



Allen County School District

Financial Statements

June 30, 2022

**REPORT**

| | |
|-------------------------------------|----------|
| Independent Auditors' Report | 1 |
|-------------------------------------|----------|

FINANCIAL STATEMENTS**Required Supplementary Information:**

| | |
|---|----------|
| Management's Discussion and Analysis | 5 |
|---|----------|

Basic Financial Statements:**Government-Wide Financial Statements:**

| | |
|----------------------------------|-----------|
| Statement of Net Position | 14 |
|----------------------------------|-----------|

| | |
|--------------------------------|-----------|
| Statement of Activities | 16 |
|--------------------------------|-----------|

Fund Financial Statements:

| | |
|---|-----------|
| Balance Sheet — Governmental Funds | 18 |
|---|-----------|

| | |
|--|-----------|
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 19 |
|--|-----------|

| | |
|--|-----------|
| Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds | 20 |
|--|-----------|

| | |
|---|-----------|
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities | 22 |
|---|-----------|

| | |
|---|-----------|
| Statement of Net Position — Proprietary Fund | 23 |
|---|-----------|

| | |
|--|-----------|
| Statement of Revenues, Expenses and Changes in Fund Net Position — Proprietary Fund | 24 |
|--|-----------|

| | |
|---|-----------|
| Statement of Cash Flows — Proprietary Fund | 25 |
|---|-----------|

| | |
|--|-----------|
| Notes to the Financial Statements | 27 |
|--|-----------|

Required Supplementary Information:

| | |
|---|-----------|
| Budgetary Comparison Schedule for the General Fund | 69 |
|---|-----------|

| | |
|---|-----------|
| Budgetary Comparison Schedule for the Special Revenue Fund | 71 |
|---|-----------|



| | |
|--|------------|
| Schedule of the District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – Kentucky Teachers’ Retirement System | 73 |
| Schedule of the District’s Proportionate Share of the Net Pension Liability and Schedule of District’s Contributions – County Employees Retirement System | 75 |
| Schedule of the District’s Proportionate Share of the Collective Net OPEB Liability and Schedule of District’s Contributions – Kentucky Teachers’ Retirement System – Medical Insurance Fund | 78 |
| Schedule of the District’s Proportionate Share of the Collective Net OPEB Liability and Schedule of District’s Contributions – Kentucky Teachers’ Retirement System – Life Insurance Fund | 80 |
| Schedule of the District’s Proportionate Share of the Collective Net OPEB Liability and Schedule of District’s Contributions – County Employees Retirement System | 81 |
| Supplementary Information: | |
| Combining Balance Sheet — Nonmajor Governmental Funds | 83 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances — Nonmajor Governmental Funds | 84 |
| Combining Statement of School Activity Funds | 85 |
| Statement of School Activity Funds — Allen County Scottsville High School | 86 |
| Schedule of Expenditures of Federal Awards | 89 |
| Notes to the Schedule of Expenditures of Federal Awards | 91 |
| Summary Schedule of Prior Audit Findings | 92 |
| 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> | 93 |
| Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance | 95 |
| Schedule of Findings and Questioned Costs | 98 |
| Management Letter | 100 |
| THOUGHT LEADERSHIP | |
| Join Our Conversation | |



REPORT





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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Allen County School District
Scottsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Allen County School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 5 through 13 and 69 through 82 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022 on our consideration of Allen County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
November 14, 2022



FINANCIAL STATEMENTS





**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

As management of the Allen 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, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The district maintains 6 schools and education centers, serving approximately 3,000 students. An effort to centralize our schools has provided educational benefits in addition to good physical management. We have a campus of approximately 200 acres of which there is still land available for future construction to meet our long-range educational needs. Allen County is very proud of our facilities and our ability to maintain them; nevertheless, our main purpose is educating kids and providing quality instructional resources and staff which we are able to do with our general fund dollars.
- The District continues to be concerned about the drain on the General Fund. Concerted efforts were made to curb the declining balance by continuing to provide additional monies into the general fund from local tax revenues. Because the state has allowed use of Capital Outlay Funds, the District transferred Capital Outlay funds to the General Fund to offset allowable operational expenditures.
- The Superintendent and Finance department working in conjunction with other district leadership continues the refinement of the structure of the business and operations areas, while evaluating processes and allocation of resources. The Superintendent and Finance department worked with staff to review and implement sound fiscal practices in utilizing school funding.
- A concerted effort was focused on purchasing in the areas of supplies and food, resulting in several economies due to changed management strategies. The District utilizes multi-district cooperative bidding through the Green River Regional Educational Cooperative, Kentucky Educational Development Corporation, as well as, taking advantage of state and federal bidding opportunities for purchasing of supplies and food.
- Local Property Tax Revenue is divided 65% / 35% between the general fund and the building fund respectively. With continued concerns on the drain of the General fund, the Board has elected to deposit all motor vehicle monies to the General fund. We have no occupational, utility or excise taxes.
- Excluding inter-fund transfers, the General Fund had approximately \$25.9 million in revenue, which primarily consisted of the state program SEEK (Support Educational Excellence in Kentucky), and local property and motor vehicle taxes. There was \$26.2 million in General Fund expenditures.
- The District continues to evaluate policies & procedures dealing with fixed assets and GASB reporting. The District is responsible for ensuring that inventories, values and depreciation are correctly reported on the Annual Financial Report.



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three components - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include government-wide financial statements and fund financial statements, which reflect different perspectives of the District's financial operations.

The government-wide financial statements consist of two statements: *Statement of Net Position* and *Statement of Activities*. These statements provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual funds of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements reflect how operations were financed in the short term as well as what remains for future spending. The proprietary funds statements show short-term and long-term financial information about the activity the District operates like a business (food service). Fiduciary funds statements provide information on financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include Notes to Financial Statements that provide more detailed and additional information that is essential to a full understanding of the data provided in the basic government-wide and fund financial statements. Following the statements is Required Supplementary Information that further supports the financial statements with a comparison of the District's budget for the year and schedules of pension proportionate liability and contributions.

The Notes to Financial Statements can be found on pages 27 through 68 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using the accrual basis of accounting similar to that which is used by private-sector businesses. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or disbursed.

The two government-wide statements report the District's net position - the difference between the District's total assets, deferred items, and total liabilities, and how they have changed. Increases or decreases in the net position over time may be an indicator



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

of the District's financial position. One must consider, however, additional factors in assessing the overall financial position of the District such as Kentucky's funding from the state's general budget, the District's local tax base, educational programs and expenditures required by law regardless of funding, and other factors.

The District's activities are divided into two categories in the government-wide financial statements:

Governmental Activities - Most of the District's services are included here such as instruction, student and administrative support, operation and maintenance of facilities, and pupil transportation. Capital assets and long-term obligations are also included. Locally assessed taxes and intergovernmental revenues principally support these governmental activities.

Business-Type Activities - These activities are partially funded by charges for the goods and services provided. The District's food service is reported as a business-type activity. Food service is also partially funded by federal and state grants.

The most striking difference between the District and a private-sector company is the source of revenues. Unlike most private-sector businesses, the assets of the District exist to provide services to students and do not generate revenue. The major revenue sources include Kentucky's Seek Excellence in Education Funding (SEEK), the state's school funding formula appropriated from its biennial general budget, and locally assessed taxes. Current and future operations, including the payment of related debt on capital assets, are dependent upon these funding sources continuing at adequate levels.

Government-wide financial statements can be found on pages 14 through 17 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information regarding the District's accounting funds as opposed to the District as a whole, focusing on the District's major funds. A fund is a grouping of related accounts used to segregate sources of funding and spending on particular programs or activities. The District's funds are mandated by the state as part of a statewide uniform system of accounting for school districts to ensure compliance with finance and legal requirements. The District's major funds are the General Fund, Special Revenue Fund, and Debt Service Fund. The District has three types of funds:



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Governmental Funds - Most of the District's services and activities are included in governmental funds which focus on cash inflows and outflows and the balances remaining at year-end that are available for future spending. The modified accrual method of accounting is used to report these funds, which measures cash and financial assets that can be readily converted to cash. Therefore, the governmental funds statements provide a detailed short-term view to help indicate the financial resources available to finance the District's programs in the near future. Since the governmental funds statements do not encompass the additional long-term focus of the government-wide statements, a reconciliation of the differences is provided in the financial statements.

Proprietary Funds - The District's proprietary fund is the food service 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 Funds – The District is 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. The District's fiduciary funds consist of student activities funds and the scholarship fund. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

The basic governmental fund financial statements can be found on pages 18 through 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by approximately \$12.3 million as of June 30, 2022.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

NET POSITION

A summary of the net position for 2021 and 2022 are as follows:

| | 2021 | | | 2022 | | |
|---|-------------------------|--------------------------|---------------|-------------------------|--------------------------|---------------|
| | Governmental Activities | Business Type Activities | Total | Governmental Activities | Business Type Activities | Total |
| Current Assets | \$ 4,543,511 | \$ 1,638,847 | \$ 6,182,358 | \$ 5,922,403 | \$ 1,964,482 | \$ 7,886,885 |
| Noncurrent Assets | 51,597,208 | 381,703 | 51,978,911 | 49,723,609 | 448,490 | 50,172,099 |
| Total Assets | \$ 56,140,719 | \$ 2,020,550 | \$ 58,161,269 | \$ 55,646,012 | \$ 2,412,972 | \$ 58,058,984 |
| Deferred Outflows of Resources | \$ 4,379,325 | \$ 608,700 | \$ 4,988,025 | \$ 4,656,562 | \$ 494,375 | \$ 5,150,937 |
| Current Liabilities | \$ 984,310 | \$ 1,208 | \$ 985,518 | \$ 1,462,848 | \$ 2,272 | \$ 1,465,120 |
| Noncurrent Liabilities | 43,630,056 | 2,490,458 | 46,120,514 | 38,150,314 | 1,952,180 | 40,102,494 |
| Total Liabilities | \$ 44,614,366 | \$ 2,491,666 | \$ 47,106,032 | \$ 39,613,162 | \$ 1,954,452 | \$ 41,567,614 |
| Deferred Inflows of Resources | \$ 5,605,683 | \$ 148,855 | \$ 5,754,538 | \$ 8,370,410 | \$ 525,126 | \$ 8,895,536 |
| Net Position | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 25,146,854 | \$ 381,703 | \$ 25,528,557 | \$ 25,918,634 | \$ 448,490 | \$ 26,367,124 |
| Restricted | 872,043 | - | 872,043 | 1,402,938 | - | 1,402,938 |
| Unrestricted | (15,718,902) | (392,974) | (16,111,876) | (15,002,570) | (20,721) | (15,023,291) |
| Total Net position | \$ 10,299,995 | \$ (11,271) | \$ 10,288,724 | \$ 12,319,002 | \$ 427,769 | \$ 12,746,771 |

Net Position- The FY 2022 net position of the district increased from \$10,299,995 to \$12,319,002. The increase in the government-wide net position for FY 2022 are due to a combination of factors:

- Assets
 - Total current Assets increased by approximately \$1.7 million
 - Accumulated depreciation amount increased in 2022 as compared to 2021.
- Deferred Outflows of Resources are provided by actuaries and are related to pensions. This increased for 2022. This amount is reflected in our on-behalves from KDE.
- Liabilities – The district paid down debt and the pension liability decreased by approximately \$2.5 million. Our OPEB liabilities decreased by \$1.4 million and compensated absences decreased by approximately \$16,000. The compensated absences include staff sick days as an accumulated total dollar amount. Total liabilities decreased approximately \$6 million from 2021 to 2022.

The implementation of GASB 84 in FY21 had a positive impact on our net position. The new special revenue fund 25 holds the student activity accounts of our District's individual schools. The special revenue student activity fund is a nonmajor fund with a balance of \$443,745 as of June 30, 2022.



