-0.30%
Total	<u>100.00%</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount Rate: The discount rate used to measure the total OPEB liability was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projections basis was an actuarial valuation performed as of June 30, 2020. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the LIF's fiduciary net position was not projected to be depleted.

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

CERS – General Information about the OPEB Plans

Other Pension Benefit Programs-Employees' Health Plan

Plan description – Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Benefits provided – Post Retirement Death Benefits – members with a least 4 years creditable service the System will pay a \$5,000 death benefit. Insurance benefits as described above.

Contributions - Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2021 was as follows (in thousands):

Total medical benefit obligation	\$	5,161,251
Net position available for benefits at actuarial value		<u>(3,246,801)</u>
Unfunded medical benefit obligation	\$	<u>1,914,450</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2022, the District reported a liability of \$2,769,462 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was .148359 percent.

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 net OPEB liability	\$	
Commonwealth's proportionate share of the net OPEB liability associated with the District		<u>2,769,462</u>
	\$	<u><u>2,769,462</u></u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$28,166. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

SEE SCHEDULE ON NEXT PAGE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual		
experience	\$ 435,499	\$ 826,869
Changes of assumptions	734,237	2,575
Net difference between projected and actual		
earnings on pension plan investments	139,534	572,778
Changes in proportion and differences between District contributions and proportionate		
share of contributions	-	228,213
District contributions subsequent to the		
measurement date	<u>138,265</u>	<u>-</u>
	\$ <u>1,447,535</u>	\$ <u>1,630,435</u>

The \$138,265 (includes \$47,138 Implicit Subsidy) 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 collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

	<u>Year Ended June 30,</u>
2023	\$ (3,454)
2024	(69,137)
2025	(65,069)
2026	<u>(183,505)</u>
	\$ <u>(321,165)</u>

Implicit Employer Subsidy- The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

included in the calculation of the Total OPEB Liability.

Changes of Benefit Terms-None

Actuarial Methods and Assumptions—The total OPEB liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation used the following actuarial methods and assumptions:

Date of Valuation	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Price Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Return	6.25%
Payroll Growth	2.00%
Mortality	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
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 14 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Amortization period increased to 30.
- Salary increase maximum limit decreased to 10.3%
- Health care trend rates Pre-65 changed to having an initial trend rate of 7.0% decreasing to 4.05% over 13 years.
- Healthcare trend rates Post-65 initial rate minimum changed to 5.5% over 14 years.

Discount rate: The discount rate used to measure the total OPEB liability was 5.20%. The rate is based on the expected rate of return on OPEB plan investments of 6.2% 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. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the singlediscount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) that applies to CERS.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 5.20%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 3,802,451	\$ 2,769,462	\$ 1,921,724

Sensitivity of the District’s proportionate share of net OPEB liability to changes in the discount rate:
The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.2%) or 1-percentage-point higher (6.20%) than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,993,684	\$ 2,769,462	\$ 3,705,839

NOTE H – COMMITMENTS

The District has commitments of \$2,236,162 as of June 30, 2022 for future construction projects.

NOTE I – CONTINGENCIES

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE J – LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$20,000 individually or in the aggregate as of June 30, 2022.

NOTE L – 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, illegal acts etc. Each of these

risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

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

NOTE L – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue	\$ 52,463	KETS
Capital Outlay	General	249,826	Operating
Food Service	General	96,633	Indirect Costs
FSPK	Debt Service	685,927	Debt Payments
General	Construction	\$ 225,000	Construction

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2022, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB Schedule A)	\$ 3,790,776
Health and Life Insurance	3,543,023
Administrative Fee	40,488
HRA/Dental/Vision	176,575
Federal Reimbursement	(172,076)
Technology	96,762
SFCC Debt Service Payments	<u>230,585</u>
Total	<u>\$ 7,706,132</u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE P– SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 8, 2022 the date the financial statements were available to be issued.

