

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**CALLOWAY COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Introductory Section**

Board of Education and Administrative Staff

**Financial Section**

Independent Auditors' Report 1

Management's Discussion and Analysis 4

**Government-wide Financial Statements**

Statement of Net Position 14

Statement of Activities 16

**Governmental Funds Financial Statements**

Balance Sheet – Governmental Funds 18

Reconciliation of the Balance Sheet – Governmental Funds to the  
Statement of Net Position 20

Statement of Revenues, Expenditures and Changes in Fund  
Balances – Governmental Funds 21

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds to the  
Statement of Activities 23

**Proprietary Funds Financial Statements**

Statement of Net Position – Proprietary Funds 24

Statement of Revenues, Expenses and Changes in Net  
Position – Proprietary Funds 26

Statement of Cash Flows – Proprietary Funds 27

**Fiduciary Statements**

Statement of Fiduciary Net Position 29

Statement of Changes in Fiduciary Net Position 30

**Notes to Financial Statements 31**

**CALLOWAY COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS**

**Required Supplementary Information**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	76
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	77
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Building Fund	78
Note to Required Supplementary Information – Budget and Actual	79
Defined Benefit Plans	
Schedule of Proportionate Share of Net Pension Liability – County Employees Retirement System (CERS)	80
Schedule of District’s Contributions – Pension – County Employees Retirement System (CERS)	81
Notes to Required Supplementary Information – Pension – County Employees Retirement System (CERS)	82
Schedule of Proportionate Share of Net Pension Liability – Kentucky Teachers’ Retirement System (KTRS)	83
Schedule of District’s Contributions – Pension – Kentucky Teachers’ Retirement System (KTRS)	84
Notes to Required Supplementary Information – Pension – Kentucky Teachers’ Retirement System (KTRS)	85
Other Postemployment Benefits (OPEB)	
Schedule of Proportionate Share of Collective Net OPEB Liability – County Employees Retirement System (CERS)	86
Schedule of District’s Contributions – OPEB – County Employees Retirement System (CERS)	87
Notes to Required Supplementary Information – OPEB – County Employees Retirement System (CERS)	88
Schedule of Proportionate Share of Collective Net OPEB Liability – Kentucky Teachers’ Retirement System (KTRS) – Medical Insurance Fund	89
Schedule of District’s Contributions – Kentucky Teachers’ Retirement System (KTRS) – Medical Insurance Fund	90

**CALLOWAY COUNTY SCHOOL DISTRICT  
TABLE OF CONTENTS**

Schedule of Proportionate Share of Collective Net OPEB Liability – Kentucky Teachers’ Retirement System (KTRS) – Life Insurance Fund	91
Schedule of District’s Contributions – Kentucky Teachers’ Retirement System (KTRS) – Life Insurance Fund	92
Notes to Required Supplementary Information – Kentucky Teachers’ Retirement System (KTRS)	93
<b>Other Supplementary Information</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	94
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	95
Combining Schedule of Revenues and Expenditures – Agency Funds	96
Schedule of Receipts, Disbursements and Due to Student Groups – School Activity Funds – Calloway County High School	97
Schedule of Expenditures of Federal Awards	100
Notes to the Schedule of Expenditures of Federal Awards	102
<b>Internal Control and Compliance</b>	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	103
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	105
Schedule of Findings and Questioned Costs	107
Summary Schedule of Prior Year Audit Findings	109
<b>Management Comments for Audit</b>	
Independent Auditors’ Transmittal Letter for Management Letter Comments	110
Management Letter Comments	111
Summary Schedule of Prior Year Management Letter Comments	114

**CALLOWAY COUNTY SCHOOL DISTRICT  
JUNE 30, 2021**

**BOARD OF EDUCATION**

Jay Housden, Chairman  
Van Pittman, Vice-chairman  
Sharon Bobo, Member  
Scott Lowe, Member  
Mitch Ryan, Member

**ADMINISTRATIVE STAFF**

Tres Settle, Superintendent  
Josh McKeel, Director of Pupil Personnel  
April Lax, District Finance Officer

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Calloway County School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As described in Note 19 to the financial statements, during the year ended June 30, 2021, the Calloway County School District adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements, combining agency funds schedule, individual school activity fund schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, combining agency funds schedule, individual school activity fund schedule 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Calloway County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Calloway County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calloway County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

**FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District was \$13,710,720, as compared with the beginning cash balance of \$12,752,470. The ending cash balance consisted of amounts in the General Fund of \$11,509,814, Special Revenue Fund of (\$108,214), Nonmajor Governmental Funds of \$697,511, Food Service Fund of \$1,416,877, School Age Day Care of \$106,080, Adult Education of (\$19,606) and Fiduciary Fund of \$108,258.
- The General Fund had \$26,379,197 in revenues excluding interfund transfers, which primarily consisted of the state program (SEEK) funds, property, utilities and motor vehicle taxes and on-behalf payments for fringe benefits from the Commonwealth of Kentucky. General Fund revenues decreased (\$469,101) in comparison to prior year revenues of \$26,848,298. Excluding interfund transfers, General Fund expenditures were \$25,137,467 in comparison to prior year General Fund expenditures of \$25,177,226.
- The financial statements reflect a total of \$6,268,439 of revenues and aid from the state for payments made by the state on behalf of district employees for retirement contributions, health insurance and technology and debt service. A like amount of expenses is also recorded in the financial statements.
- The enrollment of Calloway County School District at the end of fiscal year 2021 was 2,888. This is an increase of 59 from 2,829 at the end of fiscal year 2020. State level funding is calculated primarily on Adjusted Annual Daily Attendance (AADA) which is directly affected by enrollment trends. As such, AADA for the District increased to \$2,732,653 in 2021.
- The state's level of support (SEEK) provided a guaranteed base per student of \$4,000 in fiscal year 2021. This is the same rate of support that was provided in fiscal year 2020. An increase in property assessments of \$84,039,266 resulted in a decrease in net General Fund SEEK of \$567,033. Fiscal year 2020 SEEK funding was \$8,480,029 compared to 2021 SEEK funding of \$7,912,996.
- Tax revenues for the District totaled \$11,480,993 in fiscal year 2021, compared to \$11,194,305 in fiscal year 2020. For fiscal year 2021, property tax collections totaled \$8,455,739, motor vehicle taxes totaled \$1,276,897 and utility taxes totaled \$1,442,100. The remaining \$306,257 of taxes included revenue amounts paid in-lieu of taxes. In comparison, for fiscal year 2020, property tax collections totaled \$7,988,478, motor vehicle taxes totaled \$1,233,618 and utility taxes totaled \$1,633,749. The remaining \$338,460 of taxes included revenue amounts paid in-lieu of taxes.
- A 1.00% district-wide raise was given in fiscal year 2021. General Fund salary expenditures for the year totaled \$21,556,298, or 84.62% of the total General Fund expenditures. This was a decrease in General Fund salary expenditures of (\$211,269), or 0.97%.

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

**OVERVIEW OF FINANCIAL STATEMENTS**

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

**Government-wide financial statements** – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets plus deferred outflows of resources and the District's liabilities plus deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District's activities are reported as governmental activities.

- Governmental activities – All the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

**Fund financial statements** – The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District's proprietary fund are Food Service, Day Care Fund and Adult Education Fund. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.
- *Fiduciary fund* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

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

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules, as listed in the table of contents.

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

**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 exceeded liabilities plus deferred inflows by \$13,648,881 as of June 30, 2021.

Long-term liabilities decreased primarily due to a net decrease of (\$931,787) in compensated absences. The net pension liability and net other postemployment benefits (OPEB) liability experienced a net increase of \$544,604. This factor is outside the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it is the pension systems that collect, hold and distribute pensions to District employees, not the District. A significant portion of the District's net position, \$12,973,820, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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. An additional portion of the District's net position, \$2,871,228, represents resources subject to external restrictions on how they may be used.

Following is a summary of the District's government-wide net position as of June 30, 2021 and 2020:

**Net Position**

	Governmental Activities		Business-type Activities		District Total	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Current assets						
and other assets	\$ 18,017,088	\$ 13,453,057	\$ 1,685,909	\$ 1,494,815	\$ 19,702,997	\$ 14,947,872
Capital assets	24,611,026	28,060,928	142,750	190,891	24,753,776	28,251,819
Total assets	42,628,114	41,513,985	1,828,659	1,685,706	44,456,773	43,199,691
<b>Deferred outflows of resources</b>	3,395,628	2,761,276	651,480	561,256	4,047,108	3,322,532
<b>LIABILITIES</b>						
Current liabilities	920,075	746,759	19,606	4,416	939,681	751,175
Long-term debt	27,420,488	29,540,704	2,763,983	2,439,239	30,184,471	31,979,943
Total liabilities	28,340,563	30,287,463	2,783,589	2,443,655	31,124,152	32,731,118
<b>Deferred inflows of resources</b>	3,454,681	2,225,119	276,167	358,426	3,730,848	2,583,545
<b>NET POSITION</b>						
Investment in capital assets						
net of related debt	12,831,070	12,489,227	142,750	190,891	12,973,820	12,680,118
Restricted	2,871,228	4,537,711	-	-	2,871,228	4,537,711
Unrestricted	(1,473,800)	(5,264,259)	(722,367)	(746,010)	(2,196,167)	(6,010,269)
Total net position	\$ 14,228,498	\$ 11,762,679	\$ (579,617)	\$ (555,119)	\$ 13,648,881	\$ 11,207,560

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

The net pension liability (NPL) and the other postemployment benefits (OPEB) are the largest liabilities reported by the District as of June 30, 2021. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

GASB 68 (pension) and GASB 75 (OPEB) require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

The increase for 2021 over 2020 in net position of governmental activities is largely due to increased state funding. The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$343,534. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements. The decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

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

Following is a summary of changes in the District's net position for the years ended June 30, 2021 and 2020:

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>REVENUES</b>						
Program revenues						
Operating grants and contributions	\$ 15,490,141	\$ 4,358,969	\$ 2,559,845	\$ 2,470,470	\$ 18,049,986	\$ 6,829,439
Capital grants and contributions	343,534	-	-	-	343,534	-
Charges for services	-	289,485	71,754	200,453	71,754	489,938
<b>GENERAL REVENUES</b>						
Property taxes	8,455,739	7,988,478	-	-	8,455,739	7,988,478
Other taxes	3,025,254	3,205,827	-	-	3,025,254	3,205,827
Investment earnings	152,963	222,104	12,573	21,371	165,536	243,475
State aid	5,714,895	16,871,557	219,225	-	5,934,120	16,871,557
Other	990,118	288,340	6,251	32,569	996,369	320,909
<b>Total revenues</b>	<b>34,172,644</b>	<b>33,224,760</b>	<b>2,869,648</b>	<b>2,724,863</b>	<b>37,042,292</b>	<b>35,949,623</b>
<b>EXPENSES</b>						
Instruction	21,600,892	20,706,794	-	-	21,600,892	20,706,794
Support services						
Student	1,164,444	1,189,231	-	-	1,164,444	1,189,231
Instructional staff	1,322,382	1,355,415	-	-	1,322,382	1,355,415
District administrative	895,176	800,128	-	-	895,176	800,128
School administrative	1,591,270	1,593,371	-	-	1,591,270	1,593,371
Business	760,116	703,579	-	-	760,116	703,579
Plant operations and maintenance	2,564,914	2,562,946	-	-	2,564,914	2,562,946
Student transportation	1,409,445	1,915,734	-	-	1,409,445	1,915,734
Day care	93,461	-	169,613	118,973	263,074	118,973
Community service activities	308,529	305,631	-	-	308,529	305,631
Building acquisition and construction	10,860	-	-	-	10,860	-
Interest costs	411,308	449,701	-	-	411,308	449,701
Loss on sale of fixed assets	-	-	2,106	-	2,106	-
Adult education	-	-	74,019	74,817	74,019	74,817
Food service	72,733	-	2,528,507	2,456,949	2,601,240	2,456,949
<b>Total expenses</b>	<b>32,205,530</b>	<b>31,582,530</b>	<b>2,774,245</b>	<b>2,650,739</b>	<b>34,979,775</b>	<b>34,233,269</b>
<b>Change in net position before transfers</b>	<b>1,967,114</b>	<b>1,642,230</b>	<b>95,403</b>	<b>74,124</b>	<b>2,062,517</b>	<b>1,716,354</b>
Transfers in (out)	119,901	-	(119,901)	-	-	-
<b>Change in net position after transfers</b>	<b>\$ 2,087,015</b>	<b>\$ 1,642,230</b>	<b>\$ (24,498)</b>	<b>\$ 74,124</b>	<b>\$ 2,062,517</b>	<b>\$ 1,716,354</b>

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14,740,310, an increase of \$1,925,634 (includes \$378,804 for the implementation of GASB 84) in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2021 and 2021.

