

BALLARD COUNTY SCHOOL DISTRICT



FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board
Ballard County School District
Barlow, Kentucky

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 Ballard County School 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 Ballard County School 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 including *Appendix I to the Independent Auditor's Contract - Audit Extension Request* and *Appendix II to the Independent Auditor's Contract - Submission Instructions*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ballard County School 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, Ballard County School District adopted new accounting guidance, GASB Statement No. 87, *Leases* which was effective for fiscal year 2022. Our opinion is not modified with respect to this matter.

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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 management's discussion and analysis, budgetary comparison information, and pension and OPEB schedules on pages 4 through 7 and 49 through 60 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ballard County School District's basic financial statements. The additional information shown on pages 61 through 69 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedules of expenditures of federal awards and related notes on pages 70 through 72 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major 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 October 25, 2022, on our consideration of Ballard 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 Ballard County School District's internal control over financial reporting or on compliance. We have also issued our report dated October 25, 2022, on our consideration of Ballard County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ballard County School District's major federal programs. The purpose of that report is solely to describe the scope of our testing of compliance and internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ballard County School District's internal control over financial reporting and compliance.



Williams, Williams + Luty, LLP

Paducah, Kentucky
October 25, 2022

REQUIRED SUPPLEMENTARY INFORMATION

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

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

FINANCIAL HIGHLIGHTS

- The District's government-wide net position on June 30, 2021 was \$13,171,932. For the fiscal year ended June 30, 2022, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,710,282. The increase in net position is due primarily to the cumulative adjustments to net position for GASB No. 68 and GASB No. 75 related to the net pension and net postemployment benefits other than pension liabilities of \$8,175,588 and the increases in tax and SEEK revenue. KTRS pension expense was negative for fiscal year 2022 causing net position to increase. Excluding the cumulative adjustments related to GASB No. 68 and GASB No. 75, net position at June 30, 2022 is \$23,885,870. This total incorporates all governmental and proprietary funds.
- Earnings on investments in governmental funds totaled \$77,730 which is a \$25,187 increase from the prior year. The District ended the year with more cash due to an increase in taxes, grants, and SEEK funds, but the Federal Reserve also increased interest rates multiple times in 2022.
- The General Fund had \$8,877,553 in revenue, excluding on-behalf payments and transfers, primarily from the state program (SEEK) and taxes. Excluding interfund transfers and on-behalf payments, there was \$8,059,961 in General Fund expenditures.
- There was no state mandated salary increase for certified and classified employees. However, the District provided a 3% increase.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-Wide financial statements: The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with net position being the remaining balance. Over time, the changes in net position, both increases and decreases, may serve as an indicator of the District's financial position. Increases in net position indicate an improving financial position and decreases indicate a deteriorating position. However, the reader must understand that the District's goal is to provide quality services to our students, not to generate profits as commercial entities strive to do. Many non-financial factors must be considered when looking at the position of the District, such as the property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs, and other factors.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. The District uses an accrual basis of accounting, commonly used by private-sector businesses. This accounting practice takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

(Continued)

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

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to guarantee and exhibit compliance with finance-related legal requirements. All of the District's funds can be divided into two categories: governmental funds and proprietary funds. Our only proprietary funds are food services operations and child care operations. All other activities and resources are included in the governmental funds.

The basic fund financial statements can be found on pages 10 through 16 of this report.

Notes to the financial statements: The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 17 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. See the first item under financial highlights on page 3.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; as a result, 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 cannot be used to liquidate these liabilities.

The District's financial position is the result 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. Unrestricted net position as of June 30, 2022, is a deficit balance of \$908,431; the deficit is due to the adjustment to net position for the net pension and net OPEB liabilities reporting required by GASB 68 and GASB 75. The decrease in the deficit balance is, also, due to an increase of \$925,028 in net investment in capital assets, an increase of \$76,839 in restricted for capital projects, an increase in tax and SEEK revenues, and a negative KTRS pension expense being reported for 2022.

Net Position for the Years Ended June 30

	<u>2022</u>	<u>2021</u>
Current assets	\$10,233,767	\$ 8,948,691
Non-current assets	<u>24,403,966</u>	<u>25,190,632</u>
Total assets	<u>34,637,733</u>	<u>34,139,323</u>
Deferred outflows of resources	<u>2,169,074</u>	<u>2,211,518</u>
Current liabilities	2,226,963	2,174,549
Non-current liabilities	<u>15,788,399</u>	<u>19,003,996</u>
Total liabilities	<u>18,015,362</u>	<u>21,178,545</u>
Deferred inflows of resources	<u>3,081,163</u>	<u>2,000,364</u>
Net investment in capital assets	14,172,147	13,247,119
Restricted	2,446,566	2,341,127
Unrestricted	<u>(908,431)</u>	<u>(2,416,314)</u>
TOTAL NET POSITION	<u>\$15,710,282</u>	<u>\$13,171,932</u>

(Continued)

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

As a comparison for the year ended June 30, 2022, total net position has increased by \$2,538,350. This is due primarily to KTRS pension expense being negative as well the District's efforts to cut costs and an increase in tax, grant, and SEEK revenues.

The following are significant current year transactions that have had an impact on the statement of net position:

- Technology purchases continued by replacing outdated systems.
- Construction of an outdoor café and classroom.

The following table presents a summary of revenues and expenses for the fiscal year ended June 30:

Revenues:	<u>2022</u>	<u>2021</u>
Charges for services	\$ 143,534	\$ 126,137
Operating grants and contributions	3,728,635	3,625,446
Capital grants and contributions	480,914	384,195
Taxes	5,278,973	4,497,191
State aid	3,363,608	3,703,691
Investment earnings	82,137	55,646
Federal aid	146,862	108,615
Other	<u>375,487</u>	<u>378,121</u>
 Total revenues	 <u>13,600,150</u>	 <u>12,879,042</u>
 Expenses:		
Instruction	4,772,530	4,988,502
Student support services	449,745	517,447
Instructional support	263,105	272,574
District administration	462,229	578,330
School administration	402,247	492,972
Business support	607,012	467,372
Plant operations	1,464,505	1,318,349
Student transportation	828,744	785,797
Community support	271,971	223,074
Facility acquisition and construction	2,422	-
Interest on long-term debt	380,034	441,528
Food service operations	1,105,880	1,118,647
Day care operations	<u>51,376</u>	<u>98,755</u>
 Total expenses	 <u>11,061,800</u>	 <u>11,303,347</u>
 CHANGE IN NET POSITION	 <u>\$ 2,538,350</u>	 <u>\$ 1,575,695</u>

OVERVIEW OF FUND ACTIVITIES AND BUDGET

The majority of revenue was derived from taxes at 39%, state funding at 25%, and operating and capital grants and contributions at 31%. All other funding sources accounted for 5% of total governmental and business activity revenue.

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

Comments on Budget Comparisons

- During the fiscal year ended June 30, 2022, the District amended its General Fund budget numerous times. Most amendments were due to changes in expenditure priorities.
- The District's total General Fund revenues for the fiscal year ended June 30, 2022, net of on-behalf payments and transfers, were \$8,877,553.
- General Fund budget, compared to actual revenue, excluding on-behalf payments and transfers, varied slightly from line item to line item; with the ending actual balance \$1,212,934 more than budget. This is due primarily to the favorable variances in tax revenue, rent, and refunds of prior year expense with offsetting unfavorable variances in federal sources.
- The total cost of all programs and services for the General Fund was \$8,059,961, net of interfund transfers and on-behalf payments.
- General Fund actual expenditures, excluding on-behalf payments and transfers, were \$3,835,743 less than budgeted expenses. A contingency of \$1,893,405 was budgeted for which there were no actual expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the District had \$24,403,966 invested in land, construction in progress, buildings, and equipment net of depreciation. Of that amount, \$24,051,719 is in governmental activities.

See Note 6 on page 27 for a breakdown of additions by class.

Debt Administration

The District had \$10,407,521 in long-term liabilities outstanding, excluding the net pension and net postemployment benefits other than pension liabilities, on June 30, 2022. A total of \$1,758,451 is due within one year.

See Note 7 on pages 28 through 31 for details of the District's debt obligations.

BUDGETARY IMPLICATIONS

In Kentucky, the fiscal year for public schools runs from July 1 through June 30; other programs, e.g., federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget.

By law, the District must maintain a 2.00% contingency. The District ended the year with a 58.11% contingency. The District has developed a budget for the next fiscal year that contains a 19.04% contingency. Significant District actions may impact this budget during the year.

Questions regarding this report should be directed to Dr. Casey Allen, Superintendent (270-665-8400), or Jennifer Head, Finance Officer (270-665-8400 Ext. 2007), or by mail to Ballard County School District, 11 Vocational School Road, Barlow, KY 42024.