Rockcastle County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Taxes				
Property	\$ 2,325,000	2,329,500	\$ 1,824,237	\$ (505,263)
Motor vehicle	503,500	503,500	629,174	125,674
Utilities	745,000	745,000	842,774	97,774
Earnings on investments	41,000	41,000	52,076	11,076
Other local revenue	405,800	401,300	307,918	(93,382)
Intergovernmental - state	21,411,101	21,411,101	20,859,505	(551,596)
Intergovernmental - federal	280,000	280,000	236,633	(43,367)
Total revenues	<u>25,711,401</u>	<u>25,711,401</u>	<u>24,752,317</u>	<u>(959,084)</u>
EXPENDITURES				
Instruction	16,707,178	16,715,478	13,879,242	2,836,235
Support Services				
Student	1,721,693	1,721,693	2,470,887	(749,194)
Instructional Staff	1,355,479	1,355,479	1,222,735	132,744
District Administration	686,712	686,712	516,225	170,487
School Administration	1,585,844	1,585,844	1,869,993	(284,149)
Business	322,793	322,793	441,333	(118,540)
Plant Operation & Maintenance	2,562,534	2,562,534	2,401,276	161,258
Student Transportation	2,256,365	2,256,365	1,735,135	521,230
Total expenditures	<u>27,198,598</u>	<u>27,206,898</u>	<u>24,536,825</u>	<u>2,670,073</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(1,487,197)	(1,495,497)	215,493	1,710,990
OTHER FINANCING SOURCES (USES)				
Operating transfers in	336,522	336,522	346,459	9,937
Operating transfers (out)	(50,000)	(50,000)	(277,463)	(227,463)
Total other financing sources and (uses)	<u>286,522</u>	<u>286,522</u>	<u>68,996</u>	<u>(217,526)</u>
NET CHANGE IN FUND BALANCE	(1,200,675)	(1,208,975)	284,488	1,493,463
FUND BALANCE-BEGINNING	<u>3,046,635</u>	<u>3,046,635</u>	<u>3,099,094</u>	<u>52,459</u>
FUND BALANCE-ENDING	<u>\$ 1,845,960</u>	<u>\$ 1,837,660</u>	<u>\$ 3,383,583</u>	<u>\$ 1,545,922</u>

See the accompanying notes to the financial statements.

RockcastleCounty School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From Local Sources				
Other local revenue	\$ 150,000	\$ 150,000	\$ 154,372	\$ 4,372
Earnings on investments	-	-	4,427	4,427
Intergovernmental - state	1,017,119	1,017,119	1,227,811	210,692
Intergovernmental - federal	<u>2,752,270</u>	<u>2,752,270</u>	<u>5,153,701</u>	<u>2,401,431</u>
Total revenues	<u>3,919,389</u>	<u>3,919,389</u>	<u>6,540,311</u>	<u>2,620,922</u>
EXPENDITURES				
Instruction	3,212,502	3,212,502	5,664,022	(2,451,520)
Support Services				
Student	60,218	60,218	42,650	17,568
Instructional Staff	142,422	142,422	184,117	(41,695)
Plant Operation & Maintenance	-	-	113,243	(113,243)
Student Transportation	228,078	228,078	262,574	(34,496)
Community Services Operations	<u>326,168</u>	<u>326,168</u>	<u>326,168</u>	<u>-</u>
Total expenditures	<u>3,969,389</u>	<u>3,969,389</u>	<u>6,592,774</u>	<u>(2,623,385)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(50,000)	(50,000)	(52,463)	(2,463)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	50,000	50,000	52,463	2,463
Operating transfers (out)	-	-	-	-
Total other financing sources and (uses)	<u>50,000</u>	<u>50,000</u>	<u>52,463</u>	<u>2,463</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (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)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:							
Districts' proportion of the net pension liability (ass	0.14470%	0.15957%	0.15375%	0.16017%	0.16477%	0.16767%	0.16939%
District's proportionate share of the net pension lia \$	9,225,441	\$ 11,382,311	\$ 10,813,025	\$ 9,754,841	\$ 9,644,436	\$ 8,255,576	\$ 7,283,086
State's proportionate share of the net pensio liability (asset) associated with the Distric	-	-	-	-	-	-	-
Total	<u>\$ 9,225,441</u>	<u>\$ 11,382,311</u>	<u>\$ 10,813,025</u>	<u>\$ 9,754,841</u>	<u>\$ 9,644,436</u>	<u>\$ 8,255,576</u>	<u>\$ 7,283,086</u>
District's covered-employee payroll	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811	\$ 3,952,293
District's proportionate share of the net pensio liability (asset) as a percentage of it: covered-employee payroll	251.64%	299.43%	302.35%	245.53%	240.05%	206.40%	184.27%
Plan fiduciary net position as a percentage of th total pension liability (asset	57.33%	47.81%	50.54%	53.40%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM:							
Districts' proportion of the net pension liability (ass	0.365%	0.380%	0.380%	0.388%	0.393%	0.395%	0.392%
District's proportionate share of the net pension lia \$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pensio liability (asset) associated with the Distric	47,489,597	52,971,915	51,873,848	50,850,207	105,942,079	116,532,506	91,110,678
Total	<u>\$ 47,489,597</u>	<u>\$ 52,971,915</u>	<u>\$ 51,873,848</u>	<u>\$ 50,850,207</u>	<u>\$ 105,942,079</u>	<u>\$ 116,532,506</u>	<u>\$ 91,110,678</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309	\$ 12,485,277
District's proportionate share of the net pensio liability (asset) as a percentage of it: covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of th total pension liability (asset	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2022