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District's activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants' guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent property tax equivalent. The use of both funds' resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

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

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$8,246,001, while total fund balance was \$12,049,307. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 32.80% of total General Fund expenditures, while total fund balance represents 47.93% of that same amount.

During the current fiscal year, the total fund balance of the General Fund increased by \$1,483,716. Revenues and transfers totaling \$26,958,756 decreased by (\$411,330), while expenditures and transfers totaling \$25,475,040 decreased by (\$25,857).

Following is a summary of fund balances as of June 30, 2021 and 2020:

<b>Governmental Funds</b>	<b>2021</b>	<b>2020</b>	<b>Increase (Decrease)</b>
General Fund	\$ 12,049,307	\$ 10,565,591	\$ 1,483,716
Special Revenue Fund	-	-	-
Student Activity Fund	468,960	-	468,960
Building Fund	34,450	-	34,450
Capital Outlay Fund	-	47,682	(47,682)
Debt Service Fund	1,993,492	1,984,356	9,136
District Activity Fund	170,801	182,979	(12,178)
Construction Fund	23,525	34,068	(10,543)
<b>Total governmental funds</b>	<b>\$ 14,740,535</b>	<b>\$ 12,814,676</b>	<b>\$ 1,925,859</b>

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky law, the budgets of the District funds' budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes are ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of \$2,500,000 or 7.60%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

As noted on the Budgetary Comparison Schedule for the General Fund, contained in the Required Supplementary Information, the General Fund budget did not include \$7,499,253 of state payments on behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District's total revenues for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers, beginning balances and on-behalf payments, were \$18,879,944; compared to the total budgeted revenues of \$25,426,686.
- The District's total expenditures for General Fund activities for the fiscal year ended June 30, 2021, excluding interfund transfers and on-behalf payments, were \$17,638,214; compared to the total budgeted expenditures of \$32,875,215.
- The fund balance at the end of the 2021 fiscal year for all Governmental Funds was \$14,740,310, compared to \$12,814,676 in the prior year.

Significant Board action that impacts the District's finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Special Revenue Fund (Fund 2) is made up of state, local and federal grants. These grants include Title I, Preschool, Special Education and others. These funds have restricted use, according to the guidelines for each. Expenditures include salaries and benefits, supplies and transportation.

SEEK Capital Outlay Fund (Fund 310) and FSPK Building Fund (Fund 320) are restricted funds for capital projects. The State contributes to Fund 310.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2021, the District had \$24,753,776 invested in capital assets net of depreciation; historical cost totaled \$67,020,703 with accumulated depreciation totaling \$42,266,927. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled \$866,996. Depreciation charged to expense during the year totaled \$2,043,807, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

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

Following is a summary of capital assets, net of depreciation, as of June 30, 2021 and 2020:

**Net Capital Assets**

	Governmental Activities		Business-type Activities		District Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,207,758	\$ 1,207,758	\$ -	\$ -	\$ 1,207,758	\$ 1,207,758
Land improvements	539,463	592,222	-	-	539,463	592,222
Buildings and improvements	21,056,123	22,512,961	34,387	40,330	21,090,510	22,553,291
Technology equipment	55,951	73,261	-	-	55,951	73,261
General equipment	134,043	113,380	-	-	134,043	113,380
Vehicles	1,617,688	1,242,220	-	-	1,617,688	1,242,220
Food service equipment	-	-	108,363	150,561	108,363	150,561
<b>Total</b>	<b>\$ 24,611,026</b>	<b>\$ 25,741,802</b>	<b>\$ 142,750</b>	<b>\$ 190,891</b>	<b>\$ 24,753,776</b>	<b>\$ 25,932,693</b>

**Long-term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2021 were \$12,135,000. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$1,701,253 of the bonds leaving the District to pay \$10,433,747. The liability for compensated absences had a net decrease of (\$918,756) for the fiscal year.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. Questions regarding this report should be directed to the District Finance Officer at the following address: Calloway County Board of Education, 2110 College Farm Road, Murray, Kentucky 42071.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,207,550	\$ 1,522,957	\$ 13,730,507
Accounts receivable			
Taxes	157,341	-	157,341
Other	-	19,606	19,606
Intergovernmental - state	10,656	-	10,656
Intergovernmental - indirect federal	810,759	-	810,759
Inventory	-	143,346	143,346
Restricted investments	1,993,492	-	1,993,492
Capital assets			
Non-depreciable	1,207,758	-	1,207,758
Depreciable (net)	23,403,268	142,750	23,546,018
Prepaid expenditures	379,013	-	379,013
Joint venture rights	2,458,277	-	2,458,277
<b>Total assets</b>	<b>42,628,114</b>	<b>1,828,659</b>	<b>44,456,773</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related	1,925,718	303,784	2,229,502
Pension related	1,266,018	347,696	1,613,714
Deferred amount on refunding of debt	203,892	-	203,892
<b>Total deferred outflows of resources</b>	<b>3,395,628</b>	<b>651,480</b>	<b>4,047,108</b>
<b>LIABILITIES</b>			
Accounts payable	(3,139)	-	(3,139)
Cash overdraft	108,214	19,606	127,820
Unearned revenue	713,201	-	713,201
Accrued Interest	101,799	-	101,799
Long-term obligations			
Portion due or payable within one year			
Bonds payable	3,362,268	-	3,362,268
Compensated absences	28,813	11,327	40,140
Portion due or payable after one year			
Bonds payable	8,789,170	-	8,789,170
Compensated absences	371,482	13,964	385,446
Net OPEB liability	7,515,736	671,979	8,187,715
Net pension liability	7,353,019	2,066,713	9,419,732
<b>Total liabilities</b>	<b>28,340,563</b>	<b>2,783,589</b>	<b>31,124,152</b>

Continued

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

	Governmental Activities	Business- type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related	3,023,406	162,610	3,186,016
Pension related	431,275	113,557	544,832
Total deferred inflows of resources	<u>3,454,681</u>	<u>276,167</u>	<u>3,730,848</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,831,070	142,750	12,973,820
Restricted	2,871,228	-	2,871,228
Unrestricted	<u>(1,473,800)</u>	<u>(722,367)</u>	<u>(2,196,167)</u>
Total net position	<u>\$ 14,228,498</u>	<u>\$ (579,617)</u>	<u>\$ 13,648,881</u>

See accompanying notes to financial statements

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

<b><u>FUNCTIONS/PROGRAMS</u></b>	Program Revenues			Net (Expenses) Revenues	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>					
Instruction	\$ 21,600,892	\$ -	\$ 12,358,798	\$ -	\$ (9,242,094)
Support services					
Student	1,164,444	-	579,425	-	(585,019)
Instructional staff	1,322,382	-	513,399	-	(808,983)
District administration	895,176	-	211,110	-	(684,066)
School administration	1,591,270	-	517,224	-	(1,074,046)
Business	760,116	-	226,820	-	(533,296)
Plant operations and maintenance	2,564,914	-	197,047	-	(2,367,867)
Student transportation	1,409,445	-	417,038	-	(992,407)
Food service	72,733	-	-	-	(72,733)
Day care	93,461	-	-	-	(93,461)
Building acquisition and construction	10,860	-	-	-	(10,860)
Community service activities	308,529	-	469,280	-	160,751
Interest on long-term debt	411,308	-	-	343,534	(67,774)
<b>Total governmental activities</b>	<b>32,205,530</b>	<b>-</b>	<b>15,490,141</b>	<b>343,534</b>	<b>(16,371,855)</b>
<b>Business-type Activities</b>					
Food service	2,528,507	15,497	2,420,425	-	(92,585)
Day care	169,613	56,257	65,401	-	(47,955)
Adult education	74,019	-	74,019	-	-
<b>Total business-type activities</b>	<b>2,772,139</b>	<b>71,754</b>	<b>2,559,845</b>	<b>-</b>	<b>(140,540)</b>
<b>Total activities</b>	<b>\$ 34,977,669</b>	<b>\$ 71,754</b>	<b>\$ 18,049,986</b>	<b>\$ 343,534</b>	<b>\$ (16,512,395)</b>

Continued

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Net Revenues (Expenses)</b>	<u>(16,371,855)</u>	<u>(140,540)</u>	<u>(16,512,395)</u>
<b>General Revenues</b>			
Taxes			
Property	8,455,739	-	8,455,739
Motor vehicle	1,276,897	-	1,276,897
Utilities	1,442,100	-	1,442,100
Other	306,257	-	306,257
Investment earnings	152,963	12,573	165,536
Other local revenue	618,393	-	618,393
Student activities	210,583	-	210,583
State aid	5,714,895	219,225	5,934,120
Gain (loss) on sale of fixed assets	12,856	(2,106)	10,750
Transfers	119,901	(119,901)	-
Miscellaneous	148,286	6,251	154,537
Total general revenues	<u>18,458,870</u>	<u>116,042</u>	<u>18,574,912</u>
Change in net position	<u>2,087,015</u>	<u>(24,498)</u>	<u>2,062,517</u>
<b>Net position, beginning of year</b>	11,762,679	(555,119)	11,207,560
Implementation of GASB 84, see Note 19	<u>378,804</u>	<u>-</u>	<u>378,804</u>
<b>Net position, beginning of year, restated</b>	<u>12,141,483</u>	<u>(555,119)</u>	<u>11,586,364</u>
<b>Net position, end of year</b>	<u>\$ 14,228,498</u>	<u>\$ (579,617)</u>	<u>\$ 13,648,881</u>

See accompanying notes to financial statements

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,509,814	\$ -	\$ -	\$ 697,736	\$ 12,207,550
Receivables					
Accounts	157,341	-	-	-	157,341
Intergovernmental - state	-	10,656	-	-	10,656
Intergovernmental - indirect federal	-	810,759	-	-	810,759
Restricted investments	-	-	1,993,492	-	1,993,492
Prepaid expenditures	379,013	-	-	-	379,013
	<u>379,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,013</u>
Total assets	<u>\$ 12,046,168</u>	<u>\$ 821,415</u>	<u>\$ 1,993,492</u>	<u>\$ 697,736</u>	<u>\$ 15,558,811</u>