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

REVENUE & EXPENSES

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2021 and June 30, 2022:

| | 2021 | | | 2022 | | |
|---|-----------------------|--------------------------|---------------|-----------------------|--------------------------|---------------|
| | Government Activities | Business Type Activities | Total | Government Activities | Business Type Activities | Total |
| Program Revenues: | | | | | | |
| Charges for services | \$ 500 | \$ 13,078 | \$ 13,578 | \$ 8,000 | \$ 48,729 | \$ 56,729 |
| Operating grants | 4,958,252 | 2,089,881 | 7,048,133 | 6,182,971 | 2,569,640 | 8,752,611 |
| Capital grants | 2,780,260 | - | 2,780,260 | 2,767,069 | - | 2,767,069 |
| General Revenues: | | | | | | |
| Taxes | 6,715,375 | - | 6,715,375 | 6,970,559 | - | 6,970,559 |
| State aid formula grant | 21,297,978 | - | 21,297,978 | 24,340,790 | - | 24,340,790 |
| Investment earnings | 20,656 | 4,750 | 25,406 | 29,952 | 9,978 | 39,930 |
| Miscellaneous | 918,421 | 227 | 918,648 | 1,127,631 | 1,538 | 1,129,169 |
| Total Program Revenues | \$ 36,691,442 | \$ 2,107,936 | \$ 38,799,378 | \$ 41,426,972 | \$ 2,629,885 | \$ 44,056,857 |
| Transfers | 120,643 | (120,643) | - | 117,093 | (117,093) | - |
| Total Revenues | \$ 36,812,085 | \$ 1,987,293 | \$ 38,799,378 | \$ 41,544,065 | \$ 2,512,792 | \$ 44,056,857 |
| Program Expenses: | | | | | | |
| Instruction | \$ 21,340,849 | \$ - | \$ 21,340,849 | \$ 24,734,713 | \$ - | \$ 24,734,713 |
| Student support | 1,614,158 | - | 1,614,158 | 1,638,485 | - | 1,638,485 |
| Instruction staff | 1,567,555 | - | 1,567,555 | 2,347,383 | - | 2,347,383 |
| District administration | 897,464 | - | 897,464 | 788,616 | - | 788,616 |
| School administration | 2,062,237 | - | 2,062,237 | 2,027,875 | - | 2,027,875 |
| Business support | 1,002,264 | - | 1,002,264 | 801,353 | - | 801,353 |
| Plant operations | 3,357,390 | - | 3,357,390 | 3,256,174 | - | 3,256,174 |
| Student transportation | 2,437,590 | - | 2,437,590 | 2,194,747 | - | 2,194,747 |
| Other | 289,899 | - | 289,899 | 370,763 | - | 370,763 |
| Interest on long-term debt | 1,409,407 | - | 1,409,407 | 1,364,949 | - | 1,364,949 |
| Food service | - | 2,286,344 | 2,286,344 | - | 2,073,752 | 2,073,752 |
| Total Expenses | \$ 35,978,813 | \$ 2,286,344 | \$ 38,265,157 | \$ 39,525,058 | \$ 2,073,752 | \$ 41,598,810 |
| Net (Decrease)/Increase in Net position | \$ 833,272 | \$ (299,051) | \$ 534,221 | \$ 2,019,007 | \$ 439,040 | \$ 2,458,047 |

Govt. Activities Revenue shows an increase due to an additional \$1.2 million dollars from ESSER & other federal grant monies received in 2021-2022. Although ESSER monies were allocated in FY21, they are not required to be expended until FY22 and FY23. State aid and tax monies increased approximately \$3.3 million in comparing FY21 to FY22. Expenses decreased \$3.5 million in comparing FY21 to FY22. There was a net increase of approximately \$1.2 million in net position for government activities in 2022 compared to FY21.

Business Type Activities –School food services (fund 51) increased \$525,499 in total program revenue from 2021 to 2022 due to additional USDA federal assistance and positive changes in student attendance.

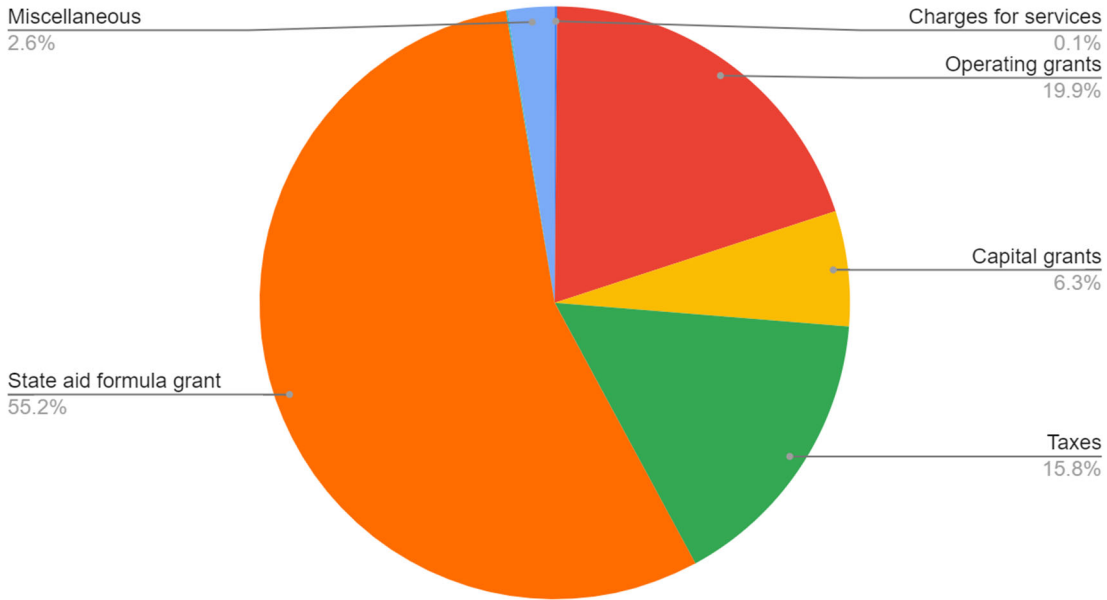
Total expenses for school food services shows a \$200,000 decrease in total expenses in comparing FY22 to FY21.

The total district net increase in net position shows a net increase of \$1.9 million for FY22. This was a very positive change from last year.

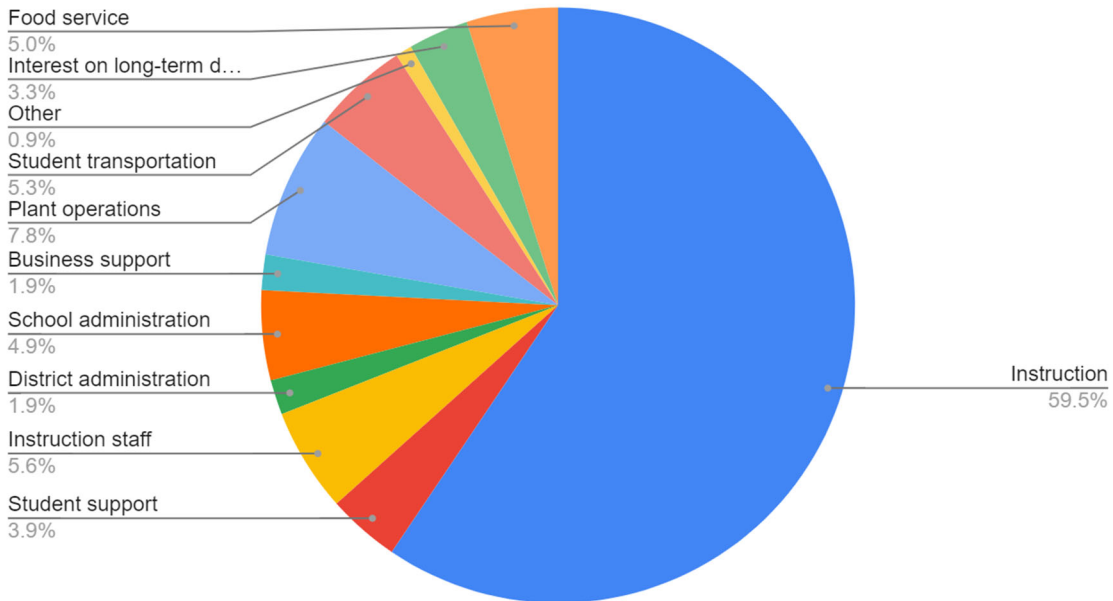


**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Revenue



Expenses



Governmental Activities

Instruction and support services continue to be the majority of total expenses for 2021 and 2022.



**ALLEN COUNTY SCHOOL DISTRICT
SCOTTSVILLE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$1,648,288.17 in contingency (4.96%).

The beginning General Fund cash balance for 2022 fiscal year was \$3.1 million. The district currently participates in approximately 67 local, state and federal grants. The total budget for these grants is \$19 million. The large increase is from federal funding received as ESSER & other federal monies.

KTRS rates will remain the same for 2022-2023 at 16.105% on the employer federal matching portion;

With the exception of federally funded employees with a participation date on or after 7/1/08 through 12/31/21 which increases to 17.105% (1% increase effective 1/1/22 per HB258). The KTRS non-federally funded employers rate will remain the same at 3%. HB 258 effective 1/1/22 added a new TRS deduction group for employee(s) with a participation date on or after 1/1/22 and the employer federal matching rate will be 13.75%. Classified retirement rates remained level at 26.95% in FY21 and FY22.

Applying for grant reimbursements and monitoring the grants is something the district must do constantly. While waiting for grants to be reimbursed, the district must maintain a significant cash balance in order to pay these expenses in advance.

Local property tax revenue makes up approximately 13.26% of the general fund revenue less fund transfers. Property taxes are levied annually usually in October on the assessed value for all real and personal property, as well as motor vehicles in the district as of January 1st of the prior year. However, this revenue is not received until the months of November – February which means that the general fund's beginning balance is used to pay much of the first few months of expenditures. It is very important to have a substantial beginning balance to start the beginning of each year.

Questions regarding this report should be directed by mail to: Superintendent Travis Hamby, Allen County Schools, 570 Oliver Street, Scottsville, KY 42164.

Allen County School District
Statement of Net Position

| <i>June 30, 2022</i> | Governmental Activities | Business- Type Activities | Total |
|---|------------------------------------|--|-------------------|
| Assets | | | |
| Cash | \$ 5,172,851 | \$ 1,868,667 | \$ 7,041,518 |
| Accounts receivable: | | | |
| Taxes | 114,094 | - | 114,094 |
| Accounts | 635,458 | - | 635,458 |
| Intergovernmental | - | 32,482 | 32,482 |
| Inventory | - | 63,333 | 63,333 |
| Non-depreciable capital assets | 1,090,579 | - | 1,090,579 |
| Depreciable capital assets | 86,833,191 | 1,340,253 | 88,173,444 |
| Less: accumulated depreciation | (38,200,161) | (891,763) | (39,091,924) |
| Total assets | 55,646,012 | 2,412,972 | 58,058,984 |
| Deferred Outflows of Resources | | | |
| Deferred loss on debt refundings | 44,674 | - | 44,674 |
| OPEB related | 3,286,629 | 258,868 | 3,545,497 |
| Pension related | 1,325,259 | 235,507 | 1,560,766 |
| Total deferred outflows of resources | 4,656,562 | 494,375 | 5,150,937 |
| Liabilities | | | |
| Accounts payable | 129,100 | 2,272 | 131,372 |
| Accrued liabilities | 434,451 | - | 434,451 |
| Unearned revenue | 534,155 | - | 534,155 |
| Accrued interest | 365,142 | - | 365,142 |
| Long-term obligations: | | | |
| Due within one year: | | | |
| Outstanding bonds | 2,451,159 | - | 2,451,159 |
| Compensated absences | 345,408 | - | 345,408 |
| Due beyond one year: | | | |
| Outstanding bonds | 19,365,700 | - | 19,365,700 |
| Compensated absences | 588,457 | - | 588,457 |
| Net OPEB liability | 6,946,683 | 450,639 | 7,397,322 |
| Net pension liability | 8,452,907 | 1,501,541 | 9,954,448 |
| Total liabilities | 39,613,162 | 1,954,452 | 41,567,614 |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Statement of Net Position**

| <i>June 30, 2022</i> | Governmental Activities | Business- Type Activities | Total |
|--|------------------------------------|--|----------------------|
| Deferred Inflows of Resources | | | |
| Deferred gain on debt defeasance | 2,032,790 | - | 2,032,790 |
| OPEB related | 4,714,720 | 236,840 | 4,951,560 |
| Pension related | 1,622,900 | 288,286 | 1,911,186 |
| Total deferred inflows of resources | 8,370,410 | 525,126 | 8,895,536 |
| Net Position | | | |
| Net investment in capital assets | 25,918,634 | 448,490 | 26,367,124 |
| Restricted for: | | | |
| Student activities | 443,745 | - | 443,745 |
| Capital projects | 959,193 | - | 959,193 |
| Unrestricted (deficit) | (15,002,570) | (20,721) | (15,023,291) |
| Total net position | \$ 12,319,002 | \$ 427,769 | \$ 12,746,771 |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Statement of Activities**

| <i>Year Ended June 30, 2022</i> | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------|---------------------------------|---|---|------------------------------------|-------------------------------------|---------------------|
| Governmental Activities: | | | | | | | |
| Instruction | \$ 24,734,713 | \$ - | \$ 5,071,797 | \$ 54,919 | \$ (19,607,997) | \$ - | \$ (19,607,997) |
| Support Services: | | | | | | | |
| Student | 1,638,485 | - | 323,686 | - | (1,314,799) | - | (1,314,799) |
| Instructional staff | 2,347,383 | - | 73,664 | - | (2,273,719) | - | (2,273,719) |
| District administration | 788,616 | - | 1,204 | - | (787,412) | - | (787,412) |
| School administration | 2,027,875 | - | 314 | - | (2,027,561) | - | (2,027,561) |
| Business | 801,353 | - | 60,659 | - | (740,694) | - | (740,694) |
| Plant operations and maintenance | 3,256,174 | 8,000 | 354,687 | 473,521 | (2,419,966) | - | (2,419,966) |
| Student transportation | 2,194,747 | - | - | - | (2,194,747) | - | (2,194,747) |
| Other | 370,763 | - | 296,960 | - | (73,803) | - | (73,803) |
| Interest on long-term debt | 1,364,949 | - | - | 2,238,629 | 873,680 | - | 873,680 |
| Total governmental activities | 39,525,058 | 8,000 | 6,182,971 | 2,767,069 | (30,567,018) | - | (30,567,018) |
| Business-Type Activities: | | | | | | | |
| Food services | 2,073,752 | 48,729 | 2,569,640 | - | - | 544,617 | 544,617 |
| Total business-type activities | 2,073,752 | 48,729 | 2,569,640 | - | - | 544,617 | 544,617 |
| Total school district | \$ 41,598,810 | \$ 56,729 | \$ 8,752,611 | \$ 2,767,069 | (30,567,018) | 544,617 | (30,022,401) |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Statement of Activities