BASIC FINANCIAL STATEMENTS

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Cash and cash equivalents	\$ 7,894,679	\$ 744,535	\$ 8,639,214
Investments	852,612	-	852,612
Accounts receivable:			
Taxes	247,598	-	247,598
Accounts	5,636	-	5,636
Interest	1,707	-	1,707
Intergovernmental - federal	429,466	36,039	465,505
Inventories	-	21,495	21,495
Nondepreciated capital assets:			
Land	277,904	-	277,904
Construction-in-progress	44,647	-	44,647
Depreciated capital assets:			
Land improvements	1,782,445	-	1,782,445
Buildings	35,861,538	175,026	36,036,564
Furniture, equipment, and vehicles	4,391,125	578,875	4,970,000
Less: accumulated depreciation	<u>(18,305,940)</u>	<u>(401,654)</u>	<u>(18,707,594)</u>
Total assets	<u>33,483,417</u>	<u>1,154,316</u>	<u>34,637,733</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred pension plan outflows	227,861	38,812	266,673
Deferred pension plan contributions	334,542	61,935	396,477
Deferred postemployment benefits other than pensions outflows	983,898	84,256	1,068,154
Deferred postemployment benefits other than pensions contributions	272,561	23,370	295,931
Deferred bond discounts	62,801	-	62,801
Deferred savings from bond refunding	<u>79,038</u>	<u>-</u>	<u>79,038</u>
Total deferred outflows of resources	<u>1,960,701</u>	<u>208,373</u>	<u>2,169,074</u>
 <u>LIABILITIES</u>			
Liabilities:			
Accounts payable	48,258	1,386	49,644
Advanced revenues	418,868	-	418,868
Long-term obligations:			
Due within one year:			
Bond obligations	1,710,000	-	1,710,000
Lease obligations	14,819	-	14,819
Interest payable	33,632	-	33,632
Due beyond one year:			
Bond obligations	8,600,000	-	8,600,000
Lease obligations	31,170	-	31,170
Net pension liability	3,577,227	609,304	4,186,531
Net postemployment benefits other than pensions liability	2,774,572	178,226	2,952,798
Accrued sick leave payable	<u>17,900</u>	<u>-</u>	<u>17,900</u>
Total liabilities	<u>17,226,446</u>	<u>788,916</u>	<u>18,015,362</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pension plan inflows	764,071	130,143	894,214
Deferred postemployment benefits other than pensions inflows	2,060,898	108,382	2,169,280
Deferred bond premium	<u>17,669</u>	<u>-</u>	<u>17,669</u>
Total deferred inflows of resources	<u>2,842,638</u>	<u>238,525</u>	<u>3,081,163</u>
 <u>NET POSITION</u>			
Net investment in capital assets	13,819,900	352,247	14,172,147
Restricted for:			
Capital projects and construction	2,414,400	-	2,414,400
Sick leave	32,100	-	32,100
Debt service	66	-	66
Unrestricted	<u>(891,432)</u>	<u>(16,999)</u>	<u>(908,431)</u>
TOTAL NET POSITION	<u>\$ 15,375,034</u>	<u>\$ 335,248</u>	<u>\$ 15,710,282</u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>FUNCTIONS/PROGRAMS</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
Instruction	\$ 4,772,530	\$ -	\$1,179,984	\$ -	\$ (3,592,546)	\$ -	\$ (3,592,546)
Support services:							
Student	449,745	-	217,857	-	(231,888)	-	(231,888)
Instructional staff	263,105	-	118,090	-	(145,015)	-	(145,015)
District administration	462,229	-	-	-	(462,229)	-	(462,229)
School administration	402,247	-	45,287	-	(356,960)	-	(356,960)
Business	607,012	-	120,958	-	(486,054)	-	(486,054)
Plant operations and maintenance	1,464,505	-	494,006	-	(970,499)	-	(970,499)
Student transportation	828,744	-	153,210	-	(675,534)	-	(675,534)
Community service	271,971	-	273,866	-	1,895	-	1,895
Facility acquisition and construction	2,422	-	-	480,914	478,492	-	478,492
Interest on long-term debt	380,034	-	-	-	(380,034)	-	(380,034)
Total governmental activities	<u>9,904,544</u>	<u>-</u>	<u>2,603,258</u>	<u>480,914</u>	<u>(6,820,372)</u>	<u>-</u>	<u>(6,820,372)</u>
Business-Type Activities:							
Food services	1,105,880	36,355	1,125,377	-	-	55,852	55,852
Day care	51,376	107,179	-	-	-	55,803	55,803
Total business-type activities	<u>1,157,256</u>	<u>143,534</u>	<u>1,125,377</u>	<u>-</u>	<u>-</u>	<u>111,655</u>	<u>111,655</u>
TOTAL SCHOOL DISTRICT	<u>\$11,061,800</u>	<u>\$ 143,534</u>	<u>\$3,728,635</u>	<u>\$480,914</u>	<u>(6,820,372)</u>	<u>111,655</u>	<u>(6,708,717)</u>
General revenue and receipts:							
Taxes:							
Property				3,238,831	-		3,238,831
Motor vehicle				646,222	-		646,222
Utility				1,355,755	-		1,355,755
In lieu				20,539	-		20,539
Telecommunications				15,493	-		15,493
Omitted				2,133	-		2,133
State aid				3,955,597	-		3,955,597
State aid - on-behalf				(678,059)	86,070		(591,989)
Federal - formula grants				146,862	-		146,862
Earnings on investments				77,730	4,407		82,137
Other				375,487	-		375,487
Special items:							
Transfers				42,413	(42,413)		-
Total general revenue and special items				<u>9,199,003</u>	<u>48,064</u>		<u>9,247,067</u>
Change in net position				2,378,631	159,719		2,538,350
Net position, July 1, 2021				<u>12,996,403</u>	<u>175,529</u>		<u>13,171,932</u>
NET POSITION, JUNE 30, 2022				<u>\$15,375,034</u>	<u>\$ 335,248</u>		<u>\$15,710,282</u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

<u>ASSETS</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>FSPK Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 5,299,247	\$ -	\$ 1,893,240	\$ 66	\$ 702,126	\$7,894,679
Investments	852,612	-	-	-	-	852,612
Accounts receivable:						
Taxes	247,598	-	-	-	-	247,598
Accounts	5,636	-	-	-	-	5,636
Interfund receivable	8,411	-	-	-	-	8,411
Interest	1,707	-	-	-	-	1,707
Intergovernmental - federal	66	429,400	-	-	-	429,466
TOTAL ASSETS	<u><u>\$ 6,415,277</u></u>	<u><u>\$ 429,400</u></u>	<u><u>\$ 1,893,240</u></u>	<u><u>\$ 66</u></u>	<u><u>\$ 702,126</u></u>	<u><u>\$9,440,109</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 46,137	\$ 2,121	\$ -	\$ -	\$ -	\$ 48,258
Interfund payable	-	8,411	-	-	-	8,411
Advanced revenues	-	418,868	-	-	-	418,868
Total liabilities	<u>46,137</u>	<u>429,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,537</u>
Fund Balances:						
Non-spendable:						
Scholarships	313,000	-	-	-	-	313,000
Restricted for:						
Capital projects and construction	26,068	-	1,893,240	-	495,092	2,414,400
Debt service	-	-	-	66	-	66
Sick leave	32,100	-	-	-	-	32,100
Committed for:						
Site based carry forward SBDM	22,982	-	-	-	-	22,982
Assigned for:						
Other	746,558	-	-	-	-	746,558
Unassigned	5,228,432	-	-	-	207,034	5,435,466
Total fund balances	<u>6,369,140</u>	<u>-</u>	<u>1,893,240</u>	<u>66</u>	<u>702,126</u>	<u>8,964,572</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 6,415,277</u></u>	<u><u>\$ 429,400</u></u>	<u><u>\$ 1,893,240</u></u>	<u><u>\$ 66</u></u>	<u><u>\$ 702,126</u></u>	<u><u>\$9,440,109</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total fund balances per fund financial statement \$ 8,964,572

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.

Cost	\$ 42,357,659	
Accumulated depreciation	<u>(18,305,940)</u>	24,051,719

Deferred outflows and deferred inflows of resources are amortized in the governmental activities, but were recognized in full in the governmental funds.

Deferred pension and postemployment benefits plan contributions	607,103	
Deferred pension and postemployment benefits plan outflows	1,211,759	
Deferred pension and postemployment benefit plan inflows	(2,824,969)	
Deferred bond discounts	62,801	
Deferred savings from bond refunding	79,038	
Deferred bond premium	<u>(17,669)</u>	(881,937)

Certain liabilities are not reported in this fund financial statement because they are not currently due and payable, but they are presented in the statement of net position.

Interest payable	<u>(33,632)</u>	(33,632)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund statements. Long-term liabilities at year end consist of:

Bond obligations	(10,310,000)	
Lease obligations	(45,989)	
Net postemployment benefits other than pensions liability	(2,774,572)	
Net pension liability	(3,577,227)	
Accrued sick leave payable	<u>(17,900)</u>	<u>(16,725,688)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 15,375,034</u></u>
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Note: Non-major funds consist of the SEEK Capital Outlay, Construction, and Student Activity Funds.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Revenue Fund	FSPK Fund	Debt Service Fund	Non-Major Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 4,578,885	\$ -	\$ 684,594	\$ -	\$ -	\$ 5,263,479
Earnings on investments	56,458	435	16,985	-	3,852	77,730
Intergovernmental - state	3,971,090	891,523	304,084	-	176,830	5,343,527
Intergovernmental - on-behalf	3,030,862	-	-	1,017,032	-	4,047,894
Intergovernmental - federal	146,862	1,679,719	-	-	-	1,826,581
Other	65,636	32,016	-	-	309,851	407,503
Total revenues	11,849,793	2,603,693	1,005,663	1,017,032	490,533	16,966,714
Expenditures:						
Current:						
Instruction	6,097,827	1,116,375	-	-	268,702	7,482,904
Support services:						
Student	502,483	217,857	-	-	-	720,340
Instructional staff	317,422	118,090	-	-	7,385	442,897
District administration	667,866	-	-	-	-	667,866
School administration	930,004	45,287	-	-	-	975,291
Business	818,359	120,958	-	-	-	939,317
Plant operations and maintenance	853,154	494,006	-	-	-	1,347,160
Student transportation	764,840	153,210	-	-	2,110	920,160
Community service	7,703	273,866	-	-	-	281,569
Facilities acquisitions and construction	-	-	-	-	52,255	52,255
Debt service:						
Principal	80,606	3,137	-	1,638,890	-	1,722,633
Interest and other charges	50,559	523	-	274,934	-	326,016
Total expenditures	11,090,823	2,543,309	-	1,913,824	330,452	15,878,408
Excess (deficit) of revenues over expenditures	758,970	60,384	1,005,663	(896,792)	160,081	1,088,306
Other Financing Sources (Uses):						
Capital lease proceeds	58,622	-	-	-	-	58,622
Operating transfers in	216,804	34,532	-	896,792	15,301	1,163,429
Operating transfers out	(34,532)	(94,916)	(896,792)	-	(94,776)	(1,121,016)
Total other financing sources (uses)	240,894	(60,384)	(896,792)	896,792	(79,475)	101,035
Net change in fund balances	999,864	-	108,871	-	80,606	1,189,341
Fund balances, July 1, 2021	5,369,276	-	1,784,369	66	621,520	7,775,231
FUND BALANCES, JUNE 30, 2022	\$ 6,369,140	\$ -	\$ 1,893,240	\$ 66	\$ 702,126	\$ 8,964,572

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances \$1,189,341

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Depreciation expense	\$ (1,101,142)	
Capital outlays	<u>238,721</u>	(862,421)

Bond and capital lease proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt and capital lease agreements increase long-term liabilities and do not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Lease proceeds	(58,622)	
Lease payments	12,633	
Principal paid	<u>1,710,000</u>	1,664,011

Governmental funds report the effect of discounts and premiums when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Amortization of bond discounts	(75,073)	
Amortization of bond premium	<u>16,695</u>	(58,378)

Governmental funds report CERS pension and postemployment benefits other than pension (OPEB) contributions as expense when they are paid. The changes in assumptions surrounding pension and OPEB liabilities are deferred and amortized in the statement of activities. This also includes adjustments for contributions made after the measurement date of the plan. For KTRS contributions paid on-behalf of the District, the actual contributions are expensed when they are paid. The amount reported in the statement of activities is based on actuarial projections. The \$(4,725,953) difference due to actuarial projections on KTRS does not result in a reconciling item.

Contributions after the measurement date	607,103	
Pension and OPEB expense (including amortization of deferred inflows and outflows)	<u>(161,486)</u>	445,617

Construction retainage payable is not recognized on the fund statement since it does not require the use of current financial resources.

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:

Accrued sick leave	(3,900)	
Accrued interest expense	<u>4,361</u>	<u>461</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$2,378,631