Continued

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

<b>LIABILITIES AND FUND BALANCES</b>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Liabilities					
Accounts payable	\$ (3,139)	\$ -	\$ -	\$ -	\$ (3,139)
Cash overdraft	-	108,214	-	-	108,214
Unearned revenue	-	713,201	-	-	713,201
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	(3,139)	821,415	-	-	818,276
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances					
Nonspendable	-	-	-	-	-
Spendable					
Restricted	180,000	-	1,993,492	697,736	2,871,228
Committed	3,623,306	-	-	-	3,623,306
Assigned	-	-	-	-	-
Unassigned	8,246,001	-	-	-	8,246,001
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	12,049,307	-	1,993,492	697,736	14,740,535
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 12,046,168</u>	<u>\$ 821,415</u>	<u>\$ 1,993,492</u>	<u>\$ 697,736</u>	<u>\$ 15,558,811</u>

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

Total fund balance per fund financial statements	\$ 14,740,535
--	---------------

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

Capital assets used in governmental activities are not current financial resources and are not reported as assets in governmental funds. The cost of the assets is \$65,723,981 and the accumulated depreciation is \$41,112,955	24,611,026
--	------------

Certain long-term assets related to current and prior bond issues are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.	203,892
---	---------

Deferred outflows of resources related to pensions and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.	3,191,736
---	-----------

Deferred inflows of resources related to pensions and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.	(3,454,681)
--	-------------

Joint ventures are not reported in the governmental funds because current financial resources are not required. This investment is, however, included in the statement of net position.	2,458,277
---	-----------

Long-term liabilities, including interest payable, are not due and payable in the current period and are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds	(12,151,438)
Accrued interest on the bonds	(101,799)
Accrued sick leave payable	(400,295)
Pension liability	(7,353,019)
OPEB liability	(7,515,736)

Net position of governmental activities	\$ 14,228,498
---	---------------

See accompanying notes to financial statements

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

	General	Special Revenue	Debt Service	Nonmajor Governmental	Total
<b>REVENUES</b>					
From local sources					
Taxes					
Property	\$ 7,417,945	\$ -	\$ -	\$ 1,037,794	\$ 8,455,739
Motor vehicle	1,276,897	-	-	-	1,276,897
Utilities	1,442,100	-	-	-	1,442,100
Other	306,257	-	-	-	306,257
Earnings on investments	143,603	-	-	9,360	152,963
Other local revenues	259,487	180,948	-	177,958	618,393
Student activities	-	-	-	210,583	210,583
Intergovernmental - state	15,490,140	1,769,627	343,534	431,438	18,034,739
Intergovernmental - federal	42,768	3,471,062	-	-	3,513,830
	<u>26,379,197</u>	<u>5,421,637</u>	<u>343,534</u>	<u>1,867,133</u>	<u>34,011,501</u>
<b>EXPENDITURES</b>					
Current					
Instruction	15,795,677	4,408,847	-	312,571	20,517,095
Support services					
Student	961,853	197,294	-	-	1,159,147
Instructional staff	1,232,676	85,002	-	2,690	1,320,368
District administration	891,313	-	-	-	891,313
School administration	1,573,555	14,916	-	-	1,588,471
Business	739,883	20,233	-	-	760,116
Plant operations and maintenance	2,303,565	58,699	-	-	2,362,264
Student transportation	1,638,945	160,108	-	13	1,799,066
Food service	-	72,733	-	-	72,733
Day care	-	93,461	-	-	93,461
Community service	-	308,529	-	-	308,529
Building acquisition and construction	-	-	-	10,860	10,860
Debt service	-	-	1,722,916	-	1,722,916
	<u>25,137,467</u>	<u>5,419,822</u>	<u>1,722,916</u>	<u>326,134</u>	<u>32,606,339</u>

Continued

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

	General	Special Revenue	Debt Service	Nonmajor Governmental	Total
Excess (deficit) of revenues over (under) expenditures	1,241,730	1,815	(1,379,382)	1,540,999	1,405,162
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from disposal of fixed assets	12,856	-	-	-	12,856
Original issue discount	-	-	9,136	-	9,136
Transfers in	566,703	143,314	1,379,382	-	2,089,399
Transfers (out)	(337,573)	(145,129)	-	(1,486,796)	(1,969,498)
Total other financing sources (uses)	241,986	(1,815)	1,388,518	(1,486,796)	141,893
Net changes in fund balances	1,483,716	-	9,136	54,203	1,547,055
<b>Fund balances, beginning of year</b>	10,565,591	-	1,984,356	264,729	12,814,676
Implementation of GASB 84, Note 19	-	-	-	378,804	378,804
<b>Fund balances, beginning of year, restated</b>	10,565,591	-	1,984,356	643,533	13,193,480
<b>Fund balances, end of year</b>	<u>\$ 12,049,307</u>	<u>\$ -</u>	<u>\$ 1,993,492</u>	<u>\$ 697,736</u>	<u>\$ 14,740,535</u>

See accompanying notes to financial statements

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

Net change in fund balance - total governmental funds \$ 1,547,055

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	866,996
Depreciation expense	(1,997,772)

Joint ventures are only reported in governmental funds to the extent that current financial resources are required. In the government-wide financial statements, the entire investment is reported as a single amount adjusted for any profit or loss. 139,151

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond repayments	1,375,000
-----------------	-----------

Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Deferred other postemployment benefits	(382,524)
Deferred pension	(351,692)
Accumulated sick leave - noncurrent portion	918,756
Amortization of bond discount/premium	(69,971)
Insurance - KSBIT	35,437
Accrued interest on bonds	6,579
	6,579

Change in net position of governmental activities	\$ 2,087,015
---	--------------

See accompanying notes to the financial statements

**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

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

	<u>Food Service</u>	<u>School Age Child Care</u>	<u>Adult Education</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,416,877	\$ 106,080	\$ -	\$ 1,522,957
Accounts receivable	-	-	19,606	19,606
Inventory	143,346	-	-	143,346
Total current assets	<u>1,560,223</u>	<u>106,080</u>	<u>19,606</u>	<u>1,685,909</u>
Noncurrent assets				
Capital assets	1,281,655	15,067	-	1,296,722
Less: accumulated depreciation	<u>(1,138,905)</u>	<u>(15,067)</u>	<u>-</u>	<u>(1,153,972)</u>
Total noncurrent assets	<u>142,750</u>	<u>-</u>	<u>-</u>	<u>142,750</u>
Total assets	<u>1,702,973</u>	<u>106,080</u>	<u>19,606</u>	<u>1,828,659</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB related	274,198	29,586	-	303,784
Pension related	<u>319,205</u>	<u>28,491</u>	<u>-</u>	<u>347,696</u>
Total deferred outflows of resources	<u>593,403</u>	<u>58,077</u>	<u>-</u>	<u>651,480</u>

Continued

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

	Food Service	School Age Child Care	Adult Education	Total
<b>LIABILITIES</b>				
Current liabilities				
Cash overdraft	-	-	19,606	19,606
Accrued sick leave	11,327	-	-	11,327
Total current liabilities	11,327	-	19,606	30,933
Long-term liabilities				
Accrued sick leave	13,964	-	-	13,964
Net OPEB liability	609,884	62,095	-	671,979
Net pension liability	1,885,783	180,930	-	2,066,713
Total noncurrent liabilities	2,509,631	243,025	-	2,752,656
Total liabilities	2,520,958	243,025	19,606	2,783,589
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB related	149,403	13,207	-	162,610
Pension related	104,524	9,033	-	113,557
Total deferred inflows of resources	253,927	22,240	-	276,167
<b>NET POSITION</b>				
Net investment in capital assets	142,750	-	-	142,750
Unrestricted	(621,259)	(101,108)	-	(722,367)
Total net position	<u>\$ (478,509)</u>	<u>\$ (101,108)</u>	<u>\$ -</u>	<u>\$ (579,617)</u>

See accompanying notes to the financial statements

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

	Food Service	School Age Child Care	Adult Education	Total
<b>OPERATING REVENUES</b>				
Lunchroom sales	\$ 15,497	\$ -	\$ -	\$ 15,497
Community service activities	-	56,257	-	56,257
Total operating revenues	<u>15,497</u>	<u>56,257</u>	<u>-</u>	<u>71,754</u>
<b>OPERATING EXPENSES</b>				
Salaries, wages and benefits	1,246,268	159,262	71,093	1,476,623
Materials and supplies	1,212,329	5,999	1,826	1,220,154
Depreciation	46,035	-	-	46,035
Contract services	18,011	4,277	-	22,288
Other	5,864	75	1,100	7,039
Total operating expenses	<u>2,528,507</u>	<u>169,613</u>	<u>74,019</u>	<u>2,772,139</u>
Operating income (loss)	<u>(2,513,010)</u>	<u>(113,356)</u>	<u>(74,019)</u>	<u>(2,700,385)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	12,573	-	-	12,573
Donated commodities	103,526	-	-	103,526
Grants - child nutrition program	2,316,899	-	-	2,316,899
State on-behalf payments	172,858	41,642	-	214,500
State grants	46,367	23,759	74,019	144,145
Other	6,251	-	-	6,251
Gain (loss) on disposal of fixed assets	(2,106)	-	-	(2,106)
Total nonoperating revenues (expenses)	<u>2,656,368</u>	<u>65,401</u>	<u>74,019</u>	<u>2,795,788</u>
Transfers (out)	<u>(119,901)</u>	<u>-</u>	<u>-</u>	<u>(119,901)</u>
Change in net position	23,457	(47,955)	-	(24,498)
<b>Net position, beginning of year</b>	<u>(501,966)</u>	<u>(53,153)</u>	<u>-</u>	<u>(555,119)</u>
<b>Net position, end of year</b>	<u>\$ (478,509)</u>	<u>\$ (101,108)</u>	<u>\$ -</u>	<u>\$ (579,617)</u>

See accompanying notes to the financial statements

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

	School Food Service	School Age Child Care	Adult Education	Total
<b>Cash flows from operating activities</b>				
Cash received from				
Lunchroom sales	\$ 15,497	\$ -	\$ -	\$ 15,497
Community service activities	-	56,257	-	56,257
Cash paid to/for				
Employees	(942,604)	(100,581)	(71,093)	(1,114,278)
Supplies	(1,066,035)	(5,999)	(2,926)	(1,074,960)
Contract services	(23,875)	(4,352)	-	(28,227)
<b>Net cash provided (used) by operating activities</b>	<u>(2,017,017)</u>	<u>(54,675)</u>	<u>(74,019)</u>	<u>(2,145,711)</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in (out)	(119,901)	-	-	(119,901)
Due from other funds	18,342	-	(19,606)	(1,264)
Other receipts	6,251	-	-	6,251
Government grants	2,363,266	23,759	74,019	2,461,044
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,267,958</u>	<u>23,759</u>	<u>54,413</u>	<u>2,346,130</u>
<b>Cash flows from investing activities</b>				
Receipt of interest income	12,573	-	-	12,573
<b>Net cash provided (used) by investing activities</b>	<u>12,573</u>	<u>-</u>	<u>-</u>	<u>12,573</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	263,514	(30,916)	(19,606)	212,992
<b>Cash and cash equivalents, beginning of year</b>	<u>1,153,363</u>	<u>136,996</u>	<u>-</u>	<u>1,290,359</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,416,877</u>	<u>\$ 106,080</u>	<u>(\$19,606)</u>	<u>\$ 1,503,351</u>