	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM:							
Contractually required contribution	\$ 990,300	\$ 889,228	\$ 861,730	\$ 799,218	\$ 728,252	\$ 750,487	\$ 682,368
Contributions in relation to the contractually required contribution	<u>990,300</u>	<u>889,228</u>	<u>861,730</u>	<u>799,218</u>	<u>728,252</u>	<u>\$ 750,487</u>	<u>\$ 682,368</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598	\$ 3,999,811
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	27.01%	24.06%	22.67%	22.35%	18.33%	18.68%	17.06%
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>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599	\$ 12,940,309
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	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.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION
 For the year ended June 30, 2022

(1) CHANGES OF BENEFITS

There were no changes of benefit terms for TRS or CERS.

(2) CHANGES OF ASSUMPTIONS

TRS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2020:

- Remaining amortization period changed to 26.5 years
- Single Equivalent interest rate changed to 7.1%
- Municipal bond rate index changed to 2.13%
- Projected salary increase changed to 3.0 – 7.5%
- Investment rate of return changed to 7.1%

CERS

The following represents assumptions and changes of assumptions from the prior valuation to the valuation performed as of June 30, 2019:

- Remaining amortization period increased to 30 years
- Salary increase changed to 3.30 to 10.30%

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

TRS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26.5 years
Asset Valuation Method	5-year smoothed market value
Single Equivalent Interest Rate	7.1%
Municipal Bond Index Rate	2.13%
Inflation	2.5%
Projected Salary Increase	3.0 – 7.5% including inflation
Investment Rate of Return	7.1%, net of pension plan investment expense, including inflation

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION

For the year ended June 30, 2022

CERS

The Board of Trustees uses this actuarial valuation to certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2021 and ending June 30, 2022. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 to June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization	Period 30 years , Closed <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for CERS Nonhazardous;
Investment Rate of Return	6.25% for CERS Nonhazardous and Hazardous,
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (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)
MEDICAL INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.19601%	0.20180%	0.20427%	0.20194%	0.20862%
District's proportionate share of the net OPEB liability (asset) \$	4,206,000	5,093,000	5,979,000	7,007,000	7,439,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>3,416,000</u>	<u>4,080,000</u>	<u>4,828,000</u>	<u>6,038,000</u>	<u>6,076,000</u>
Total	<u>\$ 7,622,000</u>	<u>\$ 9,173,000</u>	<u>\$ 10,807,000</u>	<u>\$ 13,045,000</u>	<u>\$ 13,515,000</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	31.33%	39.41%	46.60%	53.78%	57.55%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	51.74%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net OPEB liability (asset) \$	-	-	-	-	-
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>45,000</u>	<u>123,000</u>	<u>112,000</u>	<u>104,000</u>	<u>81,000</u>
Total	<u>\$ 45,000</u>	<u>\$ 123,000</u>	<u>\$ 112,000</u>	<u>\$ 104,000</u>	<u>\$ 81,000</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458	\$ 12,925,599
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	89.15%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
For the year ended June 30, 2022

	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 358,565	\$ 347,922	\$ 356,425	\$ 355,690	\$ 359,713
Contributions in relation to the contractually required contribution	<u>358,565</u>	<u>347,922</u>	<u>356,425</u>	<u>355,690</u>	<u>359,713</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's covered-employee payroll	2.67%	2.71%	2.76%	2.77%	2.76%
LIFE INSURANCE PLAN					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 13,424,746	\$ 12,859,956	\$ 12,922,900	\$ 12,830,543	\$ 13,029,458
District's proportionate share as a percentage of it's 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.