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

<u>ASSETS</u>	<u>Enterprise Funds</u>		
	<u>Food</u>	<u>Child Care</u>	<u>Totals</u>
Current Assets:	Services	Center	
Cash and cash equivalents	\$ 566,173	\$ 178,362	\$ 744,535
Accounts receivable	36,039	-	36,039
Inventories	21,495	-	21,495
Total current assets	<u>623,707</u>	<u>178,362</u>	<u>802,069</u>
Non-Current Assets:			
Buildings	175,026	-	175,026
Furniture and equipment	578,875	-	578,875
Less accumulated depreciation	<u>(401,654)</u>	<u>-</u>	<u>(401,654)</u>
Total non-current assets	<u>352,247</u>	<u>-</u>	<u>352,247</u>
Total assets	<u>975,954</u>	<u>178,362</u>	<u>1,154,316</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred pension plan outflows	29,746	9,066	38,812
Deferred pension plan contributions	57,306	4,629	61,935
Deferred postemployment benefits other than pension outflows	69,492	14,764	84,256
Deferred postemployment benefits other than pensions contributions	<u>21,623</u>	<u>1,747</u>	<u>23,370</u>
Total deferred outflows of resources	<u>178,167</u>	<u>30,206</u>	<u>208,373</u>
 <u>LIABILITIES</u>			
Accounts payable	1,386	-	1,386
Net pension liability	466,981	142,323	609,304
Net postemployment benefits other than pensions liability	<u>146,996</u>	<u>31,230</u>	<u>178,226</u>
Total liabilities	<u>615,363</u>	<u>173,553</u>	<u>788,916</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred pension plan inflows	99,744	30,399	130,143
Deferred postemployment benefits other than pensions inflows	<u>89,390</u>	<u>18,992</u>	<u>108,382</u>
Total deferred inflows of resources	<u>189,134</u>	<u>49,391</u>	<u>238,525</u>
 <u>NET POSITION</u>			
Invested in capital assets	352,247	-	352,247
Unrestricted	<u>(2,623)</u>	<u>(14,376)</u>	<u>(16,999)</u>
TOTAL NET POSITION	<u>\$ 349,624</u>	<u>\$ (14,376)</u>	<u>\$ 335,248</u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Enterprise Funds		Totals
	Food Services	Child Care Center	
Operating Revenues:			
Lunchroom sales	\$ 36,355	\$ -	\$ 36,355
Other operating revenues	-	107,179	107,179
Total operating revenues	36,355	107,179	143,534
Operating Expenses:			
Salaries and wages	475,905	36,276	512,181
Professional and contract services	46,383	-	46,383
Materials and supplies	540,977	15,046	556,023
Depreciation expense	29,933	-	29,933
Other operating expenses	12,682	54	12,736
Total operating expenses	1,105,880	51,376	1,157,256
Operating income (loss)	<u>(1,069,525)</u>	<u>55,803</u>	<u>(1,013,722)</u>
Non-Operating Revenues:			
Federal grants	1,043,747	-	1,043,747
Federal grants - in-kind commodities	74,342	-	74,342
State grants	7,288	-	7,288
State grants - on-behalf	79,980	6,090	86,070
Interest income	4,407	-	4,407
Total non-operating revenues	1,209,764	6,090	1,215,854
Operating Transfers:			
Transfers out	(42,413)	-	(42,413)
Change in net position	97,826	61,893	159,719
Net position, July 1, 2021	<u>251,798</u>	<u>(76,269)</u>	<u>175,529</u>
NET POSITION, JUNE 30, 2022	<u>\$ 349,624</u>	<u>\$ (14,376)</u>	<u>\$ 335,248</u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Food Services</u>	<u>Child Care Center</u>	
Cash Flows from Operating Activities:			
Cash received from:			
Lunchroom sales	\$ 36,355	\$ -	\$ 36,355
Other activities	-	107,179	107,179
Cash paid to/for:			
Employees	(507,278)	(35,088)	(542,366)
Supplies	(469,783)	(15,046)	(484,829)
Other activities	(59,065)	(54)	(59,119)
Net cash provided (used) by operating activities	<u>(999,771)</u>	<u>56,991</u>	<u>(942,780)</u>
Cash Flows from Non-Capital Financing Activities:			
Government grants	<u>1,155,935</u>	<u>6,090</u>	<u>1,162,025</u>
Net cash provided by non-capital financing activities	<u>1,155,935</u>	<u>6,090</u>	<u>1,162,025</u>
Cash Flows from Investing Activities:			
Purchases of equipment	(105,688)	-	(105,688)
Receipt of interest income	<u>4,407</u>	<u>-</u>	<u>4,407</u>
Net cash used by investing activities	<u>(101,281)</u>	<u>-</u>	<u>(101,281)</u>
Cash Flows from Operating Transfers:			
Transfer out	<u>(42,413)</u>	<u>-</u>	<u>(42,413)</u>
Net increase in cash and cash equivalents	12,470	63,081	75,551
Cash and cash equivalents, July 1, 2021	<u>553,703</u>	<u>115,281</u>	<u>668,984</u>
CASH AND CASH EQUIVALENTS, JUNE 30, 2022	<u><u>\$ 566,173</u></u>	<u><u>\$ 178,362</u></u>	<u><u>\$ 744,535</u></u>
Reconciliation of operating loss to net cash used by operating activities:			
Operating income (loss)	\$ (1,069,525)	\$ 55,803	\$ (1,013,722)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation	29,933	-	29,933
Commodities used	74,342	-	74,342
Change in assets/deferred outflows and liabilities/deferred inflows:			
Inventory	(3,478)	-	(3,478)
Deferred outflows of resources	14,773	14,911	29,684
Accounts payable	330	-	330
Net pension liability	(97,036)	(29,574)	(126,610)
Net postemployment benefits other than pensions liability	(39,149)	(8,318)	(47,467)
Deferred inflows of resources	<u>90,039</u>	<u>24,169</u>	<u>114,208</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ (999,771)</u></u>	<u><u>\$ 56,991</u></u>	<u><u>\$ (942,780)</u></u>
Schedule of Non-Cash Transactions:			
Donated commodities received from federal government	<u><u>\$ 74,342</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 74,342</u></u>

See notes to financial statements.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Reporting Entity:

The Ballard County Board of Education, 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 Ballard County, Kentucky. The Ballard County School District (District) receives funding from local, state, and federal government sources and must comply with the commitment requirement 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* because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ballard 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 District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

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

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

Ballard County School Board Finance Corporation - In 1991, the Ballard County School District resolved to authorize the establishment of the Ballard County School Board Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Ballard County School District also comprise the Corporation’s Board of Directors. The financial transactions of this entity are included in the financial statements as the construction fund. There are no audited financial statements issued separately for this component unit.

Note 2 - Summary of Significant Accounting Policies:

The District’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District’s accounting policies are described below.

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 all financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in part by fees charged to external parties for goods and services and federal reimbursement grants based on the number of meals served.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

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, 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

The financial statements of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenue and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fund Accounting

The District has the following funds:

a. 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 unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Accounting (Continued)

a. Governmental Fund Types (Continued)

Due to the implementation of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* in fiscal year 2020, the scholarship funds are no longer considered a fiduciary activity and they are included in the General Fund. The scholarships help provide for the college education of deserving senior students, chosen under procedures determined by the District. Only the corpus earnings may be spent for scholarships and the portion of the investments that are restricted are presented as non-spendable net position on the General Fund.

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The Student Activity Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with *Uniform Program of Accounting for School Activity Funds*. Project accounting is employed to maintain integrity for the various sources of funds.

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. 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 the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

b. Proprietary Funds (Enterprise Funds)

The Food Services 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). The fair value of donated commodities, \$74,342, received from the USDA during the year has been recorded in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (non-operating revenue). The Food Services Fund is a major fund of the District.

The Child Care Center Fund is used to account for after school programs for students. Revenues are generated by collection of fees from program participants. Expenditures are for operating activities of the programs. This is a major fund of the District.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Basis of Accounting

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem property taxes, reimbursable-type grants, entitlements, donations, and interest on investments. The District considers all revenues (with the exception of the expenditure-driven grants) as available if they are collected within sixty days after year end. The expenditure driven grants are considered available if received within one year from the balance sheet date. Property tax revenue is recognized when taxes are received, except at year end when revenue is recognized for taxes received by the District within sixty days subsequent to fiscal year end. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, compensated absences, claims and judgements, and certain prepaids, which are recognized when due/paid.

In applying the susceptible to accrual concept to revenues from Federal and State sources, the legal contractual requirements of the numerous individual programs are used as guidance. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. There are essentially two types of these revenues. On the reimbursement basis, monies must be expended for the specific purpose or project before the District will receive any amounts; therefore, revenues are recognized based upon the occurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Advanced Revenue - Advanced 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 advanced revenues.

Accrual

Under the accrual basis of accounting, revenues are recognized in the period earned and expenses are recognized in the period incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

Revenue Recognition

Revenues from state sources for current operations are primarily from the Support Education Excellence in Kentucky (SEEK), administered by the Kentucky Department of Education (KDE). The District files reports on average daily attendance (ADA) student membership with KDE. KDE accumulates information from these reports and calculates the allocation of SEEK funds to the District. After review and verification of ADA reports and supporting

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Revenue Recognition (Continued)

documentation, KDE may adjust subsequent fiscal period allocations of SEEK funding. Normally, such adjustments are treated as increases or decreases in revenue in the year the adjustments are made, as amounts are not significant. Property tax revenue anticipated to be collected, on an accrual basis, is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

Deferred Outflows and Deferred Inflows - Deferred outflow of resources represents a consumption of net position by the District that is applicable to a future reporting period and will not be recognized as an outflow of resources (expense) until that time. Deferred inflow of resources represents an acquisition of net position by the District that is applicable to a future reporting period and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred outflows and inflows of resources with respect to their participation in the County Employees' Retirement System as discussed further in Note 8.

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

Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2022 to finance operations were \$0.550 per \$100 valuation for real property, \$0.555 per \$100 valuation for business personal property, and \$0.479 per \$100 valuation for motor vehicles.

The District also levies a utility gross receipts license tax in the amount of 3.00% of the gross receipts derived from furnishings, within the county, of communications services, cablevision services, electric power, water, and natural, artificial and mixed gases.

Budgetary Process

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

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

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

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

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BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Cash and Cash Equivalents

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

Investments

The general fund records certificates of deposit as investments at fair market value. The general fund, also, records the scholarship certificates of deposit held in an investment account at a separate financial institution as investments at their quoted market prices. Realized gains and losses are recorded in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary fund. Inventory consists of purchased food held for consumption and is expensed when used. The purchased food is valued at cost.

Debt Costs

Unamortized debt discounts of \$62,801 and deferred savings from bond refundings of \$79,038 are included in the government-wide statements as deferred outflows, and unamortized premiums of \$17,900 are included as deferred inflows of resources. Both debt discounts and premiums are amortized over the lives of the related debt issues using the effective interest method.

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 five thousand dollars with an exception for real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Technology assets acquired through E-rate are capitalized at full cost with the portion paid by E-rate being treated as donated assets.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	10 years
Rolling stock	15 years
Other	10 years

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Accrued Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted a policy of providing at retirement a percentage of their accrued unused sick leave.

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

The entire unpaid sick leave liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "accrued sick leave payable" in the general fund. The non-current portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Classifications

Non-spendable fund balances are not spendable by decree of the donor. These are funds donated to the District to use the earnings from the corpus for scholarships. The corpus is not to be spent.

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 and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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.

Assigned fund balances are those 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 the District's Superintendent, or his designee, to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted, nor committed, and (b) amounts in the general fund that are intended to be used for a specific purpose.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Fund Balance Classifications (Continued)

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. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Statutorily, the Kentucky Department of Education may assume financial control over any school district whose fund balance drops below 2.00% of the total expenditures of certain funds. The Board committed funds to ensure fund balance remains above this level. While these funds have been properly committed and not budgeted for future years' expenditures, there is no mandate on how these funds would be used if the Board fell below this floor.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$2,446,566 of restricted net position, of which \$32,100 is restricted by enabling legislation.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools and child care fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from exchange transactions or ancillary activities.

Pensions and Postemployment Benefits Other Than Pension

For purposes of measuring the net pension liability, the net postemployment benefits Other Than Pension (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Kentucky Teachers' Retirement System (KTRS) and County Employees' Retirement System (CERS) and additions to or deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. 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.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Summary of Significant Accounting Policies (Continued):

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures or 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 or uses in governmental funds and after non-operating revenues or expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 25, 2022, the date the financial statements were available to be issued.

Note 3 - Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, designated 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.

Note 4 - Cash and Cash Equivalents:

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits, for safekeeping and trust with the District's third party agent, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At year end, the carrying amount of the District's cash and cash equivalents was \$8,639,214. The bank balance for cash and cash equivalents was \$10,106,329. Of the bank balance, \$250,099 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Of the remaining balance, \$9,856,230 was uninsured and collateralized with securities held by the pledging bank's agent, not in the District's name.