Continued

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

	School Food Service	School Age Child Care	Adult Education	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (2,513,010)	\$ (113,356)	\$ (74,019)	\$ (2,700,385)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>				
Depreciation	46,035	-	-	46,035
Donated commodities	103,526	-	-	103,526
State on-behalf payments	172,858	41,642	-	214,500
Changes in assets and liabilities				
Inventory	42,768	-	-	42,768
Compensated absences	(13,031)	-	-	(13,031)
OPEB	40,612	4,811	-	45,423
Pension	103,225	12,228	-	115,453
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (2,017,017)</u></b>	<b><u>\$ (54,675)</u></b>	<b><u>\$ (74,019)</u></b>	<b><u>\$ (2,145,711)</u></b>
<b>Schedule of non-cash transactions</b>				
Donated commodities received from federal government	\$ 103,526	\$ -	\$ -	\$ 103,526
On-behalf payments	172,858	41,642	-	214,500

See accompanying notes to the financial statements

## **FIDUCIARY FUNDS**

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

	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,770	\$ 38,488
Total assets	69,770	38,488
<b>LIABILITIES</b>		
Due to grantor agency	-	38,488
Total liabilities	-	38,488
<b>NET POSITION</b>		
Net position held in trust	69,770	-
Total net position	\$ 69,770	\$ -

See accompanying notes to the financial statements

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

	<b>Private Purpose Trust</b>
<b>ADDITIONS</b>	
Interest income	\$ 694
Donations	-
	694
Total additions	694
<b>DEDUCTIONS</b>	
Support services	
Non-instructional services	1,000
Total deductions	1,000
Change in net position	(306)
<b>Net position, beginning of year</b>	<b>70,076</b>
<b>Net position, end of year</b>	<b>\$ 69,770</b>

See accompanying notes to the financial statements

**NOTES TO FINANCIAL STATEMENTS**

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

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

Nature of Operations

The Calloway 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 education within the jurisdiction of the Calloway County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

In accordance with Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, agencies, boards, commissions and authorities for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. In addition, the GASB Statement No. 39, as amended by GASB Statement No. 61 sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the organization and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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 Calloway County School District Finance Corporation are included in the accompanying financial statements. In 1993, the Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Calloway County Board of Education also comprise the Corporation's Board of Directors.

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

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

Basis of Presentation

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Interfund services provided and used are not eliminated in the process of consolidation for these statements.

The statement of net position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – Consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

The *General Fund* is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the fund consists primarily of local property taxes and state governmental aid. This is a major fund of the District.

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

The *Special Revenue (Grant Fund)* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

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

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

The *Facility Support Program of Kentucky Fund (FSPK)* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes. This is a major fund of the District.

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

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

Proprietary Fund Types

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The District has the following enterprise funds:

The *School Food Service Fund* accounts for the food service operations of the District.

The *Day Care Fund* is used to account for day care operations of the District.

The *Adult Education Fund* is used to account for specific needs and purposes related to adult education.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

The *Private Purpose Trust Fund* is used to report trust arrangements which benefit individuals, private organizations or other governments.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The District also reports a fiduciary fund which focuses on net position and changes in net position. The fiduciary fund reports on the accrual basis of accounting.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Nonexchange Transactions

Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Nonexchange 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 it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's proprietary funds are charges for food sales or tuition and fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs and then general revenues.

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure restricted fund balance and then to less restrictive classifications—committed, assigned and then unassigned fund balances.

The Significant Accounting Policies Followed by the District Include the Following:

**Cash and Cash Equivalents**

The District considers demand deposits, money market accounts and time deposits that are nonnegotiable to be cash and cash equivalents for the governmental, proprietary and fiduciary funds. This definition is also used for the proprietary funds' statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky; however, such investments must be approved by the Kentucky Department of Education.

**Investments**

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District performs due diligence reviews of the investment pricing, process and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are available.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses associated with the District's investment program.

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

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

Property Taxes Receivable

Property taxes receivable in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real, business and personal property located in the District. The usual collection date is the period of November 1 through December 31. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2021, to finance the General Fund operations, were \$.463 per \$100 valuation for real property, \$.463 per \$100 valuation for business tangible personal property and \$.531 per \$100 valuation for motor vehicles.

Inventories

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

Prepaid Expenditures

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase, and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Certain investments of the District's Debt Service Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in a separate account.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for all assets, including technology, which has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset's life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Description	Estimated Lives for Depreciation
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Food service equipment	12 years
General equipment	5 - 10 years

**Unearned Revenue**

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

**Debt Premiums and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

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

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

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: the deferred outflows of resources related to the net pension liability described in Note 12, the net OPEB liability described in Note 13 and the deferred amount on refunding of debt.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element, *deferred inflows of resources*, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources related to the net pension liability as described in Note 12 and the net OPEB liability described in Note 13.

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

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

Cash Flows

For the purposes of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intend to use for specific purposes. The authority to assign fund balances has been designated by the District's Board of Education to the Finance Officer.

Unassigned – All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned funds and then unassigned.

Net Position

In proprietary funds, fiduciary funds and government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Interfund activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in 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.

Estimates

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

Subsequent Events

Subsequent events have been evaluated through November 15, 2021, which is the date the financial statements were available to be issued.

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2021, the carrying amount of the District’s deposits was \$13,710,945 and the bank balance was \$15,287,570. Of the District’s bank balance, \$15,037,570 was collateralized while \$250,000 was covered by Federal Deposit Insurance.

For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

The carrying amounts are reflected in the financial statements as follows:

Reconciliation to government-wide statement of net position:	
Unrestricted cash, including time deposits	\$ 13,602,687
Private purpose trust cash, including time deposits (not included in government-wide statement)	69,770
Agency fund cash (not included in government-wide statement)	38,488
	\$ 13,710,945

These amounts are reported in the financial statements, as follows:

Governmental funds	\$ 12,099,336
Business-type funds	1,503,351
Fiduciary funds	108,258
	\$ 13,710,945

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

**NOTE 3 – INVESTMENTS**

The District sold a \$2,000,000 Qualified Zone Academy Bond (QZAB) on October 3, 2007 for the purpose of financing the cost of renovations to several school district instructional buildings. On the delivery date an initial cash payment in the amount of \$1,114,000 was required to be deposited in a Prefunded Escrow Account at Monticello Banking Company in Somerset, Kentucky, \$160,000 of which was for trustee fees. The trustee used the remaining prepayment to purchase a Federal Home Loan Mortgage Corporation (FHLMC) zero coupon bond in the amount of \$954,000, which will mature on September 15, 2022 and should earn an amount sufficient to retire the \$2,000,000 bond principal due on that date. The original issue discount recognized in the current year was \$101,500.

As of June 30, 2021, the District held the following investment:

Investment	Maturity	Credit Rating	Fair Value
Federal Home Loan Mortgage Corporation	September 15, 2022	Aaa	\$ 1,993,492
			\$ 1,993,492

**Fair Value Measurement**

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three tiered fair value hierarchy, as follows:

- Level 1 – Quoted prices for identical investments in active markets;
- Level 2 – Observable inputs other than quoted market prices; and,
- Level 3 – Unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2021:

Investments by fair value level	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
US government securities			
Federal Home Loan Mortgage Corporation	\$ 1,993,492	_____	_____
Total investments at measured fair value	\$ 1,993,492	\$ -	\$ -

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

**NOTE 3 – INVESTMENTS, continued**

The District does not have an investment policy for custodial credit risk, interest rate risk, credit risk or concentration of credit risk beyond the requirements of KRS 66.480.

Custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation is exposed to custodial credit risk in that it is uninsured and held by the counterparty's trust department in the District's name.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. U. S. Government securities and investments in mutual funds are excluded from this risk.

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

**NOTE 4 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2021</u>
Capital assets not depreciated				
Land	\$ 1,207,758	\$ -	\$ -	\$ 1,207,758
Total non-depreciable historical cost	<u>1,207,758</u>	<u>-</u>	<u>-</u>	<u>1,207,758</u>
Capital assets depreciated				
Land improvements	2,305,392	-	-	2,305,392
Buildings and improvements	54,679,556	159,500	-	54,839,056
Technology equipment	1,349,969	14,183	1,111	1,363,041
Vehicles	4,930,546	644,258	708,490	4,866,314
General equipment	1,093,365	49,055	-	1,142,420
Total depreciable historical cost	<u>64,358,828</u>	<u>866,996</u>	<u>709,601</u>	<u>64,516,223</u>
Less: accumulated depreciation				
Land improvements	1,713,170	52,759	-	1,765,929
Buildings and improvements	32,166,595	1,616,338	-	33,782,933
Technology equipment	1,276,708	31,493	1,111	1,307,090
Vehicles	3,688,326	268,790	708,490	3,248,626
General equipment	979,985	28,392	-	1,008,377
Total accumulated depreciation	<u>39,824,784</u>	<u>1,997,772</u>	<u>709,601</u>	<u>41,112,955</u>
Total depreciable historical cost - net	<u>24,534,044</u>	<u>(1,130,776)</u>	<u>-</u>	<u>23,403,268</u>
Governmental activities capital assets - net	<u>\$ 25,741,802</u>	<u>\$ (1,130,776)</u>	<u>\$ -</u>	<u>\$ 24,611,026</u>

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

**NOTE 4 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	\$1,367,012
Support services	
Student	5,297
Instructional staff	2,014
District administration	3,863
School administration	2,799
Plant operations and maintenance	362,150
Student transportation	254,637
	\$1,997,772

Business-type Activities	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets depreciated				
Buildings and improvements	\$ 348,953	\$ -	\$ -	\$ 348,953
Technology equipment	31,069	-	-	31,069
General equipment	924,307	-	7,607	916,700
Total depreciable historical cost	1,304,329	-	7,607	1,296,722
Less: accumulated depreciation				
Buildings and improvements	308,623	5,943	-	314,566
Technology equipment	31,069	-	-	31,069
Food service equipment	773,746	40,092	5,501	808,337
Total accumulated depreciation	1,113,438	46,035	5,501	1,153,972
Business-type activities capital assets - net	\$ 190,891	\$ (46,035)	\$ 2,106	\$ 142,750

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

**NOTE 5 – LONG-TERM OBLIGATIONS**

The District's debt is the responsibility of the governmental activities.

The original amount of each bond issue, the bond issue dates, interest rates and maturity dates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2007 (QZAB)	\$ 2,000,000	5.58%	2022
2010	1,030,000	0.70% - 2.50%	2021
2010	6,265,000	0.60 - 2.90%	2022
2013	5,995,000	1.70% - 4.125%	2034
2014	2,765,000	0.90% - 3.00%	2030
2016	2,955,000	2.00% - 2.10%	2028

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Calloway County Fiscal Court and the Calloway 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.