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (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)
HEALTH INSURANCE PLAN					
Districts' proportion of the net OPEB liability (asset)	0.14836%	0.15370%	0.15371%	1.60160%	0.16477%
District's proportionate share of the net OPEB liability (asset) \$	2,769,462	\$ 3,582,419	\$ 2,585,282	\$ 2,843,679	\$ 3,312,420
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-
Total	<u>\$ 2,769,462</u>	<u>\$ 3,582,419</u>	<u>\$ 2,585,282</u>	<u>\$ 2,843,679</u>	<u>\$ 3,312,420</u>
District's covered-employee payroll	\$ 3,666,125	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000	\$ 4,017,598
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	75.54%	94.24%	72.29%	71.58%	82.45%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	73.08%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
For the year ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 138,265	\$ 180,942	\$ 108,373	\$ 85,818	\$ 76,400
Contributions in relation to the contractually required contribution	<u>138,265</u>	<u>180,942</u>	<u>108,373</u>	<u>85,818</u>	<u>76,400</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 3,666,125	\$ 3,695,874	\$ 3,801,299	\$ 3,576,288	\$ 3,973,000
District's proportionate share as a percentage of it's covered-employee payroll	3.77%	4.90%	2.85%	2.40%	1.92%

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

See the accompanying notes to the required supplementary information.

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB

Year ended June 30, 2022

TRS

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms for the medical insurance fund or the life insurance fund.

(2) CHANGES OF ASSUMPTIONS

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables(Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and
- The assumed long-term investment rate of return was changed from 8% to 7.1%. The price inflation assumption was
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Medical Insurance Fund

The actuarially determined contribution rates, as a percentage of payroll used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of payroll
Remaining Amortization	26 years, closed
Asset Valuation Method	5-year smoothed fairvalue
Inflation	3.0%
Real wage growth	0.5%
Wage inflation	3.5%
Salary Increase	3.5 to 7.2%, including inflation
Discount rate	7.5%

**ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB**

Year ended June 30, 2022

CERS

Other Pension Benefit Programs-Employees' Health Plan

(1) CHANGES OF BENEFIT TERMS

There were no changes of benefit terms.

(2) CHANGES OF ASSUMPTIONS

- Amortization period increased to 30.
- Salary increase changed from 3.30 – 11.55% to 3.30 – 10.30%
- Mortality methodology changed from RP-2000 to MP-2014
- Health care trend rates Pre-65 changed to having an initial trend rate of 6.25% decreasing to 4.05% over 13 years
- Health care trend rates Post-65 changed to having an initial trend rate of 5.5% decreasing to 4.05% over 11 years

(3) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years – 0%, 4-9 years – 25%, 10-14 years – 50%, 15-19 years – 75% and 20 or more years – 100%.

Contributions requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above.

Actuarial Valuations as Of	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of difference between the market value of assets and the expected actuarial value of assets.
Amortization Method	Level percent of pay
Amortization Period	30 years, closed at June 30, 2019
Payroll Growth	2.00%
Investment Return	6.25%
Price Inflation	2.30%
Salary Increase	3.30 – 10.30%, varies by service
Mortality	MP-2014 mortality improvement scale using a base year of 2019
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over period of 13 years.
Healthcare Trend Rates (Post 65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over period of 11 years.
Healthcare Trend Rates (Phase-In)	Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Rockcastle County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2022

		<u>Capital Outlay</u>		<u>School Activity Fund</u>		<u>Total</u>
Assets						
Cash and Cash Equivalents	\$		\$	512,279	\$	512,279
Total Assets		-		512,279		512,279
Fund Balance						
Restricted						-
Committed				512,279		512,279
Total Fund Balance	\$	-	\$	512,279	\$	512,279