Note 5 - Investments:

Investments consist of a certificate of deposit held by the general fund at a single financial institution located in Paducah, Kentucky and three certificates of deposit held by the general fund at a financial institution located in Arlington, Kentucky. These obligations have various interest rates and maturity dates greater than 90 days. Such investments are stated at fair value as of June 30, 2022. These investments are covered by federal depository insurance or by collateral held by the pledging bank's agent, not in the District's name. As of June 30, 2022, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
General Fund	Certificates of Deposit	\$852,612	N/A	2.29

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 5 - Investments (Continued):

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

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In an effort to minimize the likelihood that an issuer will default, Kentucky Revised Statutes authorize the District to invest in the following:

1. Obligations of the United States and of its agencies, national corporations, and instrumentalities, including repurchase agreements,
2. Certificates of deposit issued by banks or savings and loan institutions,
3. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities,
4. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, but only if fully defeased by direct obligations of or guaranteed by the United States of America, or
5. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the pledging bank's agent, not in the District's name.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District has no formal policy regarding interest rate risk.

Concentration of Credit Risk - The District's investment policy places no limit on the amount the District may invest in any one issuer, however, all holdings must be collateralized. As of June 30, 2022, the District had \$289,179 of deposits insured by the Federal Deposit Insurance Corporation and the remaining balance of \$563,433 was uninsured and collateralized with securities held by the pledging bank's agent, not in the District's name.

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

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

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Securities classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor.

Investments by Fair Value Level

	<u>June 30, 2022</u>	<u>Quoted Prices in Markets for Identical Assets - Level 1</u>	<u>Significant Other Observable Inputs - Level 2</u>	<u>Significant Unobservable Inputs - Level 3</u>
Certificates of Deposit	\$852,612	\$852,612	\$ -	\$ -

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 6 - Capital Assets:

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

Governmental Activities:	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Land	\$ 277,904	\$ -	\$ -	\$ 277,904
Construction-in-progress	-	44,647	-	44,647
Land improvements	1,782,445	-	-	1,782,445
Buildings and improvements	35,852,988	8,550	-	35,861,538
Technology equipment	1,830,175	-	-	1,830,175
General equipment	667,051	69,748	-	736,799
Vehicles	<u>2,073,551</u>	<u>115,776</u>	<u>365,176</u>	<u>1,824,151</u>
Totals at historical cost	<u>42,484,114</u>	<u>238,721</u>	<u>365,176</u>	<u>42,357,659</u>
Less accumulated depreciation:				
Land improvements	1,397,599	40,284	-	1,437,883
Buildings and improvements	12,358,974	901,072	-	13,260,046
Technology equipment	1,670,252	41,569	-	1,711,821
General equipment	429,239	36,174	-	465,413
Vehicles	<u>1,713,910</u>	<u>82,043</u>	<u>365,176</u>	<u>1,430,777</u>
Total accumulated depreciation	<u>17,569,974</u>	<u>1,101,142</u>	<u>365,176</u>	<u>18,305,940</u>
GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS - NET	<u>\$24,914,140</u>	<u>\$ (862,421)</u>	<u>\$ -</u>	<u>\$24,051,719</u>

The capital assets of governmental activities above includes the following leased assets.

Leased Assets:	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
General equipment	\$ -	\$ 58,622	\$ -	\$ 58,622
Vehicles	<u>79,169</u>	<u>-</u>	<u>-</u>	<u>79,169</u>
Totals at historical cost	<u>79,169</u>	<u>58,622</u>	<u>-</u>	<u>137,791</u>
Accumulated amortization	<u>79,169</u>	<u>4,725</u>	<u>-</u>	<u>83,894</u>
TOTAL LEASED ASSETS	<u>\$ -</u>	<u>\$ 53,897</u>	<u>\$ -</u>	<u>\$ 53,897</u>
Business-Type Activities:	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Construction-in-progress	\$ 69,338	\$ (69,338)	\$ -	\$ -
Buildings and improvements	-	175,026	-	175,026
Food service equipment	575,590	-	-	575,590
Technology equipment	<u>3,285</u>	<u>-</u>	<u>-</u>	<u>3,285</u>
Totals at historical cost	<u>648,213</u>	<u>105,688</u>	<u>-</u>	<u>753,901</u>
Less accumulated depreciation:				
Buildings and improvements	-	2,334	-	2,334
Food service equipment	368,436	27,599	-	396,035
Technology equipment	<u>3,285</u>	<u>-</u>	<u>-</u>	<u>3,285</u>
Total accumulated depreciation	<u>371,721</u>	<u>29,933</u>	<u>-</u>	<u>401,654</u>
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS - NET	<u>\$ 276,492</u>	<u>\$ 75,755</u>	<u>\$ -</u>	<u>\$ 352,247</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 6 - Capital Assets (Continued):

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 812,980
Support services:	
Student	41,045
Instructional staff	108
Plant operations and maintenance	166,266
Student transportation	<u>80,743</u>
 TOTAL DEPRECIATION EXPENSE	 <u>\$ 1,101,142</u>

Note 7 - Bond and Lease Obligations:

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Ballard County and the Ballard County School Board Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements. The District does not have any notes from direct borrowings or direct placement.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Ballard County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property at any time by retiring the bonds then outstanding. Upon completion of such payments, the premises will become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

Bonds

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Remaining Balances</u>	<u>Rates</u>
March 2012	\$13,785,000	\$ 2,860,000	2.000% - 3.125%
March 2015	2,490,000	1,800,000	2.000% - 3.000%
June 2016	3,000,000	2,440,000	2.000% - 3.000%
September 2019	2,375,000	2,150,000	2.000% - 2.625%
June 2020	1,090,000	1,060,000	2.250% - 2.750%

On June 2, 2020, the District issued school building revenue bonds in the amount of \$1,090,000 to perform renovation of the career and technical center and relocation of the central office. The discount associated with issuance of the 2020 series bonds was \$13,655 and is treated as deferred outflows of resources and amortized over the remaining life of the debt. The amortization for the year was \$1,039.

On September 12, 2019, the District issued energy conservation revenue bonds in the amount of \$2,375,000 to perform energy savings upgrades for HVAC units, lighting, and water fixtures. The discount associated with issuance of the 2020 series bonds was \$44,570 and is treated as deferred outflows of resources and amortized over the remaining life of the debt. The amortization for the year was \$3,383.

On June 1, 2016, the District issued school building revenue bonds in the amount of \$3,000,000 to perform major renovations throughout the district. The premium associated with issuance of the 2016 series bonds was \$1,235 and is treated as deferred inflows of resources and amortized over the remaining life of the debt. The amortization for the year was \$83 and is included as a component of interest expense.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7 - Bond and Lease Obligations (Continued):

On March 1, 2015, the District issued revenue refunding bonds to redeem its outstanding March 2010 series bonds in the principal amount of \$2,440,000, at the redemption price of 100.00%. The liability for the defeased bonds is not included in the District's financial statements. The discounts and deferred savings from bond refunding associated with the early debt retirement of the issue are treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The total deferred savings from bond refundings were \$22,863, and the total deferred discounts were \$5,340 from the new 2015 series issue and \$13,965 remaining from the defeased March 2010 series. The amortization for the year was \$2,180 and is included as a component of interest expense.

On March 20, 2012, the Board issued revenue refunding bonds to advance refund the June 2004 series bonds. The net proceeds redeemed outstanding June 2004 series bonds maturing after June 1, 2014 in the principal amount of \$12,300,000, at the redemption price of 100.00%. The liability for the defeased bonds is not included in the District's financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$1,548,998. This amount is treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The amortization for the year is \$68,471 and is included as a component of interest expense. The premium associated with issuance of the 2012 series bonds was \$375,726 and is treated as deferred inflows of resources and amortized over the remaining life of the refunded debt. The amortization of the premium for the year is \$16,612 and is included as a component of interest expense. This advance refunding was undertaken to reduce future total debt service payments over the next ten years by \$994,564 with a resulting net economic loss of \$434,555.

The District's outstanding bonds are secured with statutory mortgage liens upon the school projects financed from the proceeds of the bonds and pledges of revenues derived from the rental of the school property on a year to year basis. The school property consists of various school buildings constructed with bond proceeds. The March 2012 issue is not subject to optional redemption prior to maturity. All other bond issues are subject to optional redemption in whole or part prior to their stated maturity date with 30 days' notice prior to the date of redemption. The optional redemption dates are as follows:

<u>Issue Date</u>	<u>Bonds Maturing On or After</u>	<u>Redeemable On or After</u>
March 2015	March 1, 2026	March 1, 2025
June 2016	June 1, 2027	June 1, 2026
September 2019	June 1, 2027	June 1, 2026
June 2020	June 1, 2028	June 1, 2027

For all bond issues except the March 2012 issue, the bonds can be called, upon 30 days' notice, in whole or part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the project and apply casualty insurance proceeds to such purpose. The June 2016, September 2019, and June 2020 bond issues are subject to mandatory sinking fund redemption prior to maturity at 100.00% of the principal plus accrued interest in specified years. For the March 2015, September 2019, and June 2020 bond issues, the District has the right at any time to discharge the pledge or lien by depositing sufficient funds to pay off the bonds. If the District defaults in its obligations with the Ballard County School Board Finance Corporation for the March 2012 or June 2016 bond issues, the Corporation and the Kentucky School Facilities Commission have the right to notify and request the Kentucky Department of Education to withhold a sufficient portion of any undisbursed funds then held, set aside, or allocated to the District and to request those funds be transferred to the paying agent for the payment of rentals under the agreement.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7 - Bond and Lease Obligations (Continued):

In 2012 and 2015, the District entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards 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 amounts remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. In the government-wide financial statements, bond premiums, discounts, and advanced refunding savings are deferred and amortized over the life of the bonds using the effective interest method as a component of interest expense. Assuming no issues are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022 for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Ballard County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2022-2023	\$ 800,619	\$ 218,186	\$ 909,381	\$ 57,076	\$ 1,985,262
2023-2024	821,292	197,095	933,708	29,830	1,981,925
2024-2025	541,292	174,662	3,708	688	720,350
2025-2026	561,214	163,409	3,786	610	729,019
2026-2027	576,133	151,740	3,867	529	732,269
2027-2032	2,591,232	535,148	3,983	413	3,130,776
2032-2037	1,955,000	229,169	4,101	294	2,188,564
2037-2040	595,000	27,369	5,684	171	628,224
TOTALS	<u>\$8,441,782</u>	<u>\$1,696,778</u>	<u>\$1,868,218</u>	<u>\$ 89,611</u>	<u>\$12,096,389</u>

Leases Payable

The District acquired a bus through KISTA school bus acquisition bonds which have been paid in full. The District has entered into multiple lease agreements for copiers. Each of the leases are for a five year term with no options to renew. The high school copier lease began on February 1, 2022 at a fixed monthly payment of \$375. The middle school copier lease began June 20, 2021 with a fixed monthly payment of \$375. The effective date of the career and Technical Center copier was November 19, 2019 with a fixed monthly payment of \$305. The effective date of the elementary school copier was June 1, 2018 with a fixed monthly payment of \$409.