In 1986, the District entered into "participation agreements" with the School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

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

<u>Year</u>	<u>Calloway County School District</u>		<u>School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022	\$ 3,072,946	\$ 268,884	\$ 287,054	\$ 44,051	\$ 3,672,935
2023	536,156	238,961	158,844	36,738	970,699
2024	567,581	226,120	162,419	33,163	989,283
2025	593,924	211,879	166,076	29,504	1,001,383
2026	625,180	197,000	169,820	25,760	1,017,760
2027-2031	3,233,033	689,901	596,967	71,535	4,591,436
2032-2036	1,804,927	152,580	160,073	13,315	2,130,895
	<u>\$ 10,433,747</u>	<u>\$ 1,985,325</u>	<u>\$ 1,701,253</u>	<u>\$ 254,066</u>	<u>\$ 14,374,391</u>

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

**NOTE 5 – LONG-TERM OBLIGATIONS, continued**

Changes in long-term liabilities are as follows:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
<b>Governmental activities</b>					
Bond Payable					
General obligation debt	\$ 13,510,000	\$ -	\$ 1,375,000	\$ 12,135,000	\$ 3,360,000
Premium (discounts)	18,706	-	2,268	16,438	2,268
Total bonds payable	<u>13,528,706</u>	<u>-</u>	<u>1,377,268</u>	<u>12,151,438</u>	<u>3,362,268</u>
Other liabilities					
Compensated absences	1,319,051	-	918,756	400,295	28,813
Insurance assessment	35,437	-	35,437	-	-
Net OPEB liability	7,681,807	-	166,071	7,515,736	-
Net pension liability	6,975,703	377,316	-	7,353,019	-
Total other liabilities	<u>16,011,998</u>	<u>377,316</u>	<u>1,120,264</u>	<u>15,269,050</u>	<u>28,813</u>
Total long-term liabilities	<u>\$ 29,540,704</u>	<u>\$ 377,316</u>	<u>\$ 2,497,532</u>	<u>\$ 27,420,488</u>	<u>\$ 3,391,081</u>
<b>Business-type activities</b>					
Other liabilities					
Compensated absences	\$ 38,322	\$ -	\$ 13,031	\$ 25,291	\$ 11,327
Net OPEB liability	464,120	207,859	-	671,979	-
Net pension liability	1,941,213	125,500	-	2,066,713	-
Total other liabilities	<u>\$ 2,443,655</u>	<u>\$ 333,359</u>	<u>\$ 13,031</u>	<u>\$ 2,763,983</u>	<u>\$ 11,327</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and insurance assessment will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

**NOTE 6 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the amount for governmental activities will be approximately \$400,295, with \$28,813 considered the short-term portion and \$371,482 considered the long-term portion. Management has estimated the amount for business-type activities will be approximately \$25,291, with \$11,327 considered the short-term portion and \$13,964 considered the long-term portion.

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

**NOTE 7 – NET POSITION DEFICIT BALANCE**

The Food Service Fund has a deficit balance of (\$478,509). Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of (\$2,156,191), Food Service has a net position of \$1,677,682. The Day Care Fund has a deficit balance of (\$101,108). Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of (\$207,188), Day Care has a net position of \$106,080. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 8 – FUND BALANCE REPORTING**

Following is a summary of designations of fund balance at June 30, 2021:

	General	Special Revenue	Debt Service	Nonmajor Governmental	Total
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Future construction	-	-	-	34,450	34,450
Capital outlay	-	-	-	23,525	23,525
Sick leave	180,000	-	-	-	180,000
Student activity funds	-	-	-	468,960	468,960
District activity funds	-	-	-	170,801	170,801
Debt service	-	-	1,993,492	-	1,993,492
Committed					
Sick leave	-	-	-	-	-
Site-based carryforward	123,306	-	-	-	123,306
Future construction	3,500,000	-	-	-	3,500,000
Assigned	-	-	-	-	-
Unassigned	8,246,001	-	-	-	8,246,001
	<u>\$ 12,049,307</u>	<u>\$ -</u>	<u>\$ 1,993,492</u>	<u>\$ 697,736</u>	<u>\$ 14,740,535</u>

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

**NOTE 9 – TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General Fund	Capital funds	\$ 312,750
Building Fund	General Fund	Capital funds	76,942
Special Revenue	Special Revenue	FLEX	88,020
Special Revenue	General Fund	Indirect costs	57,109
School Food Service	General Fund	Indirect costs	119,901
General Fund	Special Revenue	KETS	55,295
Building Fund	Debt Service	Debt payments	1,097,104
General Fund	Debt Service	Debt payments	282,278
			<u>\$ 2,089,399</u>

**NOTE 10 – DEFICIT OPERATING FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. The following funds had excess current year expenditures over current year appropriated revenues:

SEEK Capital Outlay	\$ (47,682)
Construction Fund	(10,543)
District Activity	(12,178)

**NOTE 11 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2021:

Health insurance	\$ 3,441,201
Life insurance	4,729
Administrative fee	38,353
Health reimbursement account - HRA/dental/vision	104,475
	<u>3,588,758</u>
Federal reimbursements of health benefits	(207,986)
	<u>3,380,772</u>
KTRS OPEB and pension fund	4,233,734
Technology	99,247
SFCC debt service	343,534
	<u>\$ 8,057,287</u>

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

**NOTE 11– ON-BEHALF PAYMENTS, continued**

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities	
General Fund	\$ 7,499,253
Debt Service Fund	343,534
Business-type activities	
Food Service Fund	172,858
Day Care	<u>41,642</u>
	<u><u>\$ 8,057,287</u></u>

**NOTE 12 – PENSION PLANS**

The District participates in the County Employees Retirement System (CERS), a blended component unit of the Commonwealth of Kentucky, and the Teachers’ Retirement System of the State of Kentucky (KTRS), a blended unit of the Commonwealth of Kentucky. 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 have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

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

*Plan description* – The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city and school board, and any additional eligible local agencies electing to participate in the plan. Effective April 1, 2021, administration of CERS was transferred from the Kentucky Public Pensions Authority’s Board of Trustees to the CERS board of trustees established by House Bill 484, which created a new section of Kentucky Revised Statute 61.510 to 61.705.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

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

**NOTE 12 – PENSION PLANS, continued**

*Benefits provided* – CERS provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living (COLA) adjustments are provided at the discretion of the State legislature. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years’ service or 65 years old
	Reduced retirement	At least 5 years’ service and 55 years old
	Required contributions	At least 25 years’ service and any age 5.00%
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years’ service and 60 years old
	Required contributions	5.00% + 1.00% for insurance
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
	Required contributions	5.00% + 1.00% for insurance

*Contributions* – Contribution rates are established by the Kentucky Revised Statutes. For the fiscal year ended June 30, 2021, participating employers contributed 19.30% of each employee’s creditable compensation. The actuarially determined contribution requirements of plan members and the Board were established and could be amended by the Kentucky Systems Board of Trustees.

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

At June 30, 2021, the District reported a liability of \$9,419,732 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net pension liability was based on the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District’s proportion was 0.122814%.

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

**NOTE 12 – PENSION PLANS, continued**

For the year ended June 30, 2021, the District recognized pension expense of \$1,070,667. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 234,898	\$ -
Change of assumptions	367,825	-
Net differences between projected and actual earnings on pension plan investments	408,314	172,597
Changes in proportion and difference between District contributions and proportionate share of contributions	-	372,235
District contributions subsequent to the measurement date	<u>603,772</u>	<u>-</u>
Total	<u>\$ 1,614,809</u>	<u>\$ 544,832</u>

For the year ended June 30, 2021, \$603,772 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ending June 30	
2021	\$ 147,204
2022	120,383
2023	103,948
2024	94,670
2025	-
Thereafter	<u>-</u>
Total	<u>\$466,205</u>

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

**NOTE 12 – PENSION PLANS, continued**

*Actuarial assumptions* – The total pension liability, net pension liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total pension liability was rolled forward from the valuation date (June 30, 2019) to the plan’s fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018, and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation.

Inflation	2.30%
Projected salary increases	3.30% - 11.55%, varies by service
Investment rate of return	6.25%, net of investment expense and inflation
Payroll growth rate	2.00%

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

The mortality table used for active members is the PUB-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is 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. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality Table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

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

**NOTE 12 – PENSION PLANS, continued**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
<b>Total</b>	<b>100.0%</b>	

*Discount rate* – The discount rate used to measure the total pension liability for the measurement period with year ended June 30, 2020 was 6.25%. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ended 2021.

*Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate* – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, 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 or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 11,616,579	\$ 9,419,732	\$ 7,600,659

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

**NOTE 12 – PENSION PLANS, continued**

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

*Payable to the pension plan* – At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

**General information about the Teachers’ Retirement System of the State of Kentucky (KTRS) Pension Plan**

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

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

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

Participants who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2.00% (service prior to July 1, 1983) and 2.50% 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 2.00% of their final average salary for each year of service if, upon retirement, their total service was 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 2.50% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

**NOTE 12 – PENSION PLANS, continued**

Final average salary is defined as the member's five (5) highest salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members 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 members are required to contribute 12.855% of their salaries to the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. For local school district and regional cooperative members 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.

At June 30, 2021, the District did not report a liability for its proportionate share of the net pension liability, because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District:

Commonwealth's proportionate share of KTRS net pension liability associated with the District	<u>\$ 54,362,556</u>
	<u><u>\$ 54,362,556</u></u>

The total pension liability was rolled forward from the actuarial valuation date of June 30, 2019 to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. 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.

For the year ended June 30, 2021, the District recognized pension expense of (\$6,031,997) and revenue of \$6,031,997 for support provided by the State in the government-wide financial statements.

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

**NOTE 12 – PENSION PLANS, continued**

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

Investment rate of return	7.50%, net of pension plan, investment expense, including inflation
Projected salary increase	3.50% - 7.30%, including inflation
Inflation rate	3.00%
Municipal bond index rate	2.19%
Single equivalent interest rate	7.50%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 set forward one year for females and two years for males. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the TRS Board on November 19, 2016.

*Long-term rate of return* – The long-term expected rate of return on 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 KTRS’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	40.00%	4.60%
International equity	22.00%	5.60%
Fixed income	15.00%	0.00%
Additional categories	7.00%	2.50%
Real estate	7.00%	4.30%
Private equity	7.00%	7.70%
Cash	2.00%	-0.05%
Total	<u>100.0%</u>	

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

**NOTE 12 – PENSION PLANS, continued**

*Discount rate* – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the 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.

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of KTRS.

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement Systems Non-Hazardous (CERS) OPEB Plan**

*Plan description* – County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan administered by the Kentucky Public Pensions Authority (KPPA) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city and any additional eligible local agencies electing to participate. The District participates in the Non-Hazardous plan. Effective April 1, 2021, administration of the Insurance Fund was transferred from the Kentucky Public Pensions Authority's Board of Trustees to the CERS board of trustees established by House Bill 484.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov) or by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601-6124.

*Benefits provided* – The KPPA's Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KPPA submits the premium payments to DEI. The Board contracts with Humana to provide healthcare benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Contributions* – Employers participating in the CERS Insurance Fund contribute a percentage of each employee’s creditable compensation. The actuarially determined rates set by the KPPA board is a percentage of each employee’s creditable compensation. For the year ended June 30, 2021, required contributions were 4.76% of each employee’s covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2021 were \$126,265. The KPPA board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KPPA board. Employees qualifying as Tier 2 and Tier 3 of the CERS plan members contribute 1.00% of creditable compensation to an account created for the payment of health insurance benefits.

*Implicit subsidy* – The fully-insured premiums KPPA 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 healthcare benefits to retirees under age 65 is higher than the average cost of providing healthcare benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2021, the District reported a liability of \$2,964,715 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year end, June 30, 2020, using generally accepted actuarial principles. The District’s proportion of the net OPEB liability was based on the District’s share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2021, the District’s proportion for was 0.122778%.

For the year ended June 30, 2021, the District recognized OPEB expense of approximately \$347,926.