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2022

	<u>Capital Outlay</u>	<u>School Activity Fund</u>	<u>Total</u>
Revenues			
From Local Sources			
Student Activities	\$	\$ 789,554	\$ 789,554
Earnings on Investments		1,211	1,211
Other Local Revenue		25,690	25,690
Intergovernmental - State	249,826		249,826
	<u>249,826</u>	<u>816,455</u>	<u>1,066,281</u>
Total Revenues			
	<u>249,826</u>	<u>816,455</u>	<u>1,066,281</u>
Expenditures			
Instruction		572,537	572,537
Instructional Staff Support Services		26,285	26,285
Student Transportation		24,623	24,623
Food Service Operations		149,726	149,726
		<u>773,172</u>	<u>773,172</u>
Total Expenditures	<u>-</u>	<u>773,172</u>	<u>773,172</u>
Excess (Deficit) of Revenues Over Expenditures			
	<u>249,826</u>	<u>43,283</u>	<u>293,109</u>
Other Financing Sources (Uses)			
Transfers Out	<u>(249,826)</u>		<u>(249,826)</u>
Total Other Financing Sources (Uses)	<u>(249,826)</u>	<u>-</u>	<u>(249,826)</u>
Net Change in Fund Balances			
	-	43,283	43,283
Fund Balance Beginning			
	<u>-</u>	<u>468,996</u>	<u>468,996</u>
Fund Balance Ending			
	<u>\$ -</u>	<u>\$ 512,279</u>	<u>\$ 512,279</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Balance Sheet of Fiduciary Fund - School Activity Funds
 June 30, 2022

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 256,586	\$ 118,221	\$ 83,166	\$ 41,257	\$ 13,048	\$ 512,279
Total Assets	<u>256,586</u>	<u>118,221</u>	<u>83,166</u>	<u>41,257</u>	<u>13,048</u>	<u>512,279</u>
FUND BALANCE						
School activities	<u>\$ 256,586</u>	<u>\$ 118,221</u>	<u>\$ 83,166</u>	<u>\$ 41,257</u>	<u>\$ 13,048</u>	<u>\$ 512,279</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Combining Statement of Revenues, Expenses and Changes In Fund Balance
- School Activity Fund
Year ended June 30, 2022

SCHOOL ACTIVITY FUNDS

	<u>ROCKCASTLE CO HIGH SCHOOL</u>	<u>ROCKCASTLE CO MIDDLE SCHOOL</u>	<u>BROADHEAD ELEMENTARY</u>	<u>MT. VERNON ELEMENTARY</u>	<u>ROUNDSTONE ELEMENTARY</u>	<u>TOTAL</u>
Revenues						
Student/Trust revenues	\$ 489,602	\$ 205,718	\$ 61,066	\$ 47,898	\$ 12,172	\$ 816,455
Expenses						
Student/Trust activities	<u>454,307</u>	<u>190,738</u>	<u>63,808</u>	<u>53,135</u>	<u>11,185</u>	<u>773,172</u>
Excess (Deficit) of Revenues Over Expenses	35,295	14,980	(2,742)	(5,237)	987	43,283
Fund Balance Beginning	<u>220,593</u>	<u>103,241</u>	<u>85,908</u>	<u>46,494</u>	<u>12,759</u>	<u>468,996</u>
Fund Balance Ending	<u>\$ 255,888</u>	<u>\$ 118,221</u>	<u>\$ 83,166</u>	<u>\$ 41,257</u>	<u>\$ 13,746</u>	<u>\$ 512,279</u>

See the accompanying notes to the financial statements.