The annual requirements to amortize the outstanding lease liabilities as of June 30, 2022, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 14,819	\$ 2,345	\$ 17,164
2024	11,092	1,568	12,660
2025	9,292	928	10,220
2026	8,212	413	8,625
2027	2,574	52	2,626
TOTALS	<u>\$ 45,989</u>	<u>\$ 5,306</u>	<u>\$ 51,295</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7 - Bond and Lease Obligations (Continued):

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

Governmental Activities:	Balance		Balance		Due Within
	<u>July 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>June 30, 2022</u>	<u>One Year</u>
Bonds payable	\$12,020,000	\$ -	\$1,710,000	\$10,310,000	\$1,710,000
Leases payable	-	<u>58,622</u>	<u>12,633</u>	<u>45,989</u>	<u>14,819</u>
Bond and lease obligations	12,020,000	58,622	1,722,633	10,355,989	1,724,819
Accrued sick leave	<u>14,000</u>	<u>3,900</u>	-	<u>17,900</u>	-
GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	<u>\$12,034,000</u>	<u>\$62,522</u>	<u>\$1,722,633</u>	<u>\$10,373,889</u>	<u>\$1,724,819</u>

Note 8 - Retirement Plans:

Plan description. The Ballard County School District participates in the Kentucky Teachers' Retirement System (KTRS) and the County Employees' Retirement System (CERS), both cost-sharing multiple-employer defined benefit pension plans which are administered by the Kentucky Public Pensions Authority. Teaching-certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. KTRS has a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any other eligible local agencies electing to participate. The District does not have any employees participating in hazardous duty positions. Both plans provide retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost of living adjustments (COLA) are provided at the discretion of the State legislature. Under the provisions of Kentucky Revised Sections 61.645, the Board of Trustees of Kentucky Public Pensions Authority (KPPA) provides for the establishment of both systems, and benefit amendments are authorized by the State legislature. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing or calling the plans:

Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, Kentucky 40601-3800
(502) 573-3266

Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601-6124
(502) 564-4646

The State reports 1) assets, deferred outflows of resources; 2) liabilities, net pension liability, net OPEB liability and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the Kentucky Teachers' Retirement System (KTRS). The District reports 1) assets, deferred outflows of resources; 2) liabilities, net pension liability, net OPEB liability, and deferred inflows of resources; and 3) certain expenses; as a result of its statutory requirement to contribute to the County Employees' Retirement System (CERS) and Kentucky Teachers' Retirement System (KTRS) medical insurance plan.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS)

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2.00% (service prior to July 1, 1983) and 2.50% (service after July 1, 1983) of their final average salaries for each year of credited service. New members after July 1, 2002 will receive monthly benefits equal to 2.00% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.50% of their final average salary for each year of service up to 30 years, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% to be used in their benefit calculation. Effective July 1, 2008, the System was amended to change the benefit structure for members hired on or after that date. Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute the final average salary. Cost of living increases are 1.50% annually. KTRS also provides disability benefits for vested members at the rate of 60.00% of the final average salary.

For members who established an account in a retirement system administered by the Commonwealth on or after July 1, 2008, become vested when they complete five 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. Attain age 55 and complete ten years of Kentucky service, or
3. Complete 27 years of Kentucky service.

For participants becoming members on or after July 1, 2008 and who retire with ten years or less of service credits will receive monthly payments equal to 1.70% of their final average salary. Those with ten to 20 years, 20 to 26 years, 26 to 30 years and greater than 30 years of service credits will receive monthly payments equal to 2.00%, 2.30%, 2.50%, and 3.00%, respectively, of their final average salary.

KTRS provides postemployment benefits Other Than Pension (OPEB) through a medical insurance plan (MIF) and a life insurance plan (LIF). Both are cost-sharing multiple employer defined benefit plans with special funding situations. Changes to the medical insurance plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly while changes to the life insurance plan can be made by the KTRS Board of Trustees and the General Assembly.

The medical insurance plan postemployment healthcare benefits are available to eligible members and dependents. The member must have retired either for service or disability. The plan offers coverage to members under the age of 65 through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Effective January 1, 2019 and due to the Affordable Care Act and Medicare secondary payer federal rules, if a TRS retiree returns to work and is offered the same health insurance coverage as any full time employee regardless of the plan, then the member must waive coverage through TRS. Retirees making active contributions into a second account do not qualify for insurance on that second account.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) (Continued)

Retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the KTRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan. A total of 4.64% of the gross annual payroll of members are contributions to the medical insurance plan with 3.75% from members, 3.00% from the District, and (2.11)% from the state. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. For 2021, the KTRS Board of Trustees approved a single contribution amount towards insurance costs, less the shared responsibility cost. Starting in 2021, there is no subsidy for non-single KEHP coverage. Under age 65 retirees who are not Medicare eligible and continue on the KEHP are responsible for the remaining costs left from the total premium costs shown in the table approved by the KTRS Board of Trustees.

The life insurance plan is provided to eligible active and retired members. 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. The state contributes a normal rate of 0.02% plus an accrued liability rate of 0.04% for a total of 0.06% of the gross annual payroll of members.

Contributions. For fiscal years ended June 30, 2022, 2021, and 2020, plan members of KTRS were required to contribute 12.855% of their annual covered salary which includes 3.75% to fund the medical insurance plan. However, plan members entering on or after January 1, 2022 were required to contribute 14.75% of their annual covered salary. The State provides a contribution of 16.105% except for federal programs for fiscal years 2020, 2021, and through December 31, 2021. Beginning January 1, 2022, the State's contribution increased to 17.105% for members entering the plan on or between July 1, 2008 and December 31, 2021, and decreased to 13.75% for plan members entering on or after January 1, 2022. The state and matching contributions for covered salaries of federal programs are paid by those programs. For fiscal years ended June 30, 2022, 2021, and 2020, the District contributed an additional 3.00% each year for employee medical insurance. KTRS requires that members of KTRS occupy a position requiring either a four-year college degree or certification by Kentucky Department of Education. The KTRS contributions provided by the state for fiscal years ended June 30, 2022, 2021, and 2020 were \$1,658,019, \$1,659,668, and \$1,642,620, respectively. The state contributions include medical and life insurance plan contributions. District contributions for federal programs for fiscal years ended June 30, 2022, 2021, and 2020 were \$95,790, \$81,589, and \$97,939, respectively. District contributions for medical insurance for fiscal years ended June 30, 2022, 2021, and 2020 were \$146,328, \$140,315, and \$142,216, respectively.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2022, the District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The State's proportionate share of the net pension liability that was associated with the District was \$19,308,424.

The net pension liability at June 30, 2022 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. For the June 30, 2021 measurement, the total pension liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the state's proportion on-behalf of the District was .1484%. For the year ended June 30, 2022, the District recognized on-behalf pension expense and revenue on the statement of activities in the amount of \$(3,067,934) for support provided by the State.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) (Continued)

The pension expense for KTRS is negative as of the June 30, 2020 valuation that is to be used for reporting on June 30, 2022. The net pension liability and the discount rate has decreased. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR) as described by GASB Statement No. 67. To determine the SEIR, the Fiduciary Net Position (FNP) must be projected into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the membership and beneficiaries of the System on the Measurement Date. Future employer contributions have been projected based on the amounts required by statute. The decrease in the total pension liability (TPL) is the difference between the expected TPL at June 30, 2021 based on the roll forward techniques to roll from the June 30, 2020 actuarial valuation to June 30, 2021 and the actual TPL after it is adjusted for the actual normal costs, benefit payments, and refunds for the plan year and then applies the assumed interest rate for the year.

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

Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Long-term investment rate of return, net of pension plan investment expense, including inflation	7.10%
Municipal bond index rate	
Prior measurement date	2.19%
Measurement date	2.13%
Year fiduciary net position is projected to be depleted	N/A
Single equivalent interest rate, net of pension plan investment expense, including inflation	
Prior measurement date	7.50%
Measurement date	7.10%
Post-retirement benefit increase	1.50% annually

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 in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020 adopted by the Board on September 20, 2021.

The long-term expected rate of return on pension plan investments was determined using a 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 changes in inflation from 3.00%, salary increases from 3.50%-7.30%, the discount rate from 7.50%, and the municipal bond index rate from 2.19% used in the 2020 disclosure reports are considered changes in actuarial assumptions or other inputs under GASB Statement No. 68.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(0.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	<u>2.00%</u>	(0.30)%
Total	<u>100.00%</u>	

The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 67. It was assumed the plan member contributions will be made at the current contribution rates and employer contributions will be made at the actuarially determined contribution required rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

Sensitivity of the state's proportionate share of the net pension liability on-behalf of the District to changes in the discount rate. The following presents the net pension liability calculated using the discount rate of 7.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1.00% Decrease (6.10%)</u>	<u>Current Discount (7.10%)</u>	<u>1.00% Increase (8.10%)</u>
State's net pension liability on-behalf of the District	\$26,100,869	\$19,308,424	\$13,670,332

Kentucky Teachers' Retirement System (KTRS) Medical and Life Insurance Funds - Postemployment Benefits Other Than Pension (OPEB)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEBs. At June 30, 2022, the District reported a liability of \$1,696,000 for its proportionate share of the medical insurance OPEB liability that reflected a reduction for state OPEB support provided to the District. The state's proportionate share of the medical insurance OPEB liability at June 30, 2022 was \$1,378,000 for a total medical insurance OPEB liability of \$3,074,000. At June 30, 2022, the District did not report a liability for its proportionate share of the life insurance OPEB liability because the State of Kentucky provides the OPEB support directly to KTRS on behalf of the District. The State's proportionate share of the net OPEB liability that was associated with the District was \$18,000.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) Medical and Life Insurance Funds - Postemployment Benefits Other Than Pension (OPEB) (Continued)

For the June 30, 2021 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The net OPEB liability at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's and state's proportion on-behalf of the District for the medical insurance plan was .079050% and .064199%, respectively. The state's proportion on-behalf of the District was .140030% for the life insurance plan.

OPEB expense for KTRS is negative as of the June 30, 2020 valuation that is to be used for reporting on June 30, 2022. For the year ended June 30, 2022, the District recognized on-behalf OPEB expense of \$(203,000) and revenue of \$(63,000) for support provided by the state on the statement of activities for the medical insurance plan. The District recognized on-behalf OPEB revenue and expense on the statement of activities for the life insurance plan in the amount of \$3,000 for support provided by the state. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the Fiduciary Net Position (FNP) must be projected into the future for as long as there are anticipated benefits payable under the plan's provisions applicable to the membership and beneficiaries of the System on the Measurement Date. Future contributions are to be projected in accordance with a plan's funding policy and/or the application of professional judgment to consider the recent contribution history of the employers and non-employer contributing entities. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to the medical insurance plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	\$ -	\$ 181,000
Difference between expected and actual experience	-	1,009,000
Changes of assumptions	444,000	-
Change in proportion and differences between employer contributions and proportionate share of contributions	30,000	215,000
Contributions subsequent to the measurement date	<u>146,328</u>	<u>-</u>
TOTALS	<u>\$620,328</u>	<u>\$1,405,000</u>

Deferred outflows of resources in the amount of \$146,328 related to medical insurance OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 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 Ending June 30</u>	
2023	\$(246,000)
2024	(247,000)
2025	(217,000)
2026	(182,000)
2027	(40,000)
Thereafter	<u>1,000</u>
TOTAL	<u>\$(931,000)</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) Medical and Life Insurance Funds - Postemployment Benefits Other Than Pension (OPEB) (Continued)

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	
MIF	2.75%
LIF	2.75%
Salary increases, including inflation	3.00% - 7.50%
Long-term investment rate of return, net of OPEB plan investment expense, including inflation	
MIF	7.10%
LIF	7.10%
Municipal bond index rate	2.13%
Year fiduciary net position is projected to be depleted	N/A
Single equivalent interest rate, net of OPEB plan investment expense, including inflation	
MIF	7.10%
LIF	7.10%
Health Care Cost Trends	
Under Age 65	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031.
Ages 65 and Older	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 experience studies for the System, which covered the five-year period ending June 30, 2020.

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 health care cost trend assumption was updated for the June 30, 2020 valuation and is a change in assumption. The municipal bond index rate also decreased from 2.19% to 2.13%. The changes in inflation from 3.00%, salary increases from 3.50%-7.30%, and the discount rate from 8.00% for the medical insurance and 7.50% for life insurance used in the 2020 disclosure reports are considered changes in actuarial assumptions or other inputs under GASB Statement No. 75.