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 495,342	\$ 495,729
Changes of assumptions	515,685	3,136
Net difference between projected and actual earnings on pension plan investments	159,035	60,495
Changes in proportion and difference between District contributions and proportionate share of contributions	-	212,656
District contributions subsequent to the measurement date	<u>148,910</u>	<u>-</u>
Total	<u>\$ 1,318,972</u>	<u>\$ 772,016</u>

For the year ended June 30, 2021, \$148,910 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	
2021	\$ 108,917
2022	138,079
2023	82,324
2024	83,320
2025	(14,594)
Thereafter	<u>-</u>
Total	<u>\$ 398,046</u>

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Actuarial assumptions* – The total OPEB liability, net OPEB liability and sensitivity information for the actuarial valuation as of June 30, 2020 were based on an actuarial valuation date of June 30, 2019. The total OPEB liability was rolled forward from the valuation date (June 30, 2019) to the plan’s fiscal year ended June 30, 2020, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018 and the Board adopted updated assumptions for first use in the June 30, 2019 actuarial valuation. The assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.90% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

Payroll growth rate	2.00%
Inflation	2.30%
Salary increase	3.30% - 11.55%, varies by service
Investment rate of return	6.25%
Healthcare cost trend rates (pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Healthcare cost trend rates (post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years

The mortality table used for active members is the PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members, the mortality table used is 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. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality Table with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	18.75%	4.50%
International equity	18.75%	5.26%
Core bonds	13.50%	-0.25%
High yield	15.00%	3.90%
Opportunistic	3.00%	2.25%
Real estate	5.00%	5.30%
Real return	15.00%	3.95%
Private equity	10.00%	6.65%
Cash	1.00%	-0.75%
Total	<u>100.00%</u>	

*Discount rate* – The discount rates used to measure the total OPEB liability for the year ended June 30, 2021 were 5.34% for non-hazardous and 5.68% for hazardous. The future contributions are projected in accordance with the current funding policy, as most recently revised by Senate Bill 249 (passed in 2020). The cost associated with the implicit employer subsidy was not included in the calculation of the Kentucky Public Pensions Authority’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the Kentucky Public Pensions Authority’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. There was a change in the Municipal Bond Index Rate from the prior measurement date, so as required under GASB 75, the single discount rate at the measurement date of 5.34% for non-hazardous was calculated using the Municipal Bond Index Rate as of the measurement date of 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2020. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 75.

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

	1% Decrease	Current Discount Rate	1% Increase
	4.34%	5.34%	6.34%
District's proportionate share of net OPEB liability	\$ 3,808,789	\$ 2,964,715	\$ 2,271,450

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of net OPEB liability	\$ 2,295,431	\$ 2,964,715	\$ 3,776,908

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Kentucky Public Pensions Authority’s Comprehensive Annual Financial Report on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Payable to the OPEB plan* – At June 30, 2021, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2021.

**General Information about the Teachers’ Retirement System of Kentucky (KTRS) OPEB Plan**

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

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

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide postemployment 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.

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*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 and three-quarters percent (3.75%) is paid by member contributions, 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, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported a liability of \$5,223,000 for its proportionate share of the net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the 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, 2021, the District’s proportion was 0.206952%.

The amounts 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	\$	5,223,000
State's proportionate share of net OPEB liability associated with the District		4,184,000
<b>Total</b>	<b>\$</b>	<b>9,407,000</b>

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

For the year ended June 30, 2021, the District recognized OPEB expense of (\$52,000) and revenue of \$44,000 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$2,227,000
Changes of assumptions	317,000	-
Net difference between projected and actual earnings on pension plan investments	170,000	-
Changes in proportion and difference between District contributions and proportionate share of contributions	45,000	187,000
District contributions subsequent to the measurement date	377,435	-
<b>Total</b>	<b>\$ 909,435</b>	<b>\$2,414,000</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$377,435 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending 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:

Years Ending June 30	
2021	\$ (393,000)
2022	(380,000)
2023	(382,000)
2024	(341,000)
2025	(291,000)
Thereafter	(95,000)
<b>Total</b>	<b>\$(1,882,000)</b>

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

Investment rate of return	8.00%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50 - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Healthcare cost trend rates	
Under 65	7.50% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2029
Ages 65 and older	5.25% for FY 2018 decreasing to an ultimate rate of 5.00% by FY 2022
Medicare Part B premiums	1.02% for FY 2018 with an ultimate rate of 5.00% by 2031
Municipal bond index rate	2.19%
Discount rate	8.00%
Single equivalent interest rate	8.00%, net of OPEB plan investment expense, including inflation

Mortality rates based on the RP-2000 Combined Mortality Table, projected to 2025 with projection scale BB and set forward two years for males and one year for females, is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table, set forward two years for males and seven years for females, is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for TRS, which covered the five-year period ended June 30, 2015. The remaining actuarial assumptions used in the June 30, 2019 valuation of the Medical Insurance Fund (MIF) were based on a review of recent plan experience done concurrently with the June 30, 2019 valuation. The healthcare cost trend assumption was updated for the June 30, 2019 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global equity	58.00%	5.40%
Fixed income	9.00%	0.00%
Real estate	6.50%	4.30%
Private equity	8.50%	7.70%
Other additional categories	17.00%	2.50%
Cash (LIBOR)	1.00%	-0.05%
Total	<u>100.00%</u>	

*Discount rate* – The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to be depleted.

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
District's proportionate share of net OPEB liability	\$ 4,140,000	\$ 5,223,000	\$ 6,558,000

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 6,313,000	\$ 5,223,000	\$ 4,313,000

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

**Life Insurance Plan**

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

*Benefits provided* – TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

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

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

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 amounts 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	\$	-
State's proportionate share of net OPEB liability associated with the District		127,000
<b>Total</b>	<b>\$</b>	<b>127,000</b>

For the year ended June 30, 2021, the District recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State.

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.50% - 7.20%, including inflation
Inflation rate	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Municipal bond index rate	2.19%
Discount rate	7.50%
Single equivalent interest rate	7.50%, net of OPEB plan investment expense, including inflation

Mortality rates based on the RP-2000 Combined Mortality Table, projected to 2025 with projection scale BB and set forward two years for males and one year for females, is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table, set forward two years for males and seven years for females, is used for the period after disability retirement. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ended June 30, 2015.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
US equity	40.00%	4.60%
International equity	23.00%	5.60%
Fixed income	18.00%	0.00%
Real estate	6.00%	4.40%
Private equity	5.00%	7.70%
Other additional categories	6.00%	2.50%
Cash (LIBOR)	2.00%	-0.50%
Total	<u>100.00%</u>	

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

**NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Discount rate* – The discount rate used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those 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.

**NOTE 14 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

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

COVID-19

The COVID-19 outbreak is disrupting business across a range of industries in the United States, and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

**NOTE 15 – INSURANCE AND RELATED ACTIVITIES**

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

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

**NOTE 16 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. 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.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

The District purchases unemployment insurance through KSBIT; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 17 – 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.

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**NOTE 18 – INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund receivables and payables at June 30, 2021.

**NOTE 19 – CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2021, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying and reporting fiduciary activities. Implementing this statement changed the financial statement presentation by removing student activity funds from fiduciary reporting to governmental activities. The governmental activities net position and fund balance increased by \$378,804.

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

**NOTE 20 – JOINT VENTURE**

On February 11, 2010 the District entered into a joint venture agreement with the Murray Independent School District. The agreement stipulates that Murray Independent School District fund the joint venture from SEEK monies released by Calloway County School District for nonresident pupils. These funds were used to build and operate a 21st Century, state of the art, Career Technical Center for the benefit of students from both districts.

The operations are controlled by the Board, which is comprised of representative from each District. The District's interest in this joint venture is accounted for using the equity method. The District's equity interest represents its explicit, measurable right to the net present or future resources of the joint venture. Under this method, the District records its share of the joint venture's net income or loss for each period. For additional financial information regarding the joint venture, contact Murray Independent School District (270.753.4363) or by mail at 208 South 13th Street, Murray, KY 42071.

**NOTE 21 – RECENT ACCOUNTING PRONOUNCEMENTS**

The District adopted the following statements during the year ended June 30, 2021.

GASB Statement No. 90, *Majority Equity Interest—An Amendment of GASB Statement No. 14 and No. 61*, issued August 2018, will be effective for the District beginning with its fiscal year ending June 30, 2021. The primary objectives of this Statement are to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies the reporting of a majority equity interest. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities and deferred inflows of resources at acquisition value at the date the government acquired the 100 percent equity interest in the component unit.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, issued May 2020, the provisions of this Statement were effective immediately upon issuance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: GASB Statements Nos. 83, 84, 88, 89, 90, 91, 92 and 93, and Implementation Guide Nos. 2018-1, 2019-1, and 2019-2. The effective dates of the following pronouncements are postponed by 18 months: GASB Statement No. 87 and Implementation Guide No. 2019-3.

Adoption of these Statements did not have a significant impact on the District's financial position or results of operations.

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

**NOTE 21 – RECENT ACCOUNTING PRONOUNCEMENTS, continued**

As of June 30, 2021, GASB had issued several statements not yet required to be implemented by the District. The Statements which might impact the District in the future are as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost before the End of a Construction Period*, issued June 2018, will be effective for the District beginning with its fiscal year ending June 30, 2022. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that was previously accounted for in accordance with the requirements of paragraphs 5–22 of GASB of Statement No. 62, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or an enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022 except for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2020-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including leases, intra-entity transfers, assets accumulated for postemployment benefits, applicability of GASB Statement No. 84 to postemployment benefit arrangements, measurement of liabilities related to asset retirement obligations in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, nonrecurring fair value measurements of assets or liabilities and terminology to refer to derivative instruments.

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

**NOTE 21 – RECENT ACCOUNTING PRONOUNCEMENTS, continued**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, will be effective for the District beginning with its fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end-users (governments). This Statement 1) defines a SBITA; 2) establishes that a SBITA results in a right-to-use subscription assets—an intangible asset and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and 4) requires note disclosures regarding a SBITA.

GASB 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, issued June 2020, will be effective for the District beginning with its fiscal year ending June 30, 2022.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