| <i>Year Ended June 30, 2022</i> | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| General Revenues | | | |
| Taxes: | | | |
| Property | 5,942,306 | - | 5,942,306 |
| Motor vehicle | 925,477 | - | 925,477 |
| Unmined minerals | 5,458 | - | 5,458 |
| Other | 97,318 | - | 97,318 |
| State aid | 24,340,790 | - | 24,340,790 |
| Investment earnings | 29,952 | 9,978 | 39,930 |
| Other | 1,131,484 | 1,538 | 1,133,022 |
| Transfers | 117,093 | (117,093) | - |
| Loss on disposal of assets | (3,853) | - | (3,853) |
| Total general revenues and transfers | 32,586,025 | (105,577) | 32,480,448 |
| Change in net position | 2,019,007 | 439,040 | 2,458,047 |
| Net position - beginning of year | 10,299,995 | (11,271) | 10,288,724 |
| Net position - end of year | \$ 12,319,002 | \$ 427,769 | \$ 12,746,771 |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Balance Sheet
Governmental Funds**

| <i>June 30, 2022</i> | General Fund | Special Revenue Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|---------------------------------|------------------------------|---|---|
| Assets | | | | | |
| Cash | \$ 3,978,805 | \$ - | \$ - | \$ 1,194,046 | \$ 5,172,851 |
| Accounts receivable: | | | | | |
| Taxes | 105,202 | - | - | 8,892 | 114,094 |
| Accounts | - | 635,458 | - | - | 635,458 |
| Due from other funds | 65,423 | - | - | 35,880 | 101,303 |
| Total assets | \$ 4,149,430 | \$ 635,458 | \$ - | \$ 1,238,818 | \$ 6,023,706 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 93,220 | \$ - | \$ - | \$ 35,880 | \$ 129,100 |
| Accrued liabilities | 434,451 | - | - | - | 434,451 |
| Due to other funds | - | 101,303 | - | - | 101,303 |
| Unearned revenue | - | 534,155 | - | - | 534,155 |
| Total liabilities | 527,671 | 635,458 | - | 35,880 | 1,199,009 |
| Fund Balances | | | | | |
| Restricted | 200,000 | - | - | 1,202,938 | 1,402,938 |
| Assigned | 186,248 | - | - | - | 186,248 |
| Unassigned | 3,235,511 | - | - | - | 3,235,511 |
| Total fund balances | 3,621,759 | - | - | 1,202,938 | 4,824,697 |
| Total liabilities and fund balances | \$ 4,149,430 | \$ 635,458 | \$ - | \$ 1,238,818 | \$ 6,023,706 |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

| <i>June 30,</i> | 2022 |
|--|---------------|
| Total fund balances – governmental funds | \$ 4,824,697 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$87,923,770 and the accumulated depreciation is \$38,200,161. | 49,723,609 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the fund statements. | (297,641) |
| Deferred outflows and inflows of resources related to OPEB are applicable to future periods, therefore, are not reported in the fund statements. | (1,428,091) |
| Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources. | 44,674 |
| Governmental funds record gains on debt defeasance as other financing sources when the defeasance occurs. Unamortized gains on debt defeasance are included on the government-wide financial statements as a deferred inflow of resources. | (2,032,790) |
| Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of: | |
| Bonds payable | (21,816,859) |
| Accrued interest on outstanding bonds | (365,142) |
| Compensated absences | (933,865) |
| Net OPEB liability | (6,946,683) |
| Net pension liability | (8,452,907) |
| Total net position – governmental activities | \$ 12,319,002 |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

| <i>Year Ended June 30, 2022</i> | General Fund | Special Revenue Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|---------------------------------|------------------------------|---|---|
| Revenues | | | | | |
| From local sources: | | | | | |
| Taxes: | | | | | |
| Property | \$ 3,960,577 | \$ - | \$ - | \$ 1,981,729 | \$ 5,942,306 |
| Motor vehicle | 925,477 | - | - | - | 925,477 |
| Unmined minerals | 4,874 | - | - | 584 | 5,458 |
| Other | 97,318 | - | - | - | 97,318 |
| Earnings on investments | 29,235 | 567 | - | 717 | 30,519 |
| Other local revenue | 74,646 | 116,651 | - | 478,100 | 669,397 |
| Intergovernmental - state | 20,521,512 | 1,476,867 | 432,250 | 1,558,068 | 23,988,697 |
| Direct federal | 316,692 | - | - | - | 316,692 |
| Intergovernmental - federal | - | 4,643,805 | 721,832 | - | 5,365,637 |
| Total revenues | 25,930,331 | 6,237,890 | 1,154,082 | 4,019,198 | 37,341,501 |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 15,840,417 | 4,833,906 | - | 519,148 | 21,193,471 |
| Support services: | | | | | |
| Student | 1,182,145 | 323,686 | - | - | 1,505,831 |
| Instructional staff | 2,041,772 | 73,664 | - | - | 2,115,436 |
| District administration | 680,172 | 1,204 | - | - | 681,376 |
| School administration | 1,800,511 | 314 | - | - | 1,800,825 |
| Business | 642,681 | 60,659 | - | - | 703,340 |
| Plant operations and maintenance | 2,325,765 | 354,687 | - | 45,318 | 2,725,770 |
| Student transportation | 1,692,890 | - | - | - | 1,692,890 |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

| <i>Year Ended June 30, 2022</i> | General Fund | Special Revenue Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|--------------------------|---------------------------------|---------------------------------|
| Other | 8,537 | 296,960 | - | - | 305,497 |
| Debt service: | | | | | |
| Principal | - | - | 2,406,159 | - | 2,406,159 |
| Interest | - | - | 1,343,321 | - | 1,343,321 |
| Building acquisition & construction | - | - | - | 57,644 | 57,644 |
| Architectural & engineering services | - | - | - | 35,880 | 35,880 |
| Total expenditures | 26,214,890 | 5,945,080 | 3,749,480 | 657,990 | 36,567,440 |
| Excess (deficiency) of revenues over expenditures | (284,559) | 292,810 | (2,595,398) | 3,361,208 | 774,061 |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers-in | 906,113 | 58,569 | 2,595,398 | 38,606 | 3,598,686 |
| Operating transfers-out | (61,295) | (351,379) | - | (3,068,919) | (3,481,593) |
| Total other financing sources (uses) | 844,818 | (292,810) | 2,595,398 | (3,030,313) | 117,093 |
| Net change in fund balances | 560,259 | - | - | 330,895 | 891,154 |
| Fund balances - beginning of year | 3,061,500 | - | - | 872,043 | 3,933,543 |
| Fund balances - end of year | \$ 3,621,759 | \$ - | \$ - | \$ 1,202,938 | \$ 4,824,697 |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities**

| <i>Year Ended June 30,</i> | <i>2022</i> |
|---|--------------|
| Total net change in fund balances – governmental funds | \$ 891,154 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation, \$2,582,262, exceeds capital outlays, \$712,516, in the period. | (1,869,746) |
| Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain/loss from the sale net to this amount for the year. | (3,853) |
| Repayment of bond principal and other debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 2,406,159 |
| Government funds report District pension contributions as expenditures. However, in the Statement of Activities the cost of pension benefits earned net of employee contributions is reported as pension expense. | |
| District pension contributions | 741,538 |
| Cost of benefits earned net of employee contributions | (874,477) |
| Government funds report District OPEB contributions as expenditures. However, in the Statement of Activities the cost of OPEB benefits earned net of employee contributions is reported as pension expense. | |
| District OPEB contributions | 551,061 |
| Cost of benefits earned net of employee contributions | (46,234) |
| Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred. | 223,405 |
| Change in net position - governmental activities | \$ 2,019,007 |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Statement of Net Position
Proprietary Fund

| <i>June 30, 2022</i> | Enterprise Fund Food Service |
|---------------------------------------|---|
| Assets | |
| Current Assets | |
| Cash | \$ 1,868,667 |
| Accounts receivable | |
| Intergovernmental | 32,482 |
| Inventory | 63,333 |
| <hr/> | |
| Total current assets | 1,964,482 |
| <hr/> | |
| Non-Current Assets | |
| Fixed assets - net | 448,490 |
| <hr/> | |
| Total assets | 2,412,972 |
| <hr/> | |
| Deferred Outflows of Resources | |
| OPEB related | 258,868 |
| Pension related | 235,507 |
| <hr/> | |
| Total deferred outflows of resources | 494,375 |
| <hr/> | |
| Liabilities | |
| Current Liabilities | |
| Accounts payable | 2,272 |
| <hr/> | |
| Total current liabilities | 2,272 |
| <hr/> | |
| Long-Term Liabilities | |
| Net OPEB liability | 450,639 |
| Net pension liability | 1,501,541 |
| <hr/> | |
| Total long-term liabilities | 1,952,180 |
| <hr/> | |
| Deferred Inflows of Resources | |
| OPEB related | 236,840 |
| Pension related | 288,286 |
| <hr/> | |
| Total deferred inflows of resources | 525,126 |
| <hr/> | |
| Net Position | |
| Net investment in capital assets | 448,490 |
| Unrestricted | (20,721) |
| <hr/> | |
| Total net position | \$ 427,769 |
| <hr/> | |

The accompanying notes are an integral part of these financial statements.

Allen County School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

| <i>Year Ended June 30, 2022</i> | Enterprise Fund Food Service |
|--|---|
| <hr/> | |
| Operating Revenues | |
| Lunchroom sales | \$ 48,729 |
| <hr/> | |
| Total operating revenues | 48,729 |
| <hr/> | |
| Operating Expenses | |
| Salaries and wages | 951,324 |
| Contract services | 18,809 |
| Materials and supplies | 1,067,011 |
| Depreciation expense | 36,608 |
| <hr/> | |
| Total operating expenses | 2,073,752 |
| <hr/> | |
| Operating loss | (2,025,023) |
| <hr/> | |
| Non-Operating Revenues | |
| State operating grants | 159,579 |
| Federal operating grants | 2,331,695 |
| Donated commodities | 78,366 |
| Interest revenue | 9,978 |
| Other revenue | 1,538 |
| <hr/> | |
| Total non-operating revenues | 2,581,156 |
| <hr/> | |
| Income before transfers | 556,133 |
| <hr/> | |
| Transfers | (117,093) |
| <hr/> | |
| Change in net position | 439,040 |
| <hr/> | |
| Net position (deficit) - beginning of year | (11,271) |
| <hr/> | |
| Net position - end of year | \$ 427,769 |
| <hr/> <hr/> | |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Statement of Cash Flows
Proprietary Fund**

| | Enterprise Fund Food Service |
|---|---|
| <i>Year Ended June 30, 2022</i> | |
| <hr/> | |
| Operating Activities | |
| Cash received from user charges | \$ 48,729 |
| Cash payments to employees for services | (857,823) |
| Cash payments for contract services | (18,809) |
| Cash payments to suppliers for goods and services | (972,669) |
| <hr/> | |
| Net cash used in operating activities | (1,800,572) |
| <hr/> | |
| Non-Capital Financing Activities | |
| Indirect cost transfer to general fund | (117,093) |
| Non-operating grants received | 2,395,399 |
| <hr/> | |
| Net cash provided by non-capital financing activities | 2,278,306 |
| <hr/> | |
| Cash Flows from Capital and Related Financing Activities | |
| Acquisition of capital assets | (103,395) |
| <hr/> | |
| Net cash used in capital and related financing activities | (103,395) |
| <hr/> | |
| Investing Activities | |
| Interest on investments | 9,978 |
| <hr/> | |
| Net cash provided by investing activities | 9,978 |
| <hr/> | |
| Net increase in cash | 384,317 |
| Cash - beginning of year | 1,484,350 |
| <hr/> | |
| Cash - end of year | \$ 1,868,667 |
| <hr/> | |

The accompanying notes are an integral part of these financial statements.