Rockcastle County School District
Statement of Revenues, Expenses and Changes in the Fund Balance - Rockcastle County High School
Year ended June 30, 2022

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL	\$ 11,024	\$ 16,620	\$ 4,597	\$ (11,983)	\$ 11,064
YOUTH SERVICES CENTER	9,973	1,850	1,864	100	10,059
UNITE	405	420	285	(60)	480
GAME CLUB	163	177	249	-	91
FELLOWSHIP OF CHRISTIAN ATHLETES	172	281	224	(100)	129
SPECIAL NEEDS	50	1,815	2,042	177	-
DUCT TAPE CLUB	30	-	-	-	30
JROTC	4,355	2,397	5,598	500	1,654
RCHS ACADEMIC	4,107	3,732	4,032	-	3,808
JAPANESE CLUB	-	-	-	-	-
DRAMA CLUB	621	220	669	-	172
SCIENCE CLUB	282	-	-	-	282
PROJECT LIT CLUB	270	-	-	(270)	-
3 ON 3 BASKETBALL	24	177	-	-	201
GEAR UP	-	-	-	-	-
INTERNATIONAL CLUB	647	404	404	-	647
DANCE BLUE CLUB	413	1,932	825	-	1,520
SPACE CLASS	1,301	-	-	-	1,301
ROCKET CLUB	468	600	709	-	359
YOUNG REPUBLICANS	335	5	-	(340)	-
YOUNG DEMOCRATS	71	-	-	-	71
NATIONAL HONOR SOCIETY	2,693	1,996	2,266	-	2,423
FLORAL	-	562	600	120	82
MEDITATION CLUB	-	-	-	-	-
ED RISING	761	1,760	2,512	-	8
KEY CLUB	1,108	377	677	-	808
MATH CLUB	0	-	-	(0)	-
B10	28	-	-	-	28
ENVIROTHON	-	-	-	-	-
PSYCHOLOGY	1	-	-	(1)	-
Y CLUB	1,402	3,388	4,070	-	720
BAND	2,661	23,520	26,163	-	18
ENVIRONMENTAL CLUB	551	1,484	924	(120)	991
MARTIAL ARTS CLUB	181	-	-	(181)	-
STUDENT COUNCIL	3,377	6,680	7,459	(100)	2,498
STAFF CLIMATE	-	85	2,005	1,920	-
CONCESSIONS	-	6,421	2,174	(4,247)	-
BOWS & ARROWS	571	4,543	(35)	(520)	4,629
GIRLS ARCHERY	-	-	1,824	1,824	-
GIRLS BASS FISHING	-	-	-	-	-
BASS ANGLERS	143	4,673	4,289	-	527
EXAMSDLG ASSESSMENT BAC	-	-	6,242	6,446	204
PHYSICAL EDUCATION	753	81	-	-	834
ROCK MOVES	1,804	-	422	-	1,383
E SPORTS	576	-	-	-	576
ATHLETICS	92,934	81,052	54,773	(42,731)	76,482
LIVE STREAM	3,997	-	3,990	-	7
BOYS ARCHERY	-	-	1,838	1,838	-
BASS FISHING - BOYS	-	-	175	175	-
BOYS BASKETBALL	-	250	7,682	7,432	-
TIP OFF BOYS BASKETBALL	4,501	27,123	29,333	2,790	5,080
12TH REG-COACHES A. 21-20	-	2,391	718	-	1,673
GIRLS BASKETBALL	-	250	6,435	6,185	-
LADY ROCKETS	3,296	35,774	32,836	3,575	9,809
BASEBALL	-	250	9,195	8,945	-
DUGOUT RCHS BASEBALL	7,826	11,418	8,762	(6,217)	4,265
YOUTH LEAGUE FB (IN MEMORY)	-	930	-	-	930
FOOTBALL	-	700	7,073	6,373	-
QUARTERBACK CLUB	-	37,066	14,833	(10,750)	11,483
LEGACY PROJECT	10	-	-	(10)	-
SOFTBALL	-	250	4,724	4,474	-
SLUGGERS - SOFTBALL	610	15,157	16,444	5,013	4,336
GIRLS GOLF BOOSTERS	973	1,500	-	-	2,473
GIRLS GOLF	-	-	-	-	-
GOLF BOYS	-	-	1,986	1,986	-
BOYS GOLF BOOSTERS	1,781	5,340	3,912	-	3,209
TRACK BOYS	-	-	1,132	1,132	-
TRACK GIRLS	-	-	1,334	1,334	-
RUNNING TRACK BOY'S	252	770	805	-	217
CROSS COUNTRY GIRLS	-	-	114	114	-
CROSS COUNTRY BOYS	-	-	38	38	-
KICK CLUB	80	-	-	-	80
VOLLEYBALL BOOSTERS	3,379	7,670	5,211	(3,122)	2,715
VOLLEYBALL	-	300	6,445	6,145	-
12TH REGIONAL VOLLEYBALL	-	6,874	2,809	-	4,065
SWIM - SCOREBOARD	-	-	-	-	-
RACQUET CLUB	-	-	-	-	-
TENNIS - GIRLS	-	-	821	821	-
SWIM	-	-	1,048	1,048	-
SWIM - ROCKETS	69	1,170	1,167	1,000	1,072
FFA	1,113	24,104	27,857	2,640	0
KY River Region FFA	5,398	2,495	930	(403)	6,560
FCCLA	1,839	5,503	5,938	721	2,125
CHEERLEADERS	4,021	40,190	27,056	600	17,755
ARGICULTURE - GREENHOUSE	12,556	13,812	9,171	(3,366)	13,830
AGR CONSTRUCTION SK/MECH	21	4,785	5,993	1,187	0
ART BOOSTERS	346	-	-	-	346
CHORUS	3,364	6,454	4,152	(18)	5,647
RANDOM ACTS OF KINDNESS	204	-	-	(204)	-
ROCK CLASSIC BASK G & B	-	7,325	2,032	(80)	5,213
PROM	5,427	10,068	5,819	100	9,775
YEARBOOK	10,899	4,600	2,170	-	13,329
J A G - JOB AMERICAN GRAD	-	-	-	-	-
EMERICK SCH INTEREST	1,010	88	-	-	1,098
EMERIC SCHOLARSHIP	-	-	-	-	-
PROJECT GRADUATION 2014	150	40,729	52,593	11,714	-
SENIORS	-	3,641	-	(3,641)	-
LIBRARY	1,221	1,644	1,874	-	992
VEX ROBOTICS	1,994	280	-	-	2,274
ROCK - HOSP	-	1,450	-	-	1,450
TOTALS	\$ 220,593	\$ 489,602	\$ 454,307	\$ -	\$ 255,888