**NOTE 22 – SUBSEQUENT EVENTS**

On July 13, 2021, the District issued Series 2021 Energy Conservation Revenue Bonds in the amount of \$10,735,000 for energy conservation improvements at eleven school sites.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 6,858,000	\$ 6,858,000	\$ 7,417,945	\$ 559,945
Motor vehicle	1,175,000	1,175,000	1,276,897	101,897
Utilities	1,480,000	1,480,000	1,442,100	(37,900)
Other	295,000	295,000	306,257	11,257
Earnings on investments	125,000	125,000	143,603	18,603
Other local revenues	202,500	188,600	259,487	70,887
Intergovernmental - state	15,944,005	15,278,596	15,490,140	211,544
Intergovernmental - federal	26,490	26,490	42,768	16,278
<b>Total revenues</b>	<b>26,105,995</b>	<b>25,426,686</b>	<b>26,379,197</b>	<b>952,511</b>
<b>EXPENDITURES</b>				
Current				
Instruction	16,577,549	16,603,978	15,795,677	808,301
Support services				
Student	1,125,863	1,125,861	961,853	164,008
Instructional staff	1,211,270	1,219,889	1,232,676	(12,787)
District administration	1,115,351	1,115,351	891,313	224,038
School administration	1,571,617	1,566,756	1,573,555	(6,799)
Business	783,995	776,995	739,883	37,112
Plant operations and maintenance	6,065,041	5,940,041	2,303,565	3,636,476
Student transportation	2,048,832	2,026,344	1,638,945	387,399
Contingency	2,500,000	2,500,000	-	2,500,000
<b>Total expenditures</b>	<b>32,999,518</b>	<b>32,875,215</b>	<b>25,137,467</b>	<b>7,737,748</b>
Excess (deficit) of revenues over (under) expenditures	<u>(6,893,523)</u>	<u>(7,448,529)</u>	<u>1,241,730</u>	<u>8,690,259</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed assets	-	-	12,856	12,856
Transfers in	152,674	153,931	566,703	412,772
Transfers (out)	(337,573)	(337,573)	(337,573)	-
<b>Total other financing sources (uses)</b>	<b>(184,899)</b>	<b>(183,642)</b>	<b>241,986</b>	<b>425,628</b>
Net change in fund balance	(7,078,422)	(7,632,171)	1,483,716	9,115,887
<b>Fund balance, beginning of year</b>	<b>7,078,422</b>	<b>7,632,171</b>	<b>10,565,591</b>	<b>2,933,420</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,049,307</b>	<b>\$ 12,049,307</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amount</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
From local sources				
Other local revenues	\$ 196,878	\$ 194,665	\$ 180,948	\$ (13,717)
Intergovernmental - state	1,332,257	1,906,157	1,769,627	(136,530)
Intergovernmental - federal	<u>2,730,625</u>	<u>7,009,156</u>	<u>3,471,062</u>	<u>(3,538,094)</u>
Total revenues	<u>4,259,760</u>	<u>9,109,978</u>	<u>5,421,637</u>	<u>(3,688,341)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	3,482,847	7,654,113	4,408,847	3,245,266
Support services				
Student	204,095	204,745	197,294	7,451
Instructional staff	73,940	229,232	85,002	144,230
School administration	14,725	14,725	14,916	(191)
Business	6,405	-	20,233	(20,233)
Plant operations and maintenance	50,187	131,862	58,699	73,163
Student transportation	164,350	138,438	160,108	(21,670)
Food service	-	(6,688)	72,733	(79,421)
Day care	-	18,000	93,461	(75,461)
Community service activities	<u>279,830</u>	<u>287,557</u>	<u>308,529</u>	<u>(20,972)</u>
Total expenditures	<u>4,276,379</u>	<u>8,671,984</u>	<u>5,419,822</u>	<u>3,252,162</u>
Excess (deficit) of revenues over (under) expenditures	<u>(16,619)</u>	<u>437,994</u>	<u>1,815</u>	<u>(436,179)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	55,293	55,294	143,314	88,020
Transfers (out)	<u>(38,674)</u>	<u>(497,810)</u>	<u>(145,129)</u>	<u>352,681</u>
Total other financing sources (uses)	<u>16,619</u>	<u>(442,516)</u>	<u>(1,815)</u>	<u>440,701</u>
Net change in fund balance	-	(4,522)	-	4,522
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ (4,522)</u>	<u>\$ -</u>	<u>\$ 4,522</u>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental - state	\$ -	\$ -	\$ 343,534	\$ 343,534
Total revenues	-	-	343,534	343,534
<b>EXPENDITURES</b>				
Debt service	1,379,382	1,379,382	1,722,916	(343,534)
Total expenditures	1,379,382	1,379,382	1,722,916	(343,534)
<b>Excess (deficit) of revenues over (under) expenditures</b>	<u>(1,379,382)</u>	<u>(1,379,382)</u>	<u>(1,379,382)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Original issue discount	-	-	9,136	9,136
Operating transfers in	1,379,382	1,379,382	1,379,382	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,379,382</u>	<u>1,379,382</u>	<u>1,388,518</u>	<u>9,136</u>
<b>Net change in fund balance</b>	-	-	9,136	9,136
<b>Fund balance, beginning of year</b>	-	-	1,984,356	1,984,356
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,993,492</u>	<u>1,993,492</u>

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021**

**NOTE 1 – BUDGETARY INFORMATION**

The District's budgetary process accounts for transactions on a basis other than Generally Accepted Accounting Procedures (GAAP). The major differences between the budgetary accounting method and GAAP are:

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2.00% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.122814%	0.126786%	0.136096%	0.138745%	0.159640%	0.159300%	16.246000%
District's proportionate share of net pension liability	\$ 9,419,732	\$ 8,916,916	\$ 8,288,661	\$ 8,121,171	\$ 7,860,121	\$ 6,849,144	\$ 5,270,868
District's covered-employee payroll	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287	\$ 3,817,066	\$ 3,728,876	\$ 3,740,315
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	298.20%	274.93%	244.58%	239.33%	205.92%	183.68%	140.92%
Plan fiduciary net position as a percentage of total pension liability	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	68.80%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 603,772	\$ 607,400	\$ 526,056	\$ 490,735	\$ 478,493	\$ 472,653	\$ 475,596
Contributions in relation to the contractually required contribution	<u>603,772</u>	<u>607,400</u>	<u>526,056</u>	<u>490,735</u>	<u>478,493</u>	<u>472,653</u>	<u>475,596</u>
Contribution deficiency (excess)	<u>\$ -</u>						
District's covered-employee payroll	\$ 3,113,864	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287	\$ 3,817,066	\$ 3,728,876
Contributions as a percentage of covered-employee payroll	19.30%	19.30%	16.22%	14.48%	14.10%	12.38%	12.75%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

House Bill 271 passed during the 2020 Legislative Session and removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries.

Changes in assumptions

No changes.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability	\$ 54,362,556	\$ 52,285,488	\$ 52,386,936	\$ 109,163,279	\$ 124,454,760	\$ 100,030,883	\$ 90,898,723
District's covered-employee payroll	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 122,237,380	\$ 10,117,099	\$ 10,866,685	\$ 11,233,501
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>						
District's covered-employee payroll	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380	\$ 10,117,099	\$ 10,866,685
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

Changes in benefit terms

No changes.

Changes in assumptions

The Municipal bond index rate was changed from 3.50% to 2.19%.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.122778%	0.126753%	0.136090%	0.138745%
District's proportionate share of collective net OPEB liability	\$ 2,964,715	\$ 2,131,927	\$ 2,416,251	\$ 2,789,249
District's covered-employee payroll	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	93.85%	65.73%	71.30%	82.20%
Plan fiduciary net position as a percentage of total OPEB liability	51.67%	60.44%	52.62%	52.40%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 148,910	\$ 149,768	\$ 170,615	\$ 159,245
Contributions in relation to the contractually required contribution	<u>148,910</u>	<u>149,768</u>	<u>170,615</u>	<u>159,245</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,113,364	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890
Contributions as a percentage of covered-employee payroll	4.78%	4.74%	5.26%	4.70%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

No changes.

Changes in assumptions

- The single discount rate of non-hazardous changed from 5.68% to 5.34%.
- The municipal bond rate decreased from 3.13% to 2.45%.
- The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2019 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs.
- The June 30, 2020 actuarial information reflects the anticipated savings from the repeal of the “Cadillac Tax” and “Health Insurer Fee”, which occurred in December of 2019. The assumed loan on pre-Medicare premiums were reduced by 11.00% to reflect the repeal of the Health Insurer Fee.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.206952%	0.205477%	0.207480%	0.214593%
District's proportionate share of collective net OPEB liability	\$ 5,223,000	\$ 6,014,000	\$ 7,199,000	\$ 7,652,000
State's proportionate share of collective net OPEB liability	\$ 4,184,000	\$ 4,857,000	\$ 6,204,000	\$ 6,251,000
District's covered-employee payroll	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	42.85%	50.43%	58.38%	62.53%
Plan fiduciary net position as a percentage of total OPEB liability	39.05%	32.58%	25.50%	21.18%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 377,435	\$ 365,494	\$ 357,792	\$ 369,368
Contributions in relation to the contractually required contribution	<u>377,435</u>	<u>365,494</u>	<u>357,792</u>	<u>369,368</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>As of June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	\$ 127,000	\$ 113,000	\$ 106,000	\$ 84,000
District's covered-employee payroll	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.86%	0.69%
Plan fiduciary net position as a percentage of total OPEB liability	71.57%	73.40%	75.00%	79.99%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

**Medical Insurance Fund**

Changes in benefit terms

No changes.

Changes in assumptions

Updated healthcare cost trend rates.

**Life Insurance Fund**

Changes in benefit terms

No changes.

Changes in assumptions

No changes.

**OTHER SUPPLEMENTARY INFORMATION**

**CALLOWAY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	SEEK Capital Outlay	FSPK	Construction	Student Activity	District Activity	Total Nonmajor Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 34,450	\$ 23,525	\$ 468,960	\$ 170,801	\$ 697,736
Total assets and resources	<u>\$ -</u>	<u>\$ 34,450</u>	<u>\$ 23,525</u>	<u>\$ 468,960</u>	<u>\$ 170,801</u>	<u>\$ 697,736</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interfund payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances						
Nonspendable	-	-	-	-	-	-
Spendable						
Restricted	-	34,450	23,525	468,960	170,801	697,736
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>34,450</u>	<u>23,525</u>	<u>468,960</u>	<u>170,801</u>	<u>697,736</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 34,450</u>	<u>\$ 23,525</u>	<u>\$ 468,960</u>	<u>\$ 170,801</u>	<u>\$ 697,736</u>

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

	SEEK Capital Outlay	FSPK	Construction	Student Activity	District Activity	Total Nonmajor Governmental
<b>REVENUES</b>						
From local sources						
Taxes						
Property	\$ -	\$ 1,037,794	\$ -	\$ -	\$ -	\$ 1,037,794
Earnings on investments	1,765	2,567	317	4,711	-	9,360
Other local revenues	-	-	-	177,958	-	177,958
Student activities	-	-	-	177,797	32,786	210,583
Intergovernmental - state	263,303	168,135	-	-	-	431,438
<b>Total revenues</b>	<b>265,068</b>	<b>1,208,496</b>	<b>317</b>	<b>360,466</b>	<b>32,786</b>	<b>1,867,133</b>
<b>EXPENDITURES</b>						
Current						
Instruction	-	-	-	270,310	42,261	312,571
Instructional staff	-	-	-	-	2,690	2,690
Student transportation	-	-	-	-	13	13
Building acquisition and construction	-	-	10,860	-	-	10,860
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>10,860</b>	<b>270,310</b>	<b>44,964</b>	<b>326,134</b>
Excess (deficit) of revenues over (under) expenditures	265,068	1,208,496	(10,543)	90,156	(12,178)	1,540,999
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers (out)	(312,750)	(1,174,046)	-	-	-	(1,486,796)
<b>Total other funding sources (uses)</b>	<b>(312,750)</b>	<b>(1,174,046)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,486,796)</b>
<b>Net change in fund balances</b>	<b>(47,682)</b>	<b>34,450</b>	<b>(10,543)</b>	<b>90,156</b>	<b>(12,178)</b>	<b>54,203</b>
<b>Fund balances, beginning of year</b>	<b>47,682</b>	<b>-</b>	<b>34,068</b>	<b>-</b>	<b>182,979</b>	<b>264,729</b>
Implementation of GASB 84, Note 18	-	-	-	378,804	-	378,804
<b>Fund balances, beginning of year, restated</b>	<b>47,682</b>	<b>-</b>	<b>34,068</b>	<b>378,804</b>	<b>182,979</b>	<b>643,533</b>
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ 34,450</b>	<b>\$ 23,525</b>	<b>\$ 468,960</b>	<b>\$ 170,801</b>	<b>\$ 697,736</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2021
Calloway County High School	\$ 242,888	\$ 367,510	\$ 319,759	\$ 290,639	\$ -	\$ -	\$ 290,639
Calloway County Middle School	95,635	106,547	83,623	118,559	-	-	118,559
North Calloway County Elementary School	11,602	25,450	19,697	17,355	-	-	17,355
East Calloway County Elementary School	2,802	20,021	17,304	5,519	-	-	5,519
Southwest Calloway County Elementary School	17,817	24,752	14,700	27,869	-	-	27,869
Calloway County Preschool	8,060	14,175	13,216	9,019	-	-	9,019
<b>Total activity funds</b>	<b>\$ 378,804</b>	<b>\$ 558,455</b>	<b>\$ 468,299</b>	<b>\$ 468,960</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 468,960</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS  
SCHOOL ACTIVITY FUNDS – CALLOWAY COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2021
BOE Sweep	\$ -	\$ 22,470	\$ 22,470	\$ -	\$ -	\$ -	\$ -
General	-	75,000	73,500	1,500	-	-	1,500
Guidance Office	1,570	195	357	1,408	-	-	1,408
Library	64	60	-	124	-	-	124
MSU Teachers Part	45	-	45	-	-	-	-
Principals Discretionary	5,513	2,011	1,516	6,008	-	-	6,008
Teachers Fund	81	500	-	581	-	-	581
Vending Fund/Students	447	-	-	447	-	-	447
Vending/Teachers Fund	1,127	162	130	1,159	-	-	1,159
Class of 2020	-	-	-	-	-	-	-
Class of 2019	936	-	936	-	-	-	-
Col Cowan Scholarship	600	-	600	-	-	-	-
Homecoming Fund	1,101	-	782	319	-	-	319
Project Graduation	1,833	-	508	1,325	-	-	1,325
Startup money	-	-	-	-	-	-	-
Student Activities	12,341	4,371	1,703	15,009	-	-	15,009
Student Course Fees	-	185	185	-	-	-	-
Student Testing	-	981	909	72	-	-	72
AcademicTeam	3,910	3,920	1,425	6,405	-	-	6,405
Applied Voco	399	2,570	2,203	766	-	-	766
Band	896	1,050	778	1,168	-	-	1,168
Beta	9,722	360	3,344	6,738	-	-	6,738
Choir	284	666	290	660	-	-	660