**Allen County School District
Statement of Cash Flows
Proprietary Fund**

| <i>Year Ended June 30, 2022</i> | Enterprise Fund Food Service |
|---|---|
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities | |
| Operating loss | \$ (2,025,023) |
| Adjustments To Reconcile Operating Loss To Net Cash Used In Operating Activities: | |
| Depreciation | 36,608 |
| Commodities used | 78,366 |
| On-behalf payments received | 141,183 |
| Pension contributions in excess of pension expense | (33,255) |
| OPEB contributions in excess of OPEB expense | (14,427) |
| Changes in assets and liabilities: | |
| Inventories | 14,912 |
| Accounts payable | 1,064 |
| Net cash used in operating activities | \$ (1,800,572) |

Noncash Activities

- The food service fund received \$78,366 of donated commodities from the federal government.
- The District received on-behalf payments of \$141,183 relating to insurance benefits.
- The District reclassified \$131,817 related to pension expense to deferred outflows of resources.
- The District reclassified \$35,958 related to OPEB expense to deferred outflows of resources.

The accompanying notes are an integral part of these financial statements.

Allen County School District Notes to the Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

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

The District, for financial purposes, includes all of the funds relevant to the operation of the Allen County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except those funds administered as custodial funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

Blended Component Unit

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

Allen County School District Finance Corporation — The Allen County Board of Education resolved to authorize the establishment of the Allen County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Allen County Board of Education also comprise the Corporation's Board of Directors.

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

Governmental Fund Types

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

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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

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

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs. The debt service fund is a major fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Proprietary Fund Types

Enterprise Fund

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

Fiduciary Fund Types (includes custodial and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

Private Purpose Trust Fund

The *Private Purpose Trust Fund* are used to report trust arrangements under which principal and income benefit individuals.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e.,

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

Estimates

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

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**Allen County School District
Notes to the Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

| Description | Estimated Lives |
|----------------------------|------------------------|
| Buildings and improvements | 25–50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| Vehicles | 5–10 years |
| Audio-visual equipment | 15 years |
| Food service equipment | 10–12 years |
| Furniture and fixtures | 7 years |

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Inflows and Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in the financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year. The deferred inflows of resources reported in the financial statements include the deferred gain on debt defeasance. The deferred gain is being amortized over the remaining life of the bond as part of other revenues.

Deferred Inflows and Outflows of Resources – Pension Related

The District’s statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District’s contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources – Pension Related (Continued)

investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – OPEB Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teacher Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Other Post-Employment Benefits (OPEB) Liability (Continued)

participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 9 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

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

Unearned Revenue

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

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Taxes (Continued)

November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

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

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 as non-operating revenues/expenses in proprietary funds.

Interfund Balances

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

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions of Capital

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 14, 2022, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

Recent Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. 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 lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on 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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the District.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new

Allen County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Issued and Adopted Accounting Pronouncements (Continued)

requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the District.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the District.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. 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 asset – 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. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The District is evaluating the requirements of this Statement.

**Allen County School District
Notes to the Financial Statements**

NOTE 3: CASH

Deposits

At June 30, 2022, the carrying amounts of the District's cash in deposits were \$7,041,518 and the bank balances were \$8,169,802, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

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

| <i>June 30,</i> | <i>2022</i> |
|--------------------|--------------|
| Governmental funds | \$ 5,172,851 |
| Proprietary fund | 1,868,667 |
| | \$ 7,041,518 |

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$8,169,802 was not exposed to custodial credit risk as of June 30, 2022.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consist of the following:

| <i>June 30, 2022</i> | | |
|------------------------|----------------------|---------------|
| Receivable Fund | Payable Fund | Amount |
| General Fund | Special Revenue Fund | \$ 65,423 |
| Construction Fund | Special Revenue Fund | 35,880 |
| Total | | \$ 101,303 |

The amounts represent interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund and construction costs incurred by the construction fund which are being paid with funds from the special revenue fund.

Allen County School District
Notes to the Financial Statements

NOTE 5: CAPITAL ASSETS

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

| <i>June 30, 2022</i> | Capital Cost | | | |
|---|----------------------|-----------------------|-----------------------------------|----------------------|
| | Beginning Balance | Additions | Retirements/ Reclassifications | Ending Balance |
| Governmental Activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 1,007,132 | \$ - | \$ - | \$ 1,007,132 |
| Construction in progress | 310,424 | 138,842 | 365,819 | 83,447 |
| Total non-depreciable historical cost | 1,317,556 | 138,842 | 365,819 | 1,090,579 |
| Capital assets that are depreciated: | | | | |
| Land improvements | 4,424,916 | 12,800 | - | 4,437,716 |
| Buildings and improvements | 73,337,818 | 43,663 | - | 73,381,481 |
| Technology equipment | 2,296,636 | 689,022 | 105,028 | 2,880,630 |
| Vehicles | 4,136,572 | - | - | 4,136,572 |
| General | 1,816,779 | 194,008 | 13,995 | 1,996,792 |
| Total depreciable historical cost | 86,012,721 | 939,493 | 119,023 | 86,833,191 |
| Less accumulated depreciation for: | | | | |
| Land improvements | 2,892,719 | 165,188 | - | 3,057,907 |
| Buildings and improvements | 26,927,887 | 1,959,292 | - | 28,887,179 |
| Technology equipment | 2,043,224 | 146,899 | 105,028 | 2,085,095 |
| Vehicles | 2,739,577 | 191,898 | - | 2,931,475 |
| General | 1,129,662 | 118,985 | 10,142 | 1,238,505 |
| Total accumulated depreciation | 35,733,069 | 2,582,262 | 115,170 | 38,200,161 |
| Total depreciable historical cost, net | 50,279,652 | (1,642,769) | 3,853 | 48,633,030 |
| Governmental activities, capital assets, net | \$ 51,597,208 | \$ (1,503,927) | \$ 369,672 | \$ 49,723,609 |

Allen County School District
Notes to the Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

| <i>June 30, 2022</i> | Capital Cost | | | Ending Balance |
|--|----------------------|-----------|-----------------------------------|-------------------|
| | Beginning Balance | Additions | Retirements/ Reclassifications | |
| Business-Type Activities: | | | | |
| Land improvements | \$ 9,690 | \$ - | \$ - | \$ 9,690 |
| Buildings and improvements | 287,750 | - | - | 287,750 |
| Technology equipment | 21,721 | - | - | 21,721 |
| Vehicles | 17,122 | - | - | 17,122 |
| General | 906,017 | 103,395 | 5,442 | 1,003,970 |
| <hr/> | | | | |
| Total depreciable historical cost | 1,242,300 | 103,395 | 5,442 | 1,340,253 |
| <hr/> | | | | |
| Less accumulated depreciation for: | | | | |
| Land improvements | 6,056 | 485 | - | 6,541 |
| Buildings and improvements | 72,897 | 5,755 | - | 78,652 |
| Technology equipment | 21,721 | - | - | 21,721 |
| Vehicles | 8,846 | 3,424 | - | 12,270 |
| General | 751,077 | 26,944 | 5,442 | 772,579 |
| <hr/> | | | | |
| Total accumulated depreciation | 860,597 | 36,608 | 5,442 | 891,763 |
| <hr/> | | | | |
| Total depreciable historical cost, net | 381,703 | 66,787 | - | 448,490 |
| <hr/> | | | | |
| Business-type activities, capital assets, net | \$ 381,703 | \$ 66,787 | \$ - | \$ 448,490 |

Depreciation expense was charged to governmental functions as follows:

| <i>Year ended June 30,</i> | <i>2022</i> |
|----------------------------|--------------|
| Instruction | \$ 1,647,243 |
| Support services: | |
| Student | 128,607 |
| District administration | 56,000 |
| Facilities operations | 560,746 |
| Student transportation | 189,666 |
| <hr/> | |
| Total depreciation expense | \$ 2,582,262 |

Allen County School District Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS

The original amount of each issue, the issue date and interest rates are summarized below:

| Issue Date | Proceeds | Rates |
|------------|---------------|-----------------|
| 2010 | \$ 16,115,000 | 4.75% |
| 2012 | 4,970,000 | 2.000% - 3.000% |
| 2013 | 9,505,000 | 2.000% - 4.000% |
| 2015 | 3,820,000 | 2.000% - 2.250% |
| 2016 | 8,530,000 | 2.000% - 3.250% |
| 2016R | 810,000 | 2.050% |

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

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

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

Allen County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

| Year | Allen County School District | | School Facility Construction Commission | | US Treasury | Total Debt Service |
|-----------|---------------------------------|---------------------|--|-------------------|---------------------|-----------------------|
| | Principal | Interest | Principal | Interest | Interest | |
| 2022-2023 | 2,098,676 | 501,314 | 352,483 | 79,767 | 718,004 | 3,750,244 |
| 2023-2024 | 1,982,917 | 457,895 | 318,242 | 70,995 | 718,004 | 3,548,053 |
| 2024-2025 | 2,012,407 | 423,883 | 228,752 | 64,066 | 718,004 | 3,447,112 |
| 2025-2026 | 1,572,641 | 395,629 | 233,518 | 57,916 | 718,004 | 2,977,708 |
| 2026-2027 | 1,475,726 | 373,426 | 230,433 | 51,609 | 718,004 | 2,849,198 |
| 2027-2028 | 1,528,402 | 326,100 | 157,757 | 45,888 | 359,002 | 2,417,149 |
| 2028-2029 | 1,011,994 | 273,724 | 163,006 | 40,639 | - | 1,489,363 |
| 2029-2030 | 1,046,136 | 239,076 | 168,864 | 34,780 | - | 1,488,856 |
| 2030-2031 | 1,089,720 | 201,642 | 175,280 | 28,365 | - | 1,495,007 |
| 2031-2032 | 1,123,058 | 162,819 | 181,942 | 21,702 | - | 1,489,521 |
| 2032-2033 | 1,166,137 | 122,648 | 188,863 | 14,783 | - | 1,492,431 |
| 2033-2034 | 1,205,558 | 81,053 | 169,442 | 8,128 | - | 1,464,181 |
| 2034-2035 | 611,457 | 50,378 | 53,543 | 4,163 | - | 719,541 |
| 2035-2036 | 634,757 | 30,906 | 55,243 | 2,463 | - | 723,369 |
| 2036-2037 | 645,783 | 10,494 | 49,217 | 800 | - | 706,294 |
| | <u>\$ 19,205,369</u> | <u>\$ 3,650,987</u> | <u>\$ 2,726,585</u> | <u>\$ 526,064</u> | <u>\$ 3,949,022</u> | <u>\$ 30,058,027</u> |

Changes in long-term obligations are as follows:

| <i>June 30, 2022</i> | Balance July 1, 2021 | Increases | Decreases | Balance June 30, 2022 | Amounts Due Within One Year |
|--------------------------------------|-------------------------|-------------------|-----------------------|--------------------------|--------------------------------------|
| Governmental Activities: | | | | | |
| Bonds and notes payable: | | | | | |
| Bonds | \$ 24,338,113 | \$ - | \$ (2,406,159) | \$ 21,931,954 | \$ 2,451,159 |
| Less discounts | (122,664) | - | 7,569 | (115,095) | - |
| Total bonds and notes payable | 24,215,449 | - | (2,398,590) | 21,816,859 | 2,451,159 |
| Other liabilities: | | | | | |
| Compensated absences | 908,852 | 174,387 | (149,374) | 933,865 | 345,408 |
| Total other liabilities | 908,852 | 174,387 | (149,374) | 933,865 | 345,408 |
| Total long-term liabilities | \$ 25,124,301 | \$ 174,387 | \$ (2,547,964) | \$ 22,750,724 | \$ 2,796,567 |

Allen County School District Notes to the Financial Statements

NOTE 7: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District did not have nonspendable fund balance at June 30, 2022.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the general fund had \$200,000 restricted for capital projects; and the nonmajor funds of the District had \$97,265 restricted for capital projects in the construction fund, \$443,745 restricted in the student activity fund for student activities, \$450,078 restricted for prior year SFCC offers and capital projects in the FSPK fund and \$211,850 restricted in the SEEK fund for future capital outlay expenditures.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District did not have a committed fund balance in the general fund at June 30, 2022.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The District had \$186,248 assigned for site based carryforward funds in the general fund at June 30, 2022. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022 in the governmental funds balance sheet.

NOTE 8: PENSION PLANS

Pensions

Allen County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a blended component 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 of the KTRS and the CERS and additions to/deductions from KTRS's and CERS's 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 benefit terms. Investments are reported at fair value.

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life benefits for specified employees of local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

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

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

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (Continued)

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

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

- 1.) Attain age 60 and complete five years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

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

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

KTRS also provides disability benefits for vested members at the rate of 60% 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 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Allen County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Contributions

Contribution rates are established by Kentucky Revised Statutes. KTRS members are required to contribute 12.855% of their salaries to the KTRS effective July 1, 2015. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts.

Pension Liabilities and Pension Expense

At June 30, 2022, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|-----------------------------|
| District's proportionate share of the net pension liability | \$ - |
| State's proportionate share of the net pension liability associated with the District | <u>50,279,956</u> |
| Total | <u><u>\$ 50,279,956</u></u> |

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

For the year ended June 30, 2022, the District recognized pension expense of \$7,832,789 and revenue of \$7,832,789 for support provided by the State in the government wide financial statements.