The long-term expected rate of return on OPEB plan investments was determined using a 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.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) Medical and Life Insurance Funds - Postemployment Benefits Other Than Pension (OPEB) (Continued)

Discount rate. The target asset 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 for the medical insurance plan:

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 Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	<u>1.00%</u>	(0.30)%
Total	<u>100.00%</u>	

The target asset 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 for the life insurance plan:

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%
Additional Categories	6.00%*	2.10%
Cash (LIBOR)	<u>2.00%</u>	(0.30)%
Total	<u>100.00%</u>	

*As the LIF investment policy is to change, the above table reflects the pension allocation and returns that achieve the targeted 7.10% long-term rate of return.

The discount rates used to measure the total OPEB liability for the medical insurance and life insurance plans as of the measurement date were 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. It was assumed the plan member contributions will be made at the current contribution rates and 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 net OPEB liability for medical insurance to changes in the discount rate. The following presents the net OPEB liability calculated using the discount rate of 8.00%, as well as what the 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 rate:

	1.00% Decrease (6.10%)	Current Discount (7.10%)	1.00% Increase (8.10%)
District's net OPEB liability	<u>\$2,172,000</u>	<u>\$1,696,000</u>	<u>\$1,303,000</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

Kentucky Teachers' Retirement System (KTRS) Medical and Life Insurance Funds - Postemployment Benefits Other Than Pension (OPEB) (Continued)

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

	<u>1.00% Decrease</u>	<u>Current Trend Rate</u>	<u>1.00% Increase</u>
District's net OPEB liability	\$1,232,000	\$1,696,000	\$2,274,000

Sensitivity of the state's proportionate share of the net OPEB liability for life insurance on-behalf of the District to changes in the discount rate. The following presents the net OPEB liability calculated using the discount rate of 7.10%, as well as what the 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 rate:

	<u>1.00% Decrease (6.10%)</u>	<u>Current Discount (7.10%)</u>	<u>1.00% Increase (8.10%)</u>
State's net pension liability on-behalf of the District	\$39,000	\$18,000	\$(1,000)

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

Payables to the OPEB plan

At June 30, 2022, the financial statements include \$0 in payables to KTRS. These are legally required contributions to the plan. These amounts are not accounted for in the net OPEB liability.

County Employees' Retirement System (CERS)

The CERS also provides other post-employment benefits through the Kentucky Public Pensions Authority Insurance Fund (insurance fund), which was established to provide hospital and medical insurance for members receiving benefits from CERS. The insurance fund is a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Kentucky Public Pensions Authority. The insurance fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of contribution paid by the insurance fund is based upon years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the insurance fund is contained in the financial statements of the Kentucky Public Pensions Authority.

Contributions. Contribution rates are established by the Kentucky Revised Statutes. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5.00% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 and before January 1, 2014 are required to contribute an additional 1.00% for retirement health insurance coverage. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution plan rate for non-hazardous plan members was 26.95% for the year ended June 30, 2022.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS) (Continued)

The required District contribution rate for fiscal years ending June 30, 2021 and 2020 was 24.06%. The required contribution rates are made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For fiscal year ended June 30, 2022, the pension plan and insurance fund portions were 21.17% and 5.78%, respectively. These percentages were 19.30% and 4.76% for fiscal years ended June 30, 2021 and 2020. The pension contributions for fiscal years ended June 30, 2022, 2021, and 2020 were \$396,477, \$336,423, and \$338,296, respectively. The insurance contributions (excluding the implicit subsidy) for fiscal years ended June 30, 2022, 2021, and 2020 were \$108,249, \$82,973, and \$83,434, respectively. The actuarially determined contribution requirements of plan members and Ballard County School District are established and may be amended by the KPPA Board of Trustees.

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 \$4,186,531 for its proportionate share of the net pension liability. The net pension liability at June 30, 2022 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. For the June 30, 2021 measurement, the total pension liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ending June 30, 2021 using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all the participating employers, actuarially determined. At June 30, 2022, the District's proportion was .065663%.

As a result of its requirement to contribute to CERS pension fund, the District recognized pension expense of \$219,145 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to CERS:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on pension plan investments	\$162,410	\$720,404
Difference between expected and actual experience	48,074	40,633
Changes of assumptions	56,188	-
Change in proportion and differences between employer contributions and proportionate share of contributions	-	133,177
Contributions subsequent to the measurement date	396,477	-
TOTALS	\$663,149	\$894,214

Deferred outflows of resources in the amount of \$396,477 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 ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2023	\$(180,105)
2024	(147,100)
2025	(125,602)
2026	(174,735)
TOTAL	\$(627,542)

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS) (Continued)

The net pension liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021 using generally accepted actuarial principles. 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. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (3.07 years for June 30, 2021).

Actuarial assumptions. The total pension liability, net pension liability, and sensitivity information for the actuarial valuation as of June 30, 2021 was 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. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. Subsequent to the actuarial valuation date (June 30, 2020), but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. The Board did not update any actuarial assumptions in performing the actuarial valuation as of June 30, 2021 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report). A partial list of assumptions from the actuarial valuation date of June 30, 2021 is as follows:

Inflation	2.30%
Salary increases, average, including inflation	3.30% - 10.30%, varies by service
Investment rate of return, net of pension plan investment expense including inflation	6.25%
Payroll growth rate	2.00%

Mortality - The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a four-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.

Senate Bill 169 increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System (CERS) (Continued)

The long-term expected rate of return on plan assets 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. For the June 30, 2021 actuarial calculation, the target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	(0.60)%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	4.55%
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 6.25% at June 30, 2021. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over a 30-year (closed) amortization period of the unfunded actuarial accrued liability. The projection of cash flows includes an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming each participating employer in KPPA 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. This includes the phase-in provisions from House Bill 362 as well as the provisions which limits the increases to the employer contribution rates to 12.00% over the prior fiscal year through June 30, 2028. Once the unfunded actuarial accrued liability is fully amortized, the employer will only contribute the normal cost rate and the administrative expense rate on the closed payroll for existing members.

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>1.00% Decrease (5.25%)</u>	<u>Current Discount (6.25%)</u>	<u>1.00% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$5,369,425	\$4,186,531	\$3,207,715

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

Payables to the pension plan. At June 30, 2022, the financial statements include no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net pension liability.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB. At June 30, 2022, Ballard County School District reported a liability of \$1,256,798 for its proportionate share of the net OPEB liability. The net OPEB liability at June 30, 2022 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. For the June 30, 2021 measurement, the total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ending, June 30, 2021, using generally accepted actuarial principles. District's proportion of the net OPEB liability was based on a projection of District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2022, District's proportion was .065648%.

The fully-insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB Statement No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, Ballard County School District recognized OPEB expense of \$119,388 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earnings on OPEB plan investments	\$ 63,321	\$259,930
Difference between expected and actual experience	197,632	375,238
Changes of assumptions	333,201	1,169
Change in proportion and differences between employer contributions and proportionate share of contributions	-	127,943
Contributions subsequent to the measurement date	<u>108,249</u>	<u>-</u>
TOTALS	<u>\$702,403</u>	<u>\$764,280</u>

Deferred outflows of resources in the amount of \$108,249 related to OPEB resulting from District's contributions subsequent to the measurement date and before the end of the fiscal year will be recognized as a reduction of the net OPEB liability in the year ending 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 Ending June 30</u>	
2023	\$ (11,479)
2024	(41,264)
2025	(37,588)
2026	<u>(79,795)</u>
TOTAL	<u>\$(170,126)</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

The net OPEB liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021 using generally accepted actuarial principles. 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. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the weighted average of the remaining service life of active and inactive members of the plan (4.92 years for June 30, 2021).

Actuarial assumptions. The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2021 was 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. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. Subsequent to the actuarial valuation date (June 30, 2020), but prior to the measurement date, the KPPA Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2021 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

Inflation	2.30%
Salary increases, average, including inflation	3.30% - 10.30%, varies by service
Investment rate of return, net of OPEB plan investment expense, including inflation	6.25%
Payroll growth rate	2.00%
Municipal bond index rate	
Prior measurement date	2.45%
Measurement date	1.92%
Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation	
Prior measurement date	5.34%
Measurement date	5.20%

Healthcare cost trend rates - 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 (Pre-65). Initial trend rate 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 (Post-65).

The mortality table used for active members is PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the mortality table used is PUB-2010 Disabled Mortality Table, with a four-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.

Senate Bill 169 increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan provision changes.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

The long-term expected rate of return on plan assets 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. For the June 30, 2021 actuarial calculation, the target allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Core Bonds	10.00%	0.00%
Cash Equivalent	1.50%	(0.60)%
Real Estate	10.00%	5.40%
Real Return	<u>10.00%</u>	4.55%
Total	100.00%	

Discount rate. The discount rate used to measure the total OPEB liability was 5.20% at June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the actuarially determined contribution rate of projected compensation over 30-year (closed) amortization period of the unfunded actuarial accrued liability. The projection of cash flows includes an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming each participating employer in KPPA 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. This includes the phase-in provisions from House Bill 362 as well as the provisions which limits the increases to the employer contribution rates to 12.00% over the prior fiscal year through June 30, 2028. The cost associated with the implicit employer subsidy was not included in the calculation of the KPPA's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KPPA's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments from the retirement system, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent interest rate. There was a change in the Municipal Bond Index Rate from the prior measurement date to the measurement date, so as required under GASB Statement No. 75, the single equivalent interest rate of 5.20% is based on the expected rate of return at the measurement date of 6.25% and was calculated using the Municipal Bond Index Rate as of the measurement date of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB Statement No. 75.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents District's proportionate share of the net OPEB liability calculated using the discount rate of 5.20%, as well as what 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 discount rate:

	<u>1.00% Decrease (4.20%)</u>	<u>Current Discount (5.20%)</u>	<u>1.00% Increase (6.20%)</u>
District's proportionate share of the net OPEB liability	\$1,725,574	\$1,256,798	\$872,089

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

Note 8 - Retirement Plans (Continued):

County Employees' Retirement System Insurance Fund - Postemployment Benefits Other Than Pension (OPEB) (Continued)

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

	<u>1.00% Decrease</u>	<u>Current Discount</u>	<u>1.00% Increase</u>
District's proportionate share of the net OPEB liability	\$904,745	\$1,256,798	\$1,681,731

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

Payables to the OPEB plan

At June 30, 2022, the financial statements include no payables to CERS. These are legally required contributions to the plan. These amounts are not accounted for in the net OPEB liability.

Note 9 - Benefits Funded by Kentucky State Department of Education:

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2022:

Contributions to Kentucky Teachers'	
Retirement System	\$1,658,019
Technology	82,168
Debt Service	1,017,032
Health insurance, life insurance, flexible pending accounts (includes administrative fee)	<u>1,376,745</u>
TOTAL	<u>\$4,133,964</u>

These payments are recorded in the General, Debt Service, Food Service, and Child Care Centers Funds as revenue and expenditures in the statements of revenues, expenditures, and changes in fund balances and the statement of revenues, expenses, and changes in net position. The District is not legally responsible for these contributions. These payments are not budgeted by the District.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9 - Benefits Funded by Kentucky State Department of Education (Continued):

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$1,931,273
Support services:	
Student	166,758
Instructional staff	96,612
District administration	116,289
School administration	298,669
Business	256,250
Plant operations and management	77,378
Student transportation	87,633
Debt service	<u>1,017,032</u>
Total governmental funds on-behalf	4,047,894
Food services	79,980
Child services	<u>6,090</u>
TOTAL ON-BEHALF CONTRIBUTIONS	<u>\$4,133,964</u>

Note 10 - Contingencies:

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 governmental agency grants, if the grantor’s review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District’s grant programs is predicated upon the grantor’s satisfaction that the funds provided are being spent as intended and the grantor’s intent to continue their programs.