Continued

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued**  
**SCHOOL ACTIVITY FUNDS – CALLOWAY COUNTY HIGH SCHOOL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2021
Dance Team	-	-	-	-	-	-	-
Drama Club	515	-	-	515	-	-	515
Esports Club	872	-	-	872	-	-	872
FBLA	862	8,798	8,009	1,651	-	-	1,651
FEA	746	-	-	746	-	-	746
FFA	6,679	14,693	8,888	12,484	-	-	12,484
FCCLA	326	-	-	326	-	-	326
FC4A	1,828	-	-	1,828	-	-	1,828
Horticulture Club	12,928	11,691	8,116	16,503	-	-	16,503
Journalism	16,790	5,704	3,309	19,185	-	-	19,185
KYA	430	-	-	430	-	-	430
National Art Honor Soc	4	7	10	1	-	-	1
National Science	1,277	-	-	1,277	-	-	1,277
Pep Club	169	-	-	169	-	-	169
Robotics Team	975	480	681	774	-	-	774
Spanish Club	2,313	19	-	2,332	-	-	2,332
Speech Team	2,015	2,000	535	3,480	-	-	3,480
Student Council	1,015	150	562	603	-	-	603
Tech Ed Vinyl	-	1,153	342	811	-	-	811
TSA Club	50	-	-	50	-	-	50
Yearbook	13,080	14,951	4,849	23,182	-	-	23,182
Youth Service Center	8,309	15,615	10,905	13,019	-	-	13,019
Youth Service / CCCL	1,802	1,290	250	2,842	-	-	2,842
Archery	3,201	430	2,356	1,275	-	-	1,275
Athletic Miscellaneous	17,603	1,704	15,096	4,211	-	-	4,211

Continued

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND DUE TO STUDENT GROUPS, continued  
SCHOOL ACTIVITY FUNDS – CALLOWAY COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2021**

	Cash Balance July 1, 2020	Receipts	Disbursements	Cash Balance June 30, 2021	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2021
Athletic Pass	-	-	-	-	-	-	-
Baseball	214	11,158	4,676	6,696	-	-	6,696
Bass Fishing Team	2,751	3,500	1,779	4,472	-	-	4,472
Boys Basketball	8,657	9,880	10,103	8,434	-	-	8,434
Boys Soccer	10,469	9,850	3,875	16,444	-	-	16,444
B/G Cross Country	3,994	7,252	3,803	7,443	-	-	7,443
B/G Tennis	4,554	2,135	1,610	5,079	-	-	5,079
B/G Track	4,818	12,410	9,003	8,225	-	-	8,225
Cheerleaders	1,380	4,310	3,627	2,063	-	-	2,063
Football	18,537	33,842	27,933	24,446	-	-	24,446
Girls Basketbal	22,514	8,679	14,734	16,459	-	-	16,459
Girls Soccer	10,216	10,656	3,376	17,496	-	-	17,496
Girls Softball	8,754	5,625	12,936	1,443	-	-	1,443
Golf	1,592	2,633	1,101	3,124	-	-	3,124
USC	865	400	61	1,204	-	-	1,204
Volleyball	6,794	7,569	4,520	9,843	-	-	9,843
Wrestling	2,121	7,020	3,628	5,513	-	-	5,513
District Tour Sjponsorship	-	19,700	19,700	-	-	-	-
District Tournament	-	1,925	1,925	-	-	-	-
Regional Tournament	-	1,260	1,260	-	-	-	-
<b>Totals</b>	<b>\$ 242,888</b>	<b>\$ 352,990</b>	<b>\$ 305,239</b>	<b>\$ 290,639</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 290,639</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
<b>U.S. Department of Education</b>				
Passed through State Department of Education:				
Special Education Cluster				
Special Education - Grants to States	84.027	3810002-20	\$ 451,731	
	84.027	3810002-19	311,951	
Special Education Preschool Grants	84.173	3800002-20	58,000	
	84.173	3800003-19	196,657	
	84.173	3800003-18	<u>149,520</u>	
Total Special Education Cluster				\$ 1,167,859
Title I Grants to Local Education Agencies	84.010	3100002-20	585,047	
	84.010	3100002-19	<u>299,598</u>	884,645
Career and Technical Education - Basic Grants to States	84.048	3710002-20	26,308	
	84.048	3710002-19	5,634	
	84.048	3710002-18	<u>777</u>	32,719
Special Education - State Personnel Development	84.323	3840001-19	31,907	
	84.323	3840001-18	<u>10,583</u>	42,490
Rural Education	84.358	3140002-20	1,547	
	84.358	3140002-19	<u>39,436</u>	40,983
Improving Teacher Quality State Grants	84.367	3230002-20	67,655	
	84.367	3230002-19	<u>65,248</u>	132,903
Student Support and Academic Enrichment Program	84.424	3420002-20	43,575	
	84.424	3420002-19	55,737	
	84.424	3420002-18	<u>4,867</u>	104,179
COVID-19 Education Stabilization Act Governors Emergency Education Relief Fund	84.425	GEER-20	142,316	
Elementary and Secondary School Emergency Relief Fund	84.425	4000002-20	244,975	
	84.425	4000003-20	3,285	
	84.425	4200002-21	<u>278,000</u>	668,576
Passed through State Department of Juvenile Justice:				
Title I, Part D	84.010	313G	13,308	
	84.010	313GT	<u>5,692</u>	<u>19,000</u>

Continued

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005-20	12,913
National School Lunch Program	10.555	7750002-20	29,222
Summer Food Service Program for Children	10.559	7690024-21	152,266
	10.559	7690024-20	22,043
	10.559	7740023-21	1,482,390
	10.559	7740023-20	<u>214,263</u>
Total Child Nutrition Cluster			1,913,097
Child and Adult Care Food Program	10.558	7790021-21	372,664
	10.558	7790021-20	4,791
	10.558	7800016-21	26,012
	10.558	7800016-20	<u>335</u>
			403,802
State Administrative Expenses for Child Nutrition	10.560	7700001-20	1,570
Other U.S. Department of Agriculture Programs:			
Fruit & Vegetable Program	10.582	Direct	<u>103,526</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,421,995</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Murray Independent Board of Education			
Head Start	93.600	Direct	283,952
Other U.S. Department of Health and Human Services			
COVID-19 Child Care and Development Block Grant	93.575	Direct	<u>93,460</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>377,412</u>
<b>U.S. Department of the Treasury</b>			
Passed through State Department of Education			
COVID-19 Coronavirus Relief Fund	21.019	CARES-20	<u>477,604</u>
<b>Total U.S. Department of the Treasury</b>			<u>477,604</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,370,365</u>

See notes to Schedule of Expenditures of Federal Awards

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Calloway County School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal 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 District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

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

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.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

Calloway County School District has not elected to use the 10-percent de minimus indirect rate allowed under the Uniform Guidance.

**NOTE 5 – COMMODITIES**

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

## **INTERNAL CONTROL AND COMPLIANCE**

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Calloway County School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free 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*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Calloway County School District in a separate report dated November 15, 2021.

## **Purpose of this Report**

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

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2021

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

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

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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

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

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

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

### ***Auditors' Responsibility***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

Duguid, Gentry & Associates, PSC

***Duguid, Gentry & Associates, PSC***

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2021



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

**Findings – Financial Statements Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

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

None

**MANAGEMENT COMMENTS FOR AUDIT**

SANDRA D. DUGUID, CPA  
ANNA B. GENTRY, CPA, CFE

WALTER G. CUMMINGS, CPA  
MEREDITH D. MORRIS, CPA  
KELSEY M. COX, CPA



DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

4443 CANTON PIKE  
HOPKINSVILLE, KY 42240

270.886.6355

November 15, 2021

Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this memorandum. A separate report dated November 15, 2021 contains our report on the District's internal control. This letter does not affect our report dated November 15, 2021 on the financial statements of the District.

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

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

Respectfully,

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

**CALLOWAY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CALLOWAY COUNTY PRESCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for deposits.

**Condition** – Monies collected were not deposited in a timely basis.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – All monies collected should be deposited daily unless the amount collected is less than \$100 or received after business hours. At a minimum, deposits shall be made on the last workday of the week, even if the deposit is less than \$100.

**Views of Responsible Officials** – District agrees with recommendation and will appropriately close all inactive accounts.

**EAST CALLOWAY ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – 3 accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – District agrees with recommendation and will appropriately close all inactive accounts.

**CALLOWAY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CALLOWAY COUNTY MIDDLE SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – 9 accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – District agrees with recommendation and will appropriately close all inactive accounts.

**CALLOWAY COUNTY HIGH SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – 10 accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – District agrees with recommendation and will appropriately close all inactive accounts.

**CALLOWAY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**CALLOWAY COUNTY HIGH SCHOOL, continued**

- II. Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) set accounting guidelines for fundraisers.

**Condition** – Fundraisers tested were missing Form F-SA-2B Fundraiser Summary.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – Form F-SA-2B Fundraiser Summary should be completed for each fundraiser.

**Views of Responsible Officials** – District agrees with recommendation and will monitor that Form F-SA-2B Fundraiser Summary is completed for each fundraiser.

- III. Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use of Form F-SA-6 to record funds collected by teachers or sponsors from a group of students in lieu of individual receipts.

**Condition** – Form F-SA-6, Multiple Receipt Form, was not completed properly and timely.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – The lack of use of Form F-SA-6 weakens internal controls which would otherwise provide support for funds collected and documentation of the amount, date and person collecting the funds.

**Recommendation** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use and proper and timely completion of the Multiple Receipt Form when funds are collected from a group of students to document the receipt of funds from a fundraiser or event. Additionally, it is required that students in sixth grade and above to sign F-SA-6 as they turn in money.

**Views of Responsible Officials** – District agrees with recommendation and will monitor that Form F-SA-6 is completed timely and properly.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

I. **Condition** – Activity fund accounts that were inactive for 12 months were not closed.

**Recommendation** – All activity fund accounts that are inactive for 12 months should be closed.

**Current Status** – See current year management letter comments above.

II. **Condition** – Special Education travel reimbursement only signed by one person. No second signature present.

**Recommendation** – All travel reimbursements should have two signatures present. Response: District agrees with recommendation and will require two signatures on travel reimbursements moving forward.

**Current Status** – The finding was not repeated for June 30, 2021.