Allen County School District Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------------|---|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age |
| Actuarial Assumptions: | |
| Investment rate of return | 7.10% net of pension plan investment expense, including inflation |
| Projected salary increases | 3.00 - 7.50%, including inflation |
| Inflation rate | 2.50% |
| Post-Retirement adjustment | 1.50% |
| Municipal bond index rate | 2.13% |
| Single equivalent interest rate | 7.10% |

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected 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:

**Allen County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|--------------------------|---|
| Large cap U.S. Equity | 37.4% | 4.20% |
| Small cap U.S. Equity | 2.6% | 4.70% |
| Developed International Equity | 16.5% | 5.30% |
| Emerging Markets Equity | 5.5% | 5.40% |
| Fixed Income | 15.0% | -0.01% |
| High Yield Bonds | 2.0% | 1.70% |
| Other Additional Categories | 5.0% | 2.20% |
| Real Estate | 7.0% | 4.00% |
| Private Equity | 7.0% | 6.90% |
| Cash | 2.0% | -0.30% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KTRS financial report.

General Information About the 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. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

Tier 1 - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420).

These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Non-hazardous members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Non-hazardous Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Contributions

Employers participating in the CERS were required to contribute at an actuarially determined rate, per Kentucky Revised Statute Section 78.545(33). The KRS Board of Trustees establishes the employer contribution rate based on KRS Section 78.545(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. For the fiscal year ended June 30, 2022 participating employers contributed a percentage of each employee's

**Allen County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Contributions (Continued)

creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2022 was 21.17%.

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

At June 30, 2022, the District reported a liability of \$9,954,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2021 contributions to the pension plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .156129%.

For the year ended June 30, 2022, the District recognized pension expense of \$966,235. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 114,308 | \$ 96,615 |
| Net difference between projected and actual investment earnings on pension plan investments | 386,166 | 1,712,927 |
| Change of assumptions | 133,601 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 53,336 | 101,644 |
| District contributions subsequent to the measurement date | 873,355 | - |
| Total | \$ 1,560,766 | \$ 1,911,186 |

\$873,355 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, 2023. Other amounts reported as deferred outflows of

**Allen County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

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

resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <i>Year ended June 30,</i> | |
|----------------------------|--------------|
| 2022 | \$ (146,249) |
| 2023 | (360,226) |
| 2024 | (301,827) |
| 2025 | (415,473) |
| Thereafter | - |

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are:

| | |
|---------------------------|------------------------------------|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% |
| Salary Increases | 3.30% to 10.30%, varies by service |
| Investment Rate of Return | 6.25% |

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

Long-Term Expected Rate of Return

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

**Allen County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|--------------------------|---|
| Growth | 68.50% | |
| US Equity | 21.75% | 5.70% |
| Non US Equity | 21.75% | 6.35% |
| Private Equity | 10.00% | 9.70% |
| Special Credit/High Yield | 15.00% | 2.80% |
| Liquidity | 11.50% | |
| Core Bonds | 10.00% | 0.00% |
| Cash | 1.50% | -0.60% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 10.00% | 5.40% |
| Real Return | 10.00% | 4.55% |
| | <u>100.00%</u> | |
| Expected Real Return | | 5.00% |
| Long Term Inflation Assumption | | 2.30% |

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| | <u>1% Decrease (5.25%)</u> | <u>Current Discount Rate (6.25%)</u> | <u>1% Increase (7.25%)</u> |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the net pension liability | \$ 12,767,052 | \$ 9,954,448 | \$ 7,627,085 |

NOTE 8: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans will omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

District employees, in positions requiring a four-year degree 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, health and life insurance benefits for specified employees of 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 Sections 220 through 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 on the TRS website.

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

Health Insurance Trust

Plan Description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple employer defined benefit plan with a special funding situation, funded by employer and member contributions. 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.

**Allen County School District
Notes to the Financial Statements**

NOTE 9: 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 and a required amount of service credit. The TRS medical plan offers coverage to members under the age of 65 and not eligible for Medicare through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

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

At June 30, 2022, the District reported a liability of \$4,409,000 for its proportionate share of collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions 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 0.205465%.

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

| | |
|--|---------------------|
| District's proportionate share of the net OPEB liability | \$ 4,409,000 |
| State's proportionate share of the net OPEB liability associated with the District | 3,580,000 |
| <u>Total</u> | <u>\$ 7,989,000</u> |

For the year ended June 30, 2021, the District recognized OPEB expense of \$198,000, which included \$2,000 related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 2,622,000 |
| Changes of assumptions | 1,153,000 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 470,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 382,000 | 289,000 |
| District contributions subsequent to measurement date | <u>348,568</u> | <u>-</u> |
| Total | <u>\$ 1,883,568</u> | <u>\$ 3,381,000</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$348,568 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|--------------|
| 2022 | \$ (474,000) |
| 2023 | (476,000) |
| 2024 | (441,000) |
| 2025 | (401,000) |
| 2026 | (86,000) |
| Thereafter | 32,000 |

Actuarial Assumptions

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

Allen County School District Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

| | |
|---------------------------------|--|
| Inflation | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Projected Salary Increases | 3.00% - 7.50%, including wage inflation |
| Investment Rate of Return | 7.10%, net of OPEB plan investment expense, including inflation |
| Municipal Bond Index Rate | 2.13% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including inflation |
| Discount Rate | 7.10% |
| Healthcare Cost Trends: | |
| KEHP group | 7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031 |
| MEHP group | 5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024 |
| Medicare Part B Premiums | 4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034 |

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

The demographic actuarial assumptions for retirement disability, incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The healthcare cost trend rate assumption was updated for the June 30, 2020 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 the experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Long-Term Expected Rate of Return

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

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (Continued)

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 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------------|--------------------------|---|
| Global Equity | 58.00% | 5.10% |
| Fixed Income | 9.00% | -0.10% |
| Real Estate | 6.50% | 4.00% |
| Private Equity | 8.50% | 6.90% |
| Additional Categories: High Yield | 8.00% | 1.70% |
| Other Additional Categories | 9.00% | 2.20% |
| Cash (LIBOR) | 1.00% | -0.30% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the collective net OPEB liability | \$ 5,644,000 | \$ 4,409,000 | \$ 3,387,000 |

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends Rates

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

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|--------------|-----------------------|--------------|
| District's proportionate share of the collective net OPEB liability | \$ 3,203,000 | \$ 4,409,000 | \$ 5,909,000 |

OPEB Plan Fiduciary Net Position

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

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The TRS Life Insurance Trust 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.

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

At June 30, 2022, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the state of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth of Kentucky (state) support, and the total portion of the net OPEB liability that was associated with the District were as follows:

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

| | | |
|--|-----------|---------------|
| District's proportionate share of the net OPEB liability | \$ | - |
| State's proportionate share of the net OPEB liability associated with the District | | 48,000 |
| Total | <u>\$</u> | <u>48,000</u> |

Actuarial Assumptions

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

| | | |
|---------------------------------|---|-------|
| Inflation | | 2.50% |
| Real Wage Growth | | 0.25% |
| Wage Inflation | | 2.75% |
| Projected Salary Increases | 3.00% - 7.50%, including wage inflation | |
| Investment Rate of Return | 7.10%, net of OPEB plan investment expense, including inflation | |
| Municipal Bond Index Rate | | 2.13% |
| Single Equivalent Interest Rate | 7.10%, net of OPEB plan investment expense, including inflation | |
| Discount Rate | | 7.10% |

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table with projected generationally with MP-2020 with various set forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results for the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Long-Term Expected Rate of Return

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.

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (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 |
|-----------------------------|--------------------------|---|
| U.S. Equity | 40.00% | 4.40% |
| International Equity | 23.00% | 5.60% |
| Fixed Income | 18.00% | -0.10% |
| Real Estate | 6.00% | 4.00% |
| Private Equity | 5.00% | 6.90% |
| Other Additional Categories | 6.00% | 2.10% |
| Cash | 2.00% | -0.30% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

General Information about the County Employees Retirement System’s (CERS) OPEB Plan

Plan Description

The District’s employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The KRS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

Allen County School District Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2022, were \$238,450. The KRS 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 KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2022, the District reported a liability of \$2,988,322 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on the District's share of 2021 contributions to the OPEB plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.156093%.

For the year ended June 30, 2022 the District recognized OPEB expense of approximately \$374,596.

Allen County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

At June 30, 2022, 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> |
|--|---|--|
| Difference between expected and actual experience | \$ 469,915 | \$ 892,214 |
| Net difference between projected and actual investment earnings on OPEB plan investments | 150,560 | 618,042 |
| Change of assumptions | 792,261 | 2,779 |
| Changes in proportion and differences between employer contributions and proportionate share of contribution | 10,743 | 57,525 |
| District contributions subsequent to the measurement date | <u>238,450</u> | <u>-</u> |
| Total | <u>\$ 1,661,929</u> | <u>\$ 1,570,560</u> |

For the year ended June 30, 2022, \$238,450 was 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 ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|-----------|
| 2022 | \$ 63,429 |
| 2023 | (7,580) |
| 2024 | (15,270) |
| 2025 | (187,660) |
| 2026 | - |
| Thereafter | - |

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determine the total OPEB liability as follows:

Allen County School District Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

| | |
|---|--|
| Inflation | 2.30% |
| Payroll Growth Rate | 2.00% |
| Salary Increase | 3.30% to 10.30%, varies by service for CERS non-hazardous |
| Investment Rate of Return | 6.25% |
| Healthcare Trend Rates (Pre-65) | Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Healthcare Trend Rates (Post-65) | Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Mortality (Pre-retirement) | PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. |
| Mortality (Post-retirement; non-disabled) | 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. |
| Mortality (Post-retirement; disabled) | 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 rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (Continued)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|-------------------|---|
| Growth | 68.50% | |
| US Equity | 21.75% | 5.70% |
| Non US Equity | 21.75% | 6.35% |
| Private Equity | 10.00% | 9.70% |
| Special Credit/High Yield | 15.00% | 2.80% |
| Liquidity | 11.50% | |
| Core Bonds | 10.00% | 0.00% |
| Cash | 1.50% | -0.60% |
| Diversifying Strategies | 20.00% | |
| Real Estate | 10.00% | 5.40% |
| Real Return | 10.00% | 4.55% |
| | <hr/> | |
| | 100.00% | |
| | <hr/> <hr/> | |
| Expected Real Return | | 5.00% |
| Long Term Inflation Assumption | | 2.30% |

Discount Rate

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed during the 2018 legislative session)

**Allen County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate (Continued)

which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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 of June 30, 2022, calculated using the discount rate of 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

| | 1% Decrease (4.20%) | Current Discount Rate (5.20%) | 1% Increase (6.20%) |
|---|--------------------------------|--|--------------------------------|
| District's proportionate share of the collective net OPEB liability | \$ 4,102,944 | \$ 2,988,322 | \$ 2,073,590 |

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

| | 1% Decrease | Current Healthcare Rate | 1% Increase |
|---|--------------------|--|--------------------|
| District's proportionate share of the collective net OPEB liability | \$ 2,151,237 | \$ 2,988,322 | \$ 3,998,698 |

OPEB Plan Fiduciary Net Position

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

NOTE 10: CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not

Allen County School District
Notes to the Financial Statements

NOTE 10: CONTINGENCIES (CONTINUED)

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.