Rockcastle County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
National School Lunch Program	10.555				
Fiscal Year 21		7750002 21	\$ -	N/A	231,834
Fiscal Year 22		7750002 22	-	N/A	1,226,498
Fiscal Year 21		7970000 21	-	N/A	249,086
Fiscal Year 22		9990000 22	-	N/A	71,076
Summer Food Service Program	10.559				
Fiscal Year 21		7690024 21	-	N/A	16,818
Fiscal Year 21		7740023 21	-	N/A	145,685
National School Breakfast Program	10.553				
Fiscal Year 21		7760005 21	-	N/A	87,212
Fiscal Year 22		7760005 22	-	N/A	613,346
Child Nutrition Cluster Subtotal					<u>2,641,555</u>
Child Nutrition Discretionary Grant	10.579				
Fiscal Year 19		7840027 19	-	N/A	24,866
State Administrative Grant for Nutrition	10.560				
Fiscal Year 21		7700001 21	-	N/A	6,721
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 22		510.4950	-	N/A	160,096
Total US Department of Agriculture					<u>2,833,237</u>
US Department of Education					
Passed Through State Department of Education					
* Title I Grants to Local Educational Agencies	84.010	3100002 20	-	1,076,295	74,763
* Title I Grants to Local Educational Agencies	84.010	3100002 20	-	30,000	1,363
* Title I Grants to Local Educational Agencies	84.010	3100002 21	-	1,180,361	965,901
* Title I Grants to Local Educational Agencies	84.010	3100002 21	-	30,000	2,224
					<u>1,044,251</u>
Special Education Grants to States	84.027	3810002 20	-	590,077	103,017
Special Education Grants to States	84.027	3810002 21	-	597,964	408,731
Special Education - Preschool Grants	84.173	3800002 21	-	30,589	2,388
Special Education - Preschool Grants	84.173	3800002 21	-	30,693	8,258
Special Education Cluster Subtotal					<u>522,395</u>
Vocation Education - Basic Grants to States	84.048	3710002 20	-	22,998	2,256
Vocation Education - Basic Grants to States	84.048	3710002 21	-	20,158	20,158
					<u>22,414</u>
Striving Readers Comprehensive Literacy Grant	84.371	3220002 20	-	300,000	73,441
Striving Readers Comprehensive Literacy Grant	84.371	3220002 21	-	323,726	149,139
					<u>222,580</u>
Rural Education	84.358	3140002 21	-	59,995	59,995
Title IV Part A	84.424	340002 21	-	81,393	61,126
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	430002 21	-	7,988,154	685,086
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	420002 21	-	3,703,949	2,142,215
* Elementary and Secondary School Emergency Relief Fund - COVID	84.425	420003 20	-	35,000	35,000
* Governors Emergency Education Relief Fund - COVID 19	84.425	546GF	-	100,000	46,536
					<u>2,908,838</u>
Passed Through Berea College					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IG	-	224,720	238,880
Total US Department of Education					<u>5,080,478</u>
US Department of Defense					
ROTC	12.000	504I	-	51,552	51,552
Total U.S. Department of Defense					<u>51,552</u>
Total Expenditure of Federal Awards				\$	<u>7,965,268</u>