Note 11 - Insurance and Related Activities:

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

The District purchases unemployment insurance coverage through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all other risk of loss, including the workers compensation and liability coverage listed on page 68 of the supplemental data. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 12 - COBRA:

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

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 13 - Excess of Expenditures over Appropriations:

The Child Care Center fund has a deficit balance of \$14,376. Excluding cumulative adjustments to net position for GASB Statement No's. 68 & 75 related to the net pension and net postemployment benefits other than pension liabilities of \$192,738, the child care center fund has a net position of \$178,362. The special revenue fund had excess current year expenditures over current year appropriations totaling \$109,873.

Note 14 - Transfer of Funds:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	1	2	Match	\$ 34,532
Operating	320	400	Debt Service	896,792
Operating	2	1	Indirect cost	79,615
Capital	2	360	Boiler project	15,301
Capital	310	1	Bus purchase	94,776
Operating	51	1	Indirect cost	42,413

Note 15 - New Governmental Accounting Standards:

In June 2017, the Governmental Accounting Standards Board (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. Recognition of a lease asset and liability will be required for previously classified operating leases. This standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District currently has leases accounted for as operating leases that will have to be accounted for in accordance with this standard moving forward. Originally, the effective date of this standard for the District was for fiscal year ending June 30, 2021. However, the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective date to fiscal year ending June 30, 2022 in order to provide some temporary relief to governments in light of the COVID-19 pandemic. As a result of implementing this standard, the District has recognized expenses and lease proceeds of \$58,622 in the Statement of Revenues, Expenditures, and Changes in Fund Balances. The payments on the leases have been reclassified from rental expense to principal and interest. In the Statement of Net Position, the District has capitalized the lease expenses of \$58,622 as lease assets to be depreciated and reclassified the lease proceeds as lease liabilities of \$58,622. The principal payments on the leases will reduce the lease liability. There is no effect on net position as of June 30, 2021.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for subscription-based technology arrangements by governments. Recognition of a subscription asset and liability is required when the government is part of a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. Activities such as evaluating alternatives, determining needed technology, and selecting a vendor should be expensed as incurred. Ancillary charges necessary to place the subscription asset into service should be capitalized as an addition to the subscription asset. Maintenance and other activities subsequent to the implementation of the subscription asset for ongoing operations related to the asset should be expensed as incurred. The effective date of this standard for the District begins July 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes	\$ 3,615,000	\$ 3,483,921	\$ 4,578,885	\$ 1,094,964
Other	102,050	79,390	122,094	42,704
Intergovernmental - state	3,516,200	3,971,150	3,971,090	(60)
Intergovernmental - on-behalf	-	-	3,030,862	3,030,862
Intergovernmental - federal	97,000	130,158	146,862	16,704
Other sources	83,784	98,763	275,426	176,663
Total revenues	7,414,034	7,763,382	12,125,219	4,361,837
Expenditures:				
Instruction	4,976,729	5,625,773	6,097,827	(472,054)
Support services:				
Student	416,659	417,159	502,483	(85,324)
Instructional staff	211,974	211,974	317,422	(105,448)
District administration	2,337,944	2,507,494	667,866	1,839,628
School administration	701,007	709,507	930,004	(220,497)
Business	541,309	552,331	818,359	(266,028)
Plant operations and maintenance	756,692	738,329	853,154	(114,825)
Student transportation	923,116	993,261	764,840	228,421
Community service activities	10,000	20,000	7,703	12,297
Debt service	119,876	119,876	131,165	(11,289)
Other	23,861	23,861	34,532	(10,671)
Total expenditures	11,019,167	11,919,565	11,125,355	794,210
Excess (deficit) of revenues over expenditures and net change in fund balances	(3,605,133)	(4,156,183)	999,864	5,156,047
Fund balance, July 1, 2021	3,605,133	4,156,183	5,369,276	1,213,093
FUND BALANCES, JUNE 30, 2022	\$ -	\$ -	\$ 6,369,140	\$ 6,369,140

Note 1 - Benefits Funded by Kentucky State Department of Education:

The budget presented for the General Fund does not include on-behalf payments provided by the Kentucky State Department of Education. If on-behalf payments had been included, budgetary revenues would total \$10,794,244 and budgetary expenditures would total \$14,950,427.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources	\$ -	\$ -	\$ 32,451	\$ 32,451
Intergovernmental - state	716,420	914,316	891,523	(22,793)
Intergovernmental - federal	1,014,392	1,580,123	1,679,719	99,596
Other sources	23,861	23,861	34,532	10,671
Total revenues	1,754,673	2,518,300	2,638,225	119,925
Expenditures:				
Instruction	951,328	1,046,504	1,116,375	(69,871)
Support services:				
Student	206,861	231,838	217,857	13,981
Instructional staff	163,597	166,669	118,090	48,579
School administration	49,229	48,349	45,287	3,062
Business	67,722	67,722	120,958	(53,236)
Plant operations and maintenance	119,108	143,845	494,006	(350,161)
Student transportation	42,065	185,198	153,210	31,988
Community service activities	120,980	586,250	273,866	312,384
Debt Service	-	-	3,660	(3,660)
Other	33,783	51,977	94,916	(42,939)
Total expenditures	1,754,673	2,528,352	2,638,225	(109,873)
Excess (deficit) of revenues over expenditures and net change in fund balances	-	(10,052)	-	10,052
Fund balances, July 1, 2021	-	-	-	-
FUND BALANCES, JUNE 30, 2022	\$ -	\$ (10,052)	\$ -	\$ 10,052

See auditor's report on pages 1-3.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST EIGHT FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.065663%	0.065926%	0.070464%	0.075488%	0.078298%	0.078080%	0.082971%	0.081289%
District's proportionate share of the net pension liability (asset)	\$4,186,531	\$ 5,056,470	\$ 4,955,765	\$ 4,597,449	\$ 4,583,023	\$ 3,844,211	\$ 3,567,371	\$ 2,637,000
District's covered payroll	1,743,124	1,752,823	1,827,739	1,934,942	1,970,570	1,909,654	1,935,747	1,864,589
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	240.17%	288.48%	271.14%	237.60%	232.57%	201.30%	184.29%	141.43%
Plan fiduciary net position as a percentage of the total pension liability (asset)	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, the District will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2020
Experience study:	July 1, 2013 - June 30, 2018 for 2020 through 2022; July 1, 2008 - June 30, 2013 for prior years
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years
Asset valuation method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members: PUB-2010 Disabled Mortality Table with a four-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.
Changes of plan provisions:	None.
Changes of benefit terms:	Increase in the 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 minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75%.
Changes of assumptions:	None.

NOTE: This schedule is based on the last measurement date of the net pension liability.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS)
LAST NINE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 396,477	\$ 336,423	\$ 338,296	\$ 296,940	\$ 280,179	\$ 274,895	\$ 237,179	\$ 246,808	\$ 256,202
Contributions in relation to the contractually required contribution	<u>396,477</u>	<u>336,423</u>	<u>338,296</u>	<u>296,940</u>	<u>280,179</u>	<u>274,895</u>	<u>237,179</u>	<u>247,724</u>	<u>256,202</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (916)</u>	<u>\$ -</u>
District's covered payroll	\$ 1,872,908	\$ 1,743,124	\$ 1,752,823	\$ 1,827,739	\$ 1,934,942	\$ 1,970,570	\$ 1,909,654	\$ 1,935,747	\$ 1,864,589
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See accompanying notes to the basic financial statements.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST FIVE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.065648%	0.065910%	0.070446%	0.075485%	0.078298%
District's proportionate share of the net OPEB liability (asset)	\$ 1,256,798	\$ 1,591,526	\$ 1,184,870	\$ 1,340,221	\$ 1,574,058
District's covered-employee payroll	1,743,124	1,752,823	1,827,739	1,934,942	1,970,570
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	72.10%	90.80%	64.83%	69.26%	79.88%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	62.91%	51.67%	60.44%	57.62%	52.40%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

Notes to Schedule

The total OPEB liability and net OPEB liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2020
Experience study:	July 1, 2013 - June 30, 2018 for 2020 through 2022; July 1, 2008 - June 30, 2013 for prior years
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	30 years
Asset valuation method:	20.00% of the difference between the market value of assets and the expected actuarial value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members: PUB-2010 Disabled Mortality Table with a four-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.
Healthcare trend rates:	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 (Pre-65). Initial trend starting at 6.30% at January 1, 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Post-65).
Changes in plan provisions:	None.
Changes of benefit terms:	Increase in the 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 minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75%.
Changes of assumptions:	The single discount rate for non-hazardous changed from 5.34% to 5.20%. The municipal bond rate decreased from 2.45% to 1.92%.

NOTE: This schedule is based on the last measurement date of the net OPEB liability.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST SIX FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 108,249	\$ 82,973	\$ 83,434	\$ 96,291	\$ 90,509	\$ 93,130
Contributions in relation to the contractually required contribution	<u>108,249</u>	<u>82,973</u>	<u>83,434</u>	<u>96,291</u>	<u>90,509</u>	<u>93,130</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,872,908	\$ 1,743,124	\$ 1,752,823	\$ 1,827,739	\$ 1,934,942	\$ 1,970,570
Contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end. Contractually required contributions do not include the expected implicit subsidy included in the calculation of the net OPEB liability.

See accompanying notes to the basic financial statements.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)
LAST EIGHT FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
State's proportion of the net pension liability (asset)	0.1484%	0.1504%	0.1489%	0.1607%	0.1711%	0.1747%	0.1765%	0.1804%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>19,308,424</u>	<u>21,322,785</u>	<u>20,320,026</u>	<u>21,038,106</u>	<u>46,164,237</u>	<u>51,536,689</u>	<u>41,061,378</u>	<u>37,081,180</u>
Totals	<u>\$ 19,308,424</u>	<u>\$ 21,322,785</u>	<u>\$ 20,320,026</u>	<u>\$ 21,038,106</u>	<u>\$ 46,164,237</u>	<u>\$ 51,536,689</u>	<u>\$ 41,061,378</u>	<u>\$ 37,081,180</u>
District's covered payroll	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169	\$ 613,288	\$ 563,707	\$ 608,675	\$ 562,513
District's total payroll	5,184,474	5,348,450	5,241,660	5,454,942	5,775,709	5,758,020	5,779,929	5,655,983
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten-year trend is compiled, the District will present information only for those years for which information is available. For years 2017 and prior, the State's proportionate share of the net pension liability associated with the District includes the portions related to the medical insurance and life insurance plans. These are reported separately beginning in 2018.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2020
Experience study:	July 1, 2016 - June 30, 2020
Actuarial cost method:	Entry age normal
Inflation:	2.50%
Salary increase:	3.00% - 7.50%, average, including inflation
Investment rate of return:	7.10%, net of pension plan investment expense, including inflation
Municipal bond index rate:	
Prior measurement date:	2.19%
Measurement date:	2.13%
Year FNP is projected to be depleted:	N/A
Single equivalent interest rate:	Net of pension plan investment expense, including inflation.
Prior measurement date:	7.50%
Measurement date:	7.10%
Post-retirement benefit increases:	1.50% annually
Mortality:	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.
Changes of benefit terms:	None.
Changes of assumptions:	The price inflation decreased from 3.00% to 2.50%, salary increases were reduced from a range of 3.50 to 7.30%, and long-term investment rate of return decreased from 7.50% to 7.10% as did the single equivalent interest rate. The municipal bond index rate decreased from 2.19% to 2.13%. Mortality rates have been revised.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)
LAST NINE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 95,790	\$ 81,589	\$ 97,939	\$ 102,406	\$ 86,028	\$ 98,770	\$ 90,785	\$ 93,462	\$ 82,155
District contributions in relation to the contractually required contribution - federal programs	<u>95,790</u>	<u>81,589</u>	<u>97,939</u>	<u>102,406</u>	<u>86,028</u>	<u>98,770</u>	<u>90,785</u>	<u>93,462</u>	<u>82,155</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 586,788	\$ 506,604	\$ 608,131	\$ 635,866	\$ 534,169	\$ 613,288	\$ 563,707	\$ 608,675	\$ 562,513
Contributions as a percentage of covered payroll for employees hired after 01/01/22**	13.750%								
Contributions as a percentage of covered payroll for employees hired after 07/01/08 and before 01/01/22**	17.105%	16.105%	16.105%	16.105%	16.105%	16.105%	16.105%	15.355%	14.605%
Contributions as a percentage of covered payroll for employees hired before 07/01/08**	16.105%	16.105%	16.105%	16.105%	16.105%	16.105%	16.105%	13.105%	13.105%

* The amounts presented for each fiscal year were determined as of June 30 of the current year. Until a full ten-year trend is compiled, the District will present information only for those years for which information is available.