NOTE 11: RISK MANAGEMENT

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

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

NOTE 12: LITIGATION

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

NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

The following funds had excess current year expenditures over current year appropriated revenues:

| <i>Year ended June 30, 2022</i> | |
|---------------------------------|---------------|
| Fund | Amount |
| Construction | \$ (99,519) |
| Student Activity Fund | (41,048) |

Allen County School District
Notes to the Financial Statements

NOTE 14: FUND TRANSFERS

Fund transfers for the year ended June 30, 2022 consist of the following:

| Type | From Fund | To Fund | Purpose | Amount |
|-------------|------------------|-----------------|----------------|---------------|
| Operating | General | Special Revenue | Technology | \$ 58,569 |
| Operating | General | Construction | Construction | 2,726 |
| Operating | Special Revenue | General | Expenditures | 248,121 |
| Operating | Special Revenue | General | Technology | 26,613 |
| Operating | Special Revenue | General | Indirect costs | 40,765 |
| Operating | Special Revenue | Construction | Construction | 35,880 |
| Operating | FSPK | General | Expenditures | 406,473 |
| Operating | FSPK | Debt Service | Debt Service | 2,595,398 |
| Operating | SEEK | General | Expenditures | 67,048 |
| Operating | Food Service | General | Indirect costs | 117,093 |

NOTE 15: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky and the US Treasury for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2022, was \$8,944,601. These payments were recorded as follows:

Year Ended June 30, 2022

| Fund | Amount |
|-----------------------------------|---------------------|
| General Fund | \$ 7,649,336 |
| Food Service Fund | 141,183 |
| Debt Service Fund - SFCC | 432,250 |
| Debt Service Fund - U.S. Treasury | 721,832 |
| Total | \$ 8,944,601 |

Year Ended June 30, 2022

| | Amount |
|--|---------------------|
| Technology | \$ 100,315 |
| Health Insurance less Federal reimbursements | 3,163,590 |
| Life Insurance | 5,135 |
| Administrative Fees | 40,952 |
| HRA/Dental/Vision Insurance | 163,538 |
| SFCC Debt Service | 432,250 |
| U.S. Treasury Debt Service | 721,832 |
| KTRS | 4,316,989 |
| Total | \$ 8,944,601 |

Allen County School District
Budgetary Comparison Schedule for the General Fund

| <i>Year Ended June 30, 2022</i> | Budgeted Amounts | | Actual | Variances |
|---|--------------------|--------------------|-------------------|------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local and intermediate sources | \$ 4,893,686 | \$ 4,943,374 | \$ 5,092,127 | \$ 148,753 |
| State programs | 19,999,840 | 20,246,338 | 20,521,512 | 275,174 |
| Federal programs | 626,344 | 160,000 | 316,692 | 156,692 |
| Total revenues | 25,519,870 | 25,349,712 | 25,930,331 | 580,619 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 16,123,457 | 15,897,816 | 15,840,417 | 57,399 |
| Support services: | | | | |
| Student | 1,398,655 | 1,379,932 | 1,182,145 | 197,787 |
| Instructional staff | 1,295,433 | 1,719,529 | 2,041,772 | (322,243) |
| District administration | 947,197 | 1,001,992 | 680,172 | 321,820 |
| School administration | 1,768,032 | 1,857,017 | 1,800,511 | 56,506 |
| Business | 848,050 | 680,439 | 642,681 | 37,758 |
| Plant operations and maintenance | 2,628,731 | 2,572,315 | 2,325,765 | 246,550 |
| Student transportation | 2,235,773 | 2,127,165 | 1,692,890 | 434,275 |
| Other | 8,430 | 9,586 | 8,537 | 1,049 |
| Debt service | 41,486 | - | - | - |
| Land/Site acquisitions | - | 890,765 | - | 890,765 |
| Contingency | 1,277,758 | 1,648,288 | - | 1,648,288 |
| Total expenditures | 28,573,002 | 29,784,844 | 26,214,890 | 3,569,954 |
| Deficiency of revenues over expenditures | (3,053,132) | (4,435,132) | (284,559) | 4,150,573 |

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**Allen County School District
Budgetary Comparison Schedule for the General Fund**

| <i>Year Ended June 30, 2022</i> | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variances</u> |
|---------------------------------------|-------------------------|--------------|---------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final to Actual</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers - net | 333,155 | 1,296,138 | 844,818 | (451,320) |
| Total other financing sources | 333,155 | 1,296,138 | 844,818 | (451,320) |
| Net change in fund balance | (2,719,977) | (3,138,994) | 560,259 | 3,699,253 |
| Fund balance - beginning of year | 2,741,977 | 3,139,606 | 3,061,500 | (78,106) |
| Fund balance - end of year | \$ 22,000 | \$ 612 | \$ 3,621,759 | \$ 3,621,147 |

Allen County School District
Budgetary Comparison Schedule for the Special Revenue Fund

| <i>Year Ended June 30, 2022</i> | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variances</u> |
|--|-------------------------|-------------------|------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final to Actual</u> |
| Revenues | | | | |
| Local and intermediate sources | \$ 128,344 | \$ 123,809 | \$ 117,218 | \$ (6,591) |
| State programs | 2,060,384 | 1,238,619 | 1,476,867 | 238,248 |
| Federal programs | 6,156,636 | 15,349,378 | 4,643,805 | (10,705,573) |
| Total revenues | 8,345,364 | 16,711,806 | 6,237,890 | (10,473,916) |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 7,125,815 | 10,597,578 | 4,833,906 | 5,763,672 |
| Support services: | | | | |
| Student | 350,395 | 1,021,276 | 323,686 | 697,590 |
| Instructional staff | 105,454 | 94,472 | 73,664 | 20,808 |
| District administration | 18,206 | - | 1,204 | (1,204) |
| School administration | 1,000 | 433 | 314 | 119 |
| Business | 87,245 | 49,384 | 60,659 | (11,275) |
| Plant operations and maintenance | 448,977 | 3,665,578 | 354,687 | 3,310,891 |
| Student transportation | 200 | 67 | - | 67 |
| Other | 264,361 | 484,596 | 296,960 | 187,636 |
| Total expenditures | 8,401,653 | 15,913,384 | 5,945,080 | 9,968,304 |
| Excess (deficiency) of revenues over expenditures | (56,289) | 798,422 | 292,810 | (505,612) |

**Allen County School District
Budgetary Comparison Schedule for the Special Revenue Fund**

| <i>Year Ended June 30, 2022</i> | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variances</u> | |
|---------------------------------------|-------------------------|--------------|---------------|------------------------|---------|
| | <u>Original</u> | <u>Final</u> | | <u>Final to Actual</u> | |
| Other Financing Sources (Uses) | | | | | |
| Operating transfers- net | 56,289 | (798,422) | (292,810) | | 505,612 |
| Total other financing sources (uses) | 56,289 | (798,422) | (292,810) | | 505,612 |
| Net change in fund balance | - | - | - | | - |
| Fund balance - beginning of year | - | - | - | | - |
| Fund balance - end of year | \$ - | \$ - | \$ - | | \$ - |

Allen County School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – Kentucky Teachers' Retirement System

| <i>As of June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|
| District's proportionate share of the net pension liability | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| District's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the District | \$ 50,279,956 | \$ 52,439,157 | \$ 52,698,765 | \$ 50,284,540 | \$ 104,612,639 | \$ 113,044,119 | \$ 87,202,663 | \$ 77,424,969 |
| District's covered payroll | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 | \$ 12,701,338 | \$ 12,397,559 | \$ 11,813,726 | \$ 11,807,847 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.59% | 58.27% | 58.80% | 59.30% | 39.83% | 35.22% | 42.49% | 45.59% |

Schedule of District's Contributions-KTRS

| <i>For the Year Ended June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 12,053,393 | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 | \$ 12,701,338 | \$ 12,397,559 | \$ 11,813,726 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

**Allen County School District
Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – Kentucky Teachers' Retirement System**

Changes of Benefit Terms

None noted.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Allen County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS

| <i>As of June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.156129% | 0.158750% | 0.157070% | 0.156886% | 0.156321% | 0.161044% | 0.161040% | 0.160642% |
| District's proportionate share of the net pension liability | \$ 9,954,448 | \$ 12,175,994 | \$ 11,046,803 | \$ 9,554,836 | \$ 9,149,949 | \$ 7,929,204 | \$ 6,906,862 | \$ 5,251,000 |
| District's covered payroll | \$ 4,023,202 | \$ 4,063,805 | \$ 3,985,557 | \$ 3,666,740 | \$ 3,403,168 | \$ 3,861,699 | \$ 4,179,875 | \$ 4,761,999 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 247.43% | 299.62% | 277.17% | 260.58% | 268.87% | 205.33% | 165.24% | 110.27% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.33% | 47.81% | 50.45% | 53.54% | 53.30% | 55.50% | 59.97% | 66.80% |

Schedule of District's Contributions-CERS

| <i>For the Year Ended June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 873,355 | \$ 776,478 | \$ 784,314 | \$ 646,457 | \$ 530,944 | \$ 474,742 | \$ 479,623 | \$ 532,934 |
| Contributions in relation to the contractually required contribution | 873,355 | 776,478 | 784,314 | 646,457 | 530,944 | 474,742 | 479,623 | 532,934 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 4,125,437 | \$ 4,023,202 | \$ 4,063,805 | \$ 3,985,557 | \$ 3,666,740 | \$ 3,403,168 | \$ 3,861,699 | \$ 4,179,875 |
| Contributions as a percentage of covered payroll | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% |

Allen County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

Changes of Benefit Terms

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPE liability as of June 30, 2021, is determine using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which 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. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for

Allen County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

Allen County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

| <i>As of June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the collective net OPEB liability | 0.205465% | 0.197653% | 0.205597% | 0.197714% | 0.204407% |
| District's proportionate share of the collective net OPEB liability | \$ 4,409,000 | \$ 4,988,000 | \$ 6,017,000 | \$ 6,860,000 | \$ 7,289,000 |
| District's covered payroll | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 | \$ 12,701,338 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 33.74% | 39.09% | 46.68% | 54.01% | 57.39% |
| Plan fiduciary net position as a percentage of the total OEPB liability | 51.74% | 39.05% | 32.58% | 25.50% | 21.18% |

Schedule of the District's Contributions - KTRS

| <i>For the Year Ended June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 348,568 | \$ 342,654 | \$ 330,948 | \$ 343,873 | \$ 350,207 |
| Contributions in relation to the contractually required contribution | 348,568 | 342,654 | 330,948 | 343,873 | 350,207 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 12,053,393 | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 |
| Contributions as percentage of covered payroll | 2.89% | 2.62% | 2.59% | 2.67% | 2.76% |

Changes of Benefit Terms

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

**Allen County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund**

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Allen County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

| <i>As of June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the collective net OPEB liability | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% |
| District's proportionate share of the collective net OPEB liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 | \$ 12,701,338 |
| District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Plan fiduciary net position as a percentage of the total OEPB liability | 89.15% | 71.57% | 73.40% | 75.00% | 79.99% |

Schedule of the District's Contributions - KTRS

| <i>For the Year Ended June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 12,053,393 | \$ 13,068,850 | \$ 12,758,727 | \$ 12,890,640 | \$ 12,700,989 |
| Contributions as percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Allen County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

| <i>As of June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.156093% | 0.158704% | 0.157029% | 0.156880% | 0.156321% |
| District's proportionate share of the net OPEB liability | \$ 2,988,322 | \$ 3,832,219 | \$ 2,641,157 | \$ 2,785,373 | \$ 2,110,227 |
| District's covered payroll | \$ 4,023,202 | \$ 4,063,805 | \$ 3,985,557 | \$ 3,666,740 | \$ 3,403,168 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 74.28% | 94.30% | 66.27% | 75.96% | 62.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |

Schedule of District Contributions - CERS

| <i>For the years ended June 30,</i> | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 238,450 | \$ 191,699 | \$ 193,634 | \$ 209,778 | \$ 172,500 |
| Contributions in relation to the contractually required contribution | 238,450 | 191,699 | 193,634 | 209,778 | 172,500 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered payroll | \$ 4,125,437 | \$ 4,023,202 | \$ 4,063,805 | \$ 3,985,557 | \$ 3,666,740 |
| Contributions as a percentage of covered payroll | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% |

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPE liability as of June 30, 2021, is determine using these updated benefit provisions.

**Allen County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
County Employees Retirement System**

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

**Allen County School District
Combining Balance Sheet
Nonmajor Governmental Funds**

| <i>June 30, 2022</i> | SEEK Fund | FSPK Fund | Construction Fund | SAF Fund | DAF Fund | Total Other Governmental Funds |
|--|-------------------|-------------------|----------------------|-------------------|-------------|--------------------------------------|
| Assets | | | | | | |
| Cash | \$ 211,850 | \$ 441,186 | \$ 97,265 | \$ 443,745 | \$ - | 1,194,046 |
| Accounts receivable: | | | | | | |
| Taxes | - | 8,892 | - | - | - | 8,892 |
| Due from other funds | - | - | 35,880 | - | - | 35,880 |
| Total assets | \$ 211,850 | \$ 450,078 | \$ 133,145 | \$ 443,745 | \$ - | 1,238,818 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ - | \$ 35,880 | \$ - | \$ - | 35,880 |
| Total Liabilities | \$ - | \$ - | \$ 35,880 | \$ - | \$ - | 35,880 |
| Fund Balances | | | | | | |
| Restricted | | | | | | |
| Prior SFCC offers | \$ - | \$ 190,466 | \$ - | \$ - | \$ - | 190,466 |
| Capital projects | 211,850 | 259,612 | 97,265 | - | - | 568,727 |
| Student activity funds | - | - | - | 443,745 | - | 443,745 |
| Total fund balances | 211,850 | 450,078 | 97,265 | 443,745 | - | 1,202,938 |
| Total Liabilities and fund balances | \$ 211,850 | \$ 450,078 | \$ 133,145 | \$ 443,745 | \$ - | 1,238,818 |