* Major program

ROCKCASTLE COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Rockcastle County School District under the programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Rockcastle 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 B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2022, the District received food commodities totaling \$160,096.

NOTE D – INDIRECT COST RATE

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

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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 Board of Education of the Rockcastle County School District
Mt. Vernon, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the 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 Districts' Audit Contract and Requirements, the financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of Rockcastle County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Rockcastle County School District's basic financial statements, and have issued our report thereon dated November 8, 2022

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockcastle 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 of the District in a separate letter dated November 8, 2022.

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.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

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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 Board of Education of the Rockcastle County School District
Mt. Vernon, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rockcastle County School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rockcastle County School District's major federal programs for the year ended June 30, 2022. Rockcastle 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.

In our opinion, Rockcastle 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Rockcastle County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Rockcastle County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Rockcastle County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Rockcastle County

School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Rockcastle County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the 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 Districts' Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rockcastle County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Rockcastle County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Rockcastle County School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Shad J. Allen, CPA, PLLC

Richmond, KY

November 8, 2022

ROCKCASTLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2022

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs: Elementary and Secondary School Emergency Relief Fund – COVID 19 [CFDA 84.425] Governors Emergency Relief Fund – COVID 19 [CFDA 84.425] Title I Grants to Local Agencies – [CFDA 84.010]	
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings at the major federal award programs level.

ROCKCASTLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2022

There were no prior year findings.

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MANAGEMENT LETTER POINTS

Rockcastle County School District
Mt. Vernon, Kentucky

In planning and performing our audit of the financial statements of the Rockcastle County School District for the year ended June 30, 2022, we considered the District's internal controls in order 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 8, 2022. This letter does not affect our report dated November 8, 2022, on the financial statements of the Rockcastle County School District. The conditions observed are as follows:

MT. VERNON ELEMENTARY

No conditions.

ROUNDSTONE ELEMENTARY

No conditions.

BRODHEAD ELEMENTARY

No conditions.

ROCKCASTLE COUNTY HIGH SCHOOL

1-22

Statement of Condition: Purchase Orders are being utilized but not consistently.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: The person requesting to make a purchase or use activity funds will prepare a Purchase Order, it will be approved by the sponsor and the principal. Then, after the approval, a Purchase Order will be generated so the purchase can be made. The school principal and

bookkeeper will attend a Redbook training to ensure that correct procedures are in place. The school will collaborate with the district for quarterly in-house audits proper guidelines are being followed for all purchasing.

ROCKCASTLE COUNTY MIDDLE SCHOOL

2-22

Statement of Condition: Purchase Orders are being utilized but not consistently.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: The person requesting to make a purchase or use activity funds will prepare a Purchase Order, it will be approved by the sponsor/coach/teacher and the principal. Then, after the approval, a Purchase Order will be generated so the purchase can be made. The school principal and bookkeeper will attend a Redbook training to ensure that correct procedures are in place. The school will collaborate with the district for quarterly in-house audits.

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

Conditions 1-22, and 2-22 are repeat conditions from the prior year. All other prior year conditions have been corrected. Carrie Ballinger, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Ms. Jenny Sweet, and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

Shad J. Allen, CPA, PLLC

Shad J. Allen, CPA, PLLC

Richmond, Kentucky

November 8, 2022