Allen County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

| <i>Year Ended June 30, 2022</i> | SEEK Fund | FSPK Fund | Construction Fund | SAF Fund | DAF Fund | Total Other Governmental Funds |
|--|-------------------|--------------------|----------------------|-------------------|-------------|--------------------------------------|
| Revenues | | | | | | |
| From local sources: | | | | | | |
| Taxes: | | | | | | |
| Property | \$ - | \$ 1,981,729 | \$ - | \$ - | \$ - | \$ 1,981,729 |
| Unmined minerals | - | 584 | - | - | - | 584 |
| Earnings on investments | - | - | 717 | - | - | 717 |
| Other local revenue | - | - | - | 477,166 | 934 | 478,100 |
| Intergovernmental - state | 278,898 | 1,279,170 | - | - | - | 1,558,068 |
| Total revenues | 278,898 | 3,261,483 | 717 | 477,166 | 934 | 4,019,198 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Instruction | - | - | - | 518,214 | 934 | 519,148 |
| Support services: | | | | | | |
| Plant operations and maintenance | - | - | 45,318 | - | - | 45,318 |
| Building acquisition and construction | - | - | 57,644 | - | - | 57,644 |
| Architectural & engineering services | - | - | 35,880 | - | - | 35,880 |
| Total expenditures | - | - | 138,842 | 518,214 | 934 | 657,990 |
| Excess (deficiency) of revenues over expenditures | 278,898 | 3,261,483 | (138,125) | (41,048) | - | 3,361,208 |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers-in | - | - | 38,606 | - | - | 38,606 |
| Operating transfers-out | (67,048) | (3,001,871) | - | - | - | (3,068,919) |
| Total other financing sources (uses) | (67,048) | (3,001,871) | 38,606 | - | - | (3,030,313) |
| Net change in fund balances | 211,850 | 259,612 | (99,519) | (41,048) | - | 330,895 |
| Fund Balances - beginning of year | - | 190,466 | 196,784 | 484,793 | - | 872,043 |
| Fund Balances - end of year | \$ 211,850 | \$ 450,078 | \$ 97,265 | \$ 443,745 | \$ - | \$ 1,202,938 |

Allen County School District
Combining Statement of School Activity Funds

| <i>Year Ended June 30, 2022</i> | Cash July 1, 2021 | Cash Receipts | Cash Disbursements | Cash June 30, 2022 | Fund Balance June 30, 2022 |
|--|------------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|
| Allen County Primary Center | \$ 55,058 | \$ 26,021 | \$ 32,252 | \$ 48,827 | \$ 48,827 |
| James E. Bazzell Middle School | 127,682 | 73,878 | 70,780 | 130,780 | 130,780 |
| Allen County Career & Technical Center | 34,948 | 44,102 | 43,373 | 35,677 | 35,677 |
| Allen County-Scottsville High School | 183,892 | 212,566 | 235,774 | 160,684 | 160,684 |
| Allen County Intermediate Center | 41,813 | 46,203 | 54,840 | 33,176 | 33,176 |
| Allen County Family Resource Center | 40,069 | 75,728 | 81,196 | 34,601 | 34,601 |
| Total | \$ 483,462 | \$ 478,498 | \$ 518,215 | \$ 443,745 | \$ 443,745 |

Allen County School District
Statement of School Activity Funds
Allen County-Scottsville High School

| <i>Year Ended June 30, 2022</i> | Cash July 1, 2021 | Cash Receipts | Cash Disbursements | Cash June 30, 2022 | Fund Balance June 30, 2022 |
|---------------------------------|------------------------------------|--------------------------------|-------------------------------------|-------------------------------------|---|
| General Fund | \$ 42,472 | \$ 3,352 | \$ 4,131 | \$ 41,693 | \$ 41,693 |
| Boys Basketball | 8,348 | 12,930 | 18,634 | 2,644 | 2,644 |
| Girls Basketball | 1,646 | 7,088 | 8,734 | - | - |
| Football | 2,778 | 30,557 | 29,686 | 3,649 | 3,649 |
| Baseball | 744 | 3,412 | 3,711 | 445 | 445 |
| Annual | 7,173 | 22,889 | 25,847 | 4,215 | 4,215 |
| Academic Team | 53 | - | 50 | 3 | 3 |
| Beta | 2,483 | 5,727 | 6,247 | 1,963 | 1,963 |
| Black Heritage | 613 | 110 | - | 723 | 723 |
| Cheerleaders | 309 | 11,479 | 11,201 | 587 | 587 |
| Chorus | 590 | 328 | 252 | 666 | 666 |
| Co Ed-Y | 124 | 2,826 | 2,950 | - | - |
| English | 216 | - | - | 216 | 216 |
| Faculty Concession | 313 | 3,387 | 3,134 | 566 | 566 |
| FFA | 22,517 | 25,001 | 35,889 | 11,629 | 11,629 |
| FCCLA | 2,663 | 1,070 | 2,934 | 799 | 799 |
| Family & Consumer Science | 720 | 568 | 1,288 | - | - |
| Library | 1,572 | 148 | 148 | 1,572 | 1,572 |
| Pep Club | 1,993 | 2,415 | 1,634 | 2,774 | 2,774 |
| Prom | 15,342 | 6,365 | 8,261 | 13,446 | 13,446 |
| Science | 1,453 | - | 187 | 1,266 | 1,266 |
| Seniors | - | 20 | - | 20 | 20 |
| Spanish Club | 374 | 670 | 890 | 154 | 154 |
| Spanish | 37 | - | - | 37 | 37 |

**Allen County School District
Statement of School Activity Funds
Allen County-Scottsville High School**

| <i>Year Ended June 30, 2022</i> | Cash July 1, 2021 | Cash Receipts | Cash Disbursements | Cash June 30, 2022 | Fund Balance June 30, 2022 |
|---------------------------------|------------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|
| Student Council | 262 | 3,467 | 1,478 | 2,251 | 2,251 |
| Track | 206 | 142 | 282 | 66 | 66 |
| Drivers Education | 148 | - | - | 148 | 148 |
| Cross Country | 116 | 165 | 238 | 43 | 43 |
| FCA | 2,031 | 2,485 | 2,011 | 2,505 | 2,505 |
| Softball | 29 | 3,166 | 2,686 | 509 | 509 |
| Golf | - | 300 | 300 | - | - |
| Tennis | 2,124 | 2,601 | 2,594 | 2,131 | 2,131 |
| Literary Club | 2,388 | 150 | - | 2,538 | 2,538 |
| Health/PE | 1 | 59 | 60 | - | - |
| Regional Tournament | - | - | - | - | - |
| Student Concessions | 8,667 | 3,625 | 4,409 | 7,883 | 7,883 |
| Art Club | 6 | 105 | 94 | 17 | 17 |
| Patriot Pride | 1,876 | - | - | 1,876 | 1,876 |
| Volleyball | 922 | 4,297 | 4,717 | 502 | 502 |
| Athletic Director | 1,976 | - | 94 | 1,882 | 1,882 |
| Guidance | 1,244 | 4,310 | 4,301 | 1,253 | 1,253 |
| History Club | 520 | 327 | 82 | 765 | 765 |
| Associate Athletics | 51 | 4,209 | 4,234 | 26 | 26 |
| Drama | 7,232 | 663 | 592 | 7,303 | 7,303 |
| Science Olympiad | 37 | - | - | 37 | 37 |
| Faculty Flower Fund | 595 | - | - | 595 | 595 |
| Swim | 568 | 5,629 | 5,007 | 1,190 | 1,190 |

**Allen County School District
Statement of School Activity Funds
Allen County-Scottsville High School**

| <i>Year Ended June 30, 2022</i> | Cash July 1, 2021 | Cash Receipts | Cash Disbursements | Cash June 30, 2022 | Fund Balance June 30, 2022 |
|---------------------------------|------------------------------|--------------------------|-------------------------------|-------------------------------|---------------------------------------|
| ROTC | 2,150 | 4,175 | 5,212 | 1,113 | 1,113 |
| Fishing Team | 830 | 377 | 1,189 | 18 | 18 |
| Greenhouse/Floral | 12,554 | 12,450 | 10,933 | 14,071 | 14,071 |
| Ag. Shop | 5,477 | 5,030 | 3,462 | 7,045 | 7,045 |
| Musical/Performing Arts | 9,352 | 6,271 | 3,552 | 12,071 | 12,071 |
| Culinary Café' | - | 55 | 55 | - | - |
| Soccer | 71 | 1,107 | 1,178 | - | - |
| Art Department | 22 | 660 | 628 | 54 | 54 |
| Boys Golf | 4,345 | - | 2,917 | 1,428 | 1,428 |
| Girls Golf | 370 | - | 283 | 87 | 87 |
| Archery Club | 140 | - | 64 | 76 | 76 |
| Asian Culture Club | 5 | 70 | 62 | 13 | 13 |
| Environmental Club | 4 | 2,086 | 494 | 1,596 | 1,596 |
| Tabletop Gaming Society | 19 | 90 | - | 109 | 109 |
| ACHS Class Night | 2,713 | 2,038 | 4,751 | - | - |
| 21st CCLC | 308 | 933 | 825 | 416 | 416 |
| DAF Athletics - Sweep | - | 1,034 | 1,034 | - | - |
| DAF Library - Sweep | - | 148 | 148 | - | - |
| Total | \$ 183,892 | \$ 212,566 | \$ 235,774 | \$ 160,684 | \$ 160,684 |

Allen County School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| U.S. Department of Agriculture | | | | |
| Child Nutrition Cluster | | | | |
| Direct Program: | | | | |
| Food Distribution Program - non-cash | 10.555 | - | - | \$ 78,366 |
| Passed-Through State Department of Education: | | | | |
| School Breakfast Program | 10.553 | 7760005 22 | - | 590,994 |
| Summer Food Service Program for Children | 10.559 | 7740023 21 | - | 77,631 |
| National School Lunch Program | 10.555 | 7750002 22 | - | 1,519,815 |
| COVID-19 National School Lunch Program | 10.555 | 9980000 | - | <u>77,836</u> |
| Subtotal | | | | 2,344,642 |
| State Administrative Expense for Child Nutrition | 10.560 | 7700001 21 | - | 3,260 |
| Child and Adult Care Food Program | 10.558 | 7800016 21 | - | 59,096 |
| COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost | 10.649 | 9990000 21 | - | 3,063 |
| Total U.S. Department of Agriculture | | | | 2,410,061 |
| U.S. Department of Justice | | | | |
| Direct Program: | | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | - | - | 19,726 |
| Total U.S. Department of Justice | | | | 19,726 |
| U.S. Department of Education | | | | |
| Passed-Through State Department of Education: | | | | |
| Title I, Part A | | | | |
| Title I Grants to Local Educational Agencies - 2021 | 84.010 | 3100002 20 | - | 291,422 |
| Title I Grants to Local Educational Agencies - 2022 | 84.010 | 3100002 21 | - | <u>812,706</u> |
| Subtotal | | | | 1,104,128 |
| Supporting Effective Instruction State Grant - 2021 | 84.367 | 3230002 20 | - | 4,137 |
| Supporting Effective Instruction State Grant - 2022 | 84.367 | 3230002 21 | - | <u>161,272</u> |
| Subtotal | | | | 165,409 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Allen County School District Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|--|--|---|---------------------------------------|-------------------------------|
| Special Education Cluster | | | | |
| Special Education Grant to States - 2020 | 84.027 | 3810002 19 | - | 16,198 |
| Special Education Grant to States - 2021 | 84.027 | 3810002 20 | - | 327,016 |
| Special Education Grant to States - 2022 | 84.027 | 3810002 21 | - | 268,288 |
| COVID-19 Special Education Grants to States - 2022 | 84.027 | 4910002-21 | - | 59,318 |
| Special Education Preschool Grants - 2022 | 84.173 | 3800002 21 | - | <u>31,688</u> |
| Subtotal | | | | 702,508 |
| Twenty-First Century Community Learning Centers - 2021 | 84.287 | 3400002 20 | - | 115,602 |
| Rural Education - 2020 | 84.358 | 3140002 19 | - | 21,512 |
| Rural Education - 2021 | 84.358 | 3140002 20 | - | <u>36,514</u> |
| Subtotal | | | | 58,026 |
| Career and Technical Education - Basic Grants to States - 2021 | 84.048 | 3710002 20 | - | 9,192 |
| Career and Technical Education - Basic Grants to States - 2022 | 84.048 | 3710002 21 | - | <u>52,060</u> |
| Subtotal | | | | 61,252 |
| Adult Education - Basic Grants to States - 2022 | 84.002 | 3731 | - | 32,200 |
| Adult Education - Basic Grants to States - 2022 | 84.002 | 3651 | - | <u>3,992</u> |
| Subtotal | | | | 36,192 |
| COVID-19 Education Stabilization Fund | | | | |
| COVID-19 American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSR) | 84.425U | 4300002 21 | - | 472,648 |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4200002 21 | - | 1,005,616 |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4200003 21 | - | 150,127 |
| COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund | 84.425D | 4000002 20 | - | 352,422 |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund | 84.425C | CARE-20 | - | <u>26,066</u> |
| Subtotal | | | | 2,006,879 |
| Student Support and Academic Enrichment Program - 2021 | 84.424 | 3420002 20 | - | 38,572 |
| Student Support and Academic Enrichment Program - 2022 | 84.424 | 3420002 21 | - | <u>42,767</u> |
| Subtotal | | | | 81,339 |
| Direct Program: | | | | |
| Innovative Approaches to Literacy | 84.215 | - | - | 292,744 |
| Total U.S. Department of Education | | | | 4,624,079 |
| Total Expenditures of Federal Awards | | | \$ - | \$ 7,053,866 |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Allen County School District

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Allen County School District (the "District") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

NOTE 3: INDIRECT COST RATE

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

Child Nutrition Cluster
Education Stabilization Fund

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

NOTE 4: SUBRECIPIENTS

There were no subrecipients during the fiscal year.

NOTE 5: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

**Allen County School District
Summary Schedule of Prior Audit Findings**

No findings were reported in the June 30, 2021 audit.



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**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
Allen County School District
Scottsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined 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 Allen County School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Allen County School District's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on 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 instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 14, 2022.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 14, 2022



Carr, Riggs & Ingram, LLC

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**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
Allen County School District
Scottsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Allen County School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

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

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
November 14, 2022

**Allen County School District
Schedule of Findings and Questioned Costs**

Section I — Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major Federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 200.516(a))? Yes No

**Allen County School District
Schedule of Findings and Questioned Costs**

Identification of major Federal program:

| Federal Assistance Listing Numbers | Name of Federal Program or Cluster |
|---|---|
| 84.425 | COVID-19 Education Stabilization Fund |

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

Auditee qualified as low-risk auditee? Yes No

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.



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Kentucky State Committee for School District Audits
Members of the Board of Education
Allen County School District
Scottsville, Kentucky

In planning and performing our audit of the financial statements of Allen County School District (the "District") for the year ended June 30, 2022, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of 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 letter. A separate report dated November 14, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 14, 2022 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, KY
November 14, 2022

Allen County School District Comments and Recommendations

Current Year Comments

- **Allen County High School**

- In our sampling procedures over 8 days of receipts, we noted 1 day when all receipts were not deposited timely. We recommend the receipts be deposited daily in accordance with Redbook.
- In our sampling procedures over 8 days of receipts, we noted 1 deposit slip that did not list the receipt numbers on the deposit slip. We recommend the receipt numbers be listed on all deposit slips in accordance with Redbook.

- **James E. Bazzell Middle School**

- In our sampling procedures over 5 disbursements, we noted 1 disbursement that lacked documentation of receipt of merchandise. We recommend that receipt of merchandise be formally documented in accordance with Redbook.

- **Allen County Primary Center**

- In our audit procedures over scanning cash disbursements for the year, we noted 1 disbursement that lacked dual signatures on a check. We recommend that all checks contain dual signatures in accordance with Redbook.

- **Allen County Intermediate Center**

- In our sampling procedures over 3 disbursements, we noted 1 disbursement that lacked documentation of receipt of merchandise. We recommend that receipt of merchandise be formally documented in accordance with Redbook.
- In our sample of 9 receipts, we noted 1 deposit slip did not contain dual initials. We recommend that all deposit slips contain dual initials documenting the review.

- **Central Office**

- In our search for unrecorded liabilities at the District level, we noted a construction fund invoice in the amount of \$35,880 that was for services performed in May and June 2022, but the expenditure and related payable were not recorded as of June 30, 2022. We recommend invoices be reviewed near and after fiscal year end to ensure payables are reflected in the correct period.

Allen County School District Comments and Recommendations

- **Central Office (Continued)**

- In our sample of 31 District expenditures, we noted 1 purchase order was not properly approved by authorized District personnel prior to payment. We recommend purchase orders be properly authorized and approved prior to payment.
- The District needs to improve the procedures over computing compensating absences for the District. We noted errors in the calculation of the compensated absences liability at June 30, 2022. We recommend new procedures be implemented which improves the accuracy of the calculation of the compensated absences liability. In addition, the calculation should be reviewed by an independent person.
- In our procedures in capital assets for governmental activities, we noted \$207,495 of capital assets purchased in fiscal year ended June 30, 2021 that were capitalized in the fiscal year ended June 30, 2022 rather than the fiscal year they were purchased. We recommend internal controls over capital asset be strengthened to record capital assets in the period they are purchased.
- In on testing receipts of the special revenue – student activity funds (fund 25), we noted receipts of the District’s Family Resource Youth Services Center program (FRYSC) were included in this fund incorrectly. We recommend that all activity of the District’s FRYSC program should be recorded and maintained in Special Revenue – Grants (fund 2).

Prior Year

- **Allen County High School**

- In our sampling procedures over 9 days of receipts, we noted 1 day when all receipts were not deposited timely. The comment was repeated in the current year audit. See above.

- **James E. Bazzell Middle School**

- In our sampling procedures over 4 disbursements, we noted 2 disbursements that lacked documentation of receipt of merchandise. The comment was repeated in the current year audit. See above.

Allen County School District Comments and Recommendations

- **Allen County Intermediate Center**

- In our sampling procedures over 2 disbursements, we noted 1 disbursement that lacked documentation of receipt of merchandise. The comment was repeated in the current year audit. See above.

Allen County School District Management Responses

MELISSA BIGGERSTAFF
CHIEF ACADEMIC OFFICER
SHANE DAVIS
DIRECTOR OF PUPIL PERSONNEL/SAFETY
ROBIN HERRINGTON
DIRECTOR OF SCHOOL FOOD SERVICE
KIM HAWKINS
DIRECTOR OF SPECIAL EDUCATION
AND PRESCHOOL SERVICES
FEDERAL PROGRAMS COORDINATOR/DAC

ALLEN COUNTY BOARD OF EDUCATION
570 OLIVER STREET
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TRAVIS HAMBY
SUPERINTENDENT

BRIAN CARTER
DEPUTY SUPERINTENDENT
ANGIE ANDERSON
TREASURER / FINANCE OFFICER
JOSEPH COSBY
HUMAN RESOURCE AND
TRANSPORTATION DIRECTOR
KELLY GRIZZLE
DIRECTOR OF MAINTENANCE
JASON BEAN
DIRECTOR OF TECHNOLOGY

November 8, 2022

Carr, Riggs & Ingram
P. O. Box 104
Bowling Green, KY 42102

Re: District Responses to Redbook Violations

Allen County Primary Center

Violation found in sampling of procedures over scanning cash disbursements for the year, it was noted that one disbursement lacked dual signatures on a check.

Recommendation was made by CRI that all checks contain dual signatures in accordance with Redbook.

Action Taken by Ms. Annette Ausbrooks, ACPC Bookkeeper - Will verify that all checks are documented with dual signatures in accordance with Redbook.

Allen County Intermediate Center

Violation found in sampling procedures over three disbursements, it was noted that one disbursement lacked documentation of receipt of merchandise. **This specific violation was noted in the prior year audit FY21 also.**

Recommendation was made by CRI that receipt of merchandise be formally documented in accordance with Redbook. **Since this was a repeat violation, it is recommended that this procedure be paid close attention to from this point forward.**

Action Taken by Ms. Keena Woods, ACIC Bookkeeper - match up the purchase order, shipping document and standard invoice and verify that all items have been received, all dollar amounts agree and all necessary approvals and signatures have been obtained in accordance with Redbook. The ACIC bookkeeper, principal and assistant principal did receive Redbook training from Lanny White, CRI on 8-24-22.

Better Schools Build Better Communities
Equal Education and Employment Opportunities

Allen County School District Management Responses

Allen County Intermediate Center

Violation found in sampling procedures over receipts, it was noted that one deposit slip did not contain dual initials.

Recommendation was made by CRI that all deposit slips contain dual initials documenting the review of the receipts listed on the deposit slip in accordance with Redbook

Action Taken by Ms. Keena Woods, ACIC Bookkeeper - will verify that all deposit slips have dual initials in accordance with Redbook.

James E. Bazzell Middle School

Violation found in sampling procedures over five disbursements, it was noted that one disbursement lacked documentation of receipt of merchandise. **This specific violation was noted in the prior year audit FY21 also.**

Recommendation was made by CRI that receipt of merchandise be formally documented in accordance with Redbook. **Since this was a repeat violation, it is recommended that this procedure be paid close attention to from this point forward.**

Action Taken by Ms. Sarah Prock, JEBMS Bookkeeper - match up the purchase order, shipping document and standard invoice and verify that all items have been received, all dollar amounts agree and all necessary approvals and signatures have been obtained in accordance with Redbook. The ACIC bookkeeper, Ms. Sarah Prock did receive virtual Redbook training from KASBO on 10-12-22.

Allen County School District Management Responses

Allen County High School

Violation found in sampling procedures over eight days of receipts, it was noted one day receipts were not deposited in a timely manner. **This type violation was noted in the prior year audit FY21 also.**

Recommendation was made by CRI that all receipts be deposited in a timely daily manner in accordance with Redbook. **Since this was a repeat violation, it is recommended that this procedure be paid close attention to from this point forward.**

Action Taken by Ms. Elena Dunn, ACSHS Bookkeeper - will be to make all deposits >\$100 daily in accordance with Redbook. Ms. Dunn, ACSHS Bookkeeper and Mr. Shane Humphrey, ACSHS Principal did attend Redbook training with Mr. Lanny White, CRI on 8-24-22.

Violation found in sampling procedures over eight days of receipts, it was noted that one deposit slip did not list the receipt numbers on the deposit slip.

Recommendation was made by CRI to have all receipt numbers listed on all deposit slips in accordance with Redbook.

Action Taken by Ms. Elena Dunn, ACSHS Bookkeeper - will verify that all receipts numbers are listed on all deposit slips in accordance with Redbook.

Allen County School District Management Responses

MELISSA BIGGERSTAFF
CHIEF ACADEMIC OFFICER
SHANE DAVIS
DIRECTOR OF PUPIL PERSONNEL/SAFETY
ROBIN HERRINGTON
DIRECTOR OF SCHOOL FOOD SERVICE
KIM HAWKINS
DIRECTOR OF SPECIAL EDUCATION
AND PRESCHOOL SERVICES
FEDERAL PROGRAMS COORDINATOR/DAC

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ANGIE ANDERSON
TREASURER /FINANCE OFFICER
JOSEPH COSBY
HUMAN RESOURCE AND
TRANSPORTATION DIRECTOR
KELLY GRIZZLE
DIRECTOR OF MAINTENANCE
JASON BEAN
DIRECTOR OF TECHNOLOGY

Central Office

Violation found in unrecorded liabilities at the District level; it was noted a construction fund invoice in the amount of \$35,880 to Sherman, Carter & Barnhart Architects was for services performed in May and June 2022, but the expenditure and related payable were not recorded as of 6/30/2022.

Recommendation was made by CRI that invoices be reviewed near and after the fiscal year end to ensure payables are reflected in the correct period.

Action Taken by Ms. Vickie Jones, Accounts Payable to review all invoices closer near &/or after the fiscal year period in order to ensure all payables are paid in the correct fiscal year.

Violation found In the sampling of thirty-one District expenditures, it was noted that one purchase order was not properly approved by authorized District personnel prior to payment.

Recommendation was made by CRI that all purchase orders be properly authorized and approved prior to payment.

Action Taken by Ms. Vickie Jones, Accounts Payable to review that all purchase orders receive dual signatures by authorized District personnel prior to payment of all invoice(s). A memo will be issued to all Administrators once again explaining the correct purchase order procedures. During spring 2022, our procedures were tightened in regard to purchase orders in order to ensure that all purchase orders were appropriately signed prior to the purchase of all items.

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Allen County School District Management Responses

Central Office

Violation - errors were found in the calculation of the compensated absences liability at June 30, 2022.

Recommendation was made by CRI that the District needs to improve the procedures over computing compensating absences for the District. CRI recommends new procedures be implemented which improves the accuracy of the calculation of the compensated absences liability. In addition, recommendation by CRI is that the calculation be reviewed by an independent person.

Action Taken by Ms. Angie Anderson, Finance Officer and Mr. Travis Hamby, Superintendent - currently this documentation is provided by a third party vendor (PSST). The procedures for providing this information will be evaluated closer prior to June 30, 2022 in order to provide a more accurate calculation of the compensated absences liability with a review of documentation submitted prior to close of fiscal year fy23 by an independent person. Also, we will be cleaning up data in MUNIS; specifically, the addition of years of experience to classified staff members. This will give a more accurate estimate in regard to the compensated absences liability total.

Violation found in the procedures of capital assets for governmental activities, it was noted that \$207,495 of capital assets purchased in the fiscal year ended June 30, 2021 were capitalized in the fiscal year ended June 30, 2022 rather than the fiscal year they were purchased.

Recommendation was made by CRI that internal controls over capital assets be strengthened to record capital assets in the period they are purchased.

Action Taken by Mr. Brian Carter, Deputy Superintendent and Mr. Travis Hamby, Superintendent - currently this documentation is provided by a third party vendor (Ms. Jill Garrett). The procedures and internal controls for providing this information will be evaluated closer prior to June 30, 2022 in order to provide a more accurate recording of capital assets in the period that they were purchased. Also, we will re-evaluate our policies & procedures more in depth in regard to capital assets; specifically, tagging our chrome books in accordance with our fixed asset policy.

Allen County School District Management Responses

Central Office

Violation found in testing receipts of student activity funds (fund 25), it was noted receipts of the District's Family Resource Youth Services Center program (FRYSC) were included in this fund incorrectly.

Recommendation was made by CRI that all activity of the District's FRYSC program be recorded and maintained in Special Revenue – Grants (fund 2).

Action Taken by Melissa Biggerstaff, Chief Academic Officer and Mr. Travis Hamby, Superintendent - The procedures and internal controls for providing FRYSC timely and accurate receipts and expenditures are currently being evaluated with possible new accounting procedures provided by the District fund 1 or fund 2.



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