**KTRS rates are different based on the employee hire date.

See accompanying notes to the basic financial statements.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) - MEDICAL INSURANCE PLAN
LAST FIVE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.07905%	0.08052%	0.07935%	0.08288%	0.09040%
State's proportion of the net OPEB liability (asset)	0.06420%	0.06450%	0.06408%	0.07143%	0.73841%
District's proportionate share of the net OPEB liability (asset)	\$ 1,696,000	\$ 2,032,000	\$ 2,322,000	\$ 2,876,000	\$ 3,223,000
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>1,378,000</u>	<u>1,628,000</u>	<u>1,876,000</u>	<u>2,478,000</u>	<u>2,633,000</u>
Totals	<u>\$ 3,074,000</u>	<u>\$ 3,660,000</u>	<u>\$ 4,198,000</u>	<u>\$ 5,354,000</u>	<u>\$ 5,856,000</u>
District's covered-employee payroll	\$ 4,677,178	\$ 4,740,524	\$ 4,605,869	\$ 4,921,386	\$ 5,162,500
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	36.26%	42.86%	50.41%	58.44%	62.43%
Plan fiduciary net OPEB as a percentage of the total OPEB liability (asset)	51.74%	39.05%	32.58%	25.50%	21.18%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten-year trend is compiled, the District will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2020
Experience study:	July 1, 2016 - June 30, 2020
Actuarial cost method:	Entry age normal
Inflation:	2.50%
Real wage growth:	0.25%
Salary increase:	3.00% - 7.50%, average, including inflation
Investment rate of return:	7.10%, net of pension plan investment expense, including inflation
Municipal bond index rate:	2.13%
Year FNP is projected to be depleted:	N/A
Single equivalent interest rate:	7.10% net of pension plan investment expense, including inflation
Health care cost trends:	
Under Age 65:	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031.
Ages 65 and older:	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:	

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.

Changes in plan provisions:

For 2020, KTRS will contribute a single contribution amount towards insurance costs, less the shared responsibility cost. As of 2021, there is no subsidy for non-single KEHP coverage. Under age 65 retirees who are not Medicare eligible and continue on the Kentucky Employees' Health Plan (KEHP) are responsible for the remaining costs left from the total premium costs.

Changes of benefit terms:

None

Changes of assumptions:

In the 2020 experience study, rate of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed. The long-term investment rate of return was changed from 8.00% to 7.10%. Price inflation was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely. The municipal bond index rate decreased from 2.19% to 2.13%. Updated healthcare trend rates were implemented.

See auditor's report on pages 1-3.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) - MEDICAL INSURANCE PLAN
LAST SIX FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 146,328	\$ 140,315	\$ 142,216	\$ 138,176	\$ 147,655	\$ 154,875
District contributions in relation to the contractually required contribution - retiree medical insurance hired after 09/01/08	<u>146,328</u>	<u>140,315</u>	<u>142,216</u>	<u>138,176</u>	<u>147,655</u>	<u>154,875</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,891,415	\$ 4,677,178	\$ 4,740,524	\$ 4,605,869	\$ 4,921,386	\$ 5,162,500
District's contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

See accompanying notes to the basic financial statements.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE
NET POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) - LIFE INSURANCE PLAN
LAST FIVE FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
State's proportion of the net OPEB liability (asset)	0.14003%	0.14180%	0.14020%	0.15075%	0.16053%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>18,000</u>	<u>49,000</u>	<u>44,000</u>	<u>43,000</u>	<u>35,000</u>
Totals	<u>\$ 18,000</u>	<u>\$ 49,000</u>	<u>\$ 44,000</u>	<u>\$ 43,000</u>	<u>\$ 35,000</u>
District's covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net OPEB as a percentage of the total OPEB liability (asset)	89.15%	71.57%	73.40%	75.00%	79.99%

* The amounts presented for each fiscal year determined as of June 30 of the prior year. Until a full ten-year trend is compiled, the District will present information only for those years for which information is available.

Notes to Schedule

The total pension liability and net pension liability as of June 30, 2022, is based on the June 30, 2020, actuarial valuation as rolled-forward to the plan's fiscal year end of June 30, 2021, using generally accepted actuarial principles. The financial reporting actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement.

Valuation date:	June 30, 2020
Experience study:	July 1, 2016 - June 30, 2020
Actuarial cost method:	Entry age normal
Inflation:	2.50%
Real wage growth:	0.25%
Salary increase:	3.00% - 7.50%, average, including inflation
Investment rate of return:	7.10%, net of pension plan investment expense, including inflation
Municipal bond index rate:	2.13%
Year FNP is projected to be depleted:	N/A
Single equivalent interest rate:	7.10%, net of pension plan investment expense, including inflation
Health care cost trends:	
Under age 65:	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031.
Ages 65 and older:	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:	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.
Changes of benefit terms:	None.
Changes of assumptions:	In the 2020 experience study, rate of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed. The long-term investment rate of return was changed from 7.50% to 7.10%. Price inflation was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely. The municipal bond index rate decreased from 2.19% to 2.13%. Updated healthcare trend rates were implemented.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) - LIFE INSURANCE PLAN
LAST SIX FISCAL YEARS*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District contributions in relation to the contractually required contribution **	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll**	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

* The amounts presented for each fiscal year were determined as of June 30. Until a full ten-year trend is compiled, governments will present information only for those years for which information is available.

**This schedule shows only the District's contributions. The District is not contractually required to contribute to the Life Insurance Plan. Therefore, no contributions or related payroll is shown on this schedule.

See accompanying notes to the basic financial statements.

OTHER SUPPLEMENTARY SCHEDULES AND SUPPORTING INFORMATION

BALLARD COUNTY SCHOOL DISTRICT
BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

<u>ASSETS</u>	SEEK Capital Outlay Fund	Construction Fund	Student Activity Fund	Total Non-Major Governmental Funds
Cash and cash equivalents	<u>\$ 351,659</u>	<u>\$ 143,433</u>	<u>\$ 207,034</u>	<u>\$ 702,126</u>
TOTAL ASSETS	<u><u>\$ 351,659</u></u>	<u><u>\$ 143,433</u></u>	<u><u>\$ 207,034</u></u>	<u><u>\$ 702,126</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Fund Balances:				
Restricted for:				
Capital projects and construction	351,659	143,433	-	495,092
Unassigned	<u>-</u>	<u>-</u>	<u>207,034</u>	<u>207,034</u>
Total fund balance	<u>351,659</u>	<u>143,433</u>	<u>207,034</u>	<u>702,126</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 351,659</u></u>	<u><u>\$ 143,433</u></u>	<u><u>\$ 207,034</u></u>	<u><u>\$ 702,126</u></u>

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	SEEK Capital Outlay Fund	Construction Fund	Student Activity Fund	Total Non-Major Governmental Funds
Revenues:				
From local sources:				
Earnings on investments	\$ 2,862	\$ -	\$ 990	\$ 3,852
Intergovernmental - state	107,934	68,896	-	176,830
Other	-	-	309,851	309,851
	<u>110,796</u>	<u>68,896</u>	<u>310,841</u>	<u>490,533</u>
Total revenues				
	<u>110,796</u>	<u>68,896</u>	<u>310,841</u>	<u>490,533</u>
Expenditures:				
Instruction	-	-	268,702	268,702
Support services:				
Instructional staff	-	-	7,385	7,385
Student transportation	-	-	2,110	2,110
Facilities acquisitions and construction	-	52,255	-	52,255
	<u>-</u>	<u>52,255</u>	<u>278,197</u>	<u>330,452</u>
Total expenditures				
	<u>-</u>	<u>52,255</u>	<u>278,197</u>	<u>330,452</u>
Excess (deficit) of revenues over expenditures	<u>110,796</u>	<u>16,641</u>	<u>32,644</u>	<u>160,081</u>
Other Financing Sources (Uses):				
Operating transfers in	-	15,301	-	15,301
Operating transfers out	(94,776)	-	-	(94,776)
	<u>(94,776)</u>	<u>15,301</u>	<u>-</u>	<u>(79,475)</u>
Total other financing sources (uses)				
	<u>(94,776)</u>	<u>15,301</u>	<u>-</u>	<u>(79,475)</u>
Net change in fund balances	16,020	31,942	32,644	80,606
Fund balances, July 1, 2021	<u>335,639</u>	<u>111,491</u>	<u>174,390</u>	<u>621,520</u>
FUND BALANCES, JUNE 30, 2022	<u><u>\$ 351,659</u></u>	<u><u>\$ 143,433</u></u>	<u><u>\$ 207,034</u></u>	<u><u>\$ 702,126</u></u>

See auditor's report on pages 1-3.

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE STUDENT ACTIVITY FUNDS:
BALLARD MEMORIAL HIGH STUDENT ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Beginning Balance July 1, 2021	Revenues Actual	Expenditures Actual	Interfund Transfers	Ending Balance June 30, 2022
All Test	\$ 1,155	\$ 36	\$ 614	\$ -	\$ 577
Academic Team	50	-	50	-	-
Art Club Fund	2,012	2,330	2,048	(60)	2,234
Athletic Fund	20,838	37,945	40,884	(793)	17,106
District Regional Athletics	5,483	14,635	8,443	793	12,468
Band	2,227	9,156	9,539	-	1,844
Baseball	21	-	-	-	21
Beta Fund	1,157	1,462	737	-	1,882
BMHS Pep Club	2,096	340	29	-	2,407
Cheerleader Fund	4,640	6,661	8,777	-	2,524
Chorus	978	1,164	1,802	-	340
Class of 22	265	867	1,132	-	-
Class of 23	265	106	-	-	371
Class of 24	80	-	-	-	80
Class of 25	-	225	-	-	225
District Activity	-	3,920	3,980	60	-
FCA Fund	493	600	413	-	680
Football	123	12	-	-	135
Girls' Basketball	340	-	-	-	340
Golf	124	100	45	-	179
Prom	2,347	2,698	2,686	-	2,359
General	3,250	636	1,197	-	2,689
Library Fund	511	363	116	-	758
French Club Fund	185	60	-	-	245
Student Council Fund	1,278	416	859	-	835
Tennis	10	-	-	-	10
Track Fund	1,873	2,975	3,404	-	1,444
Yearbook Fund	2,019	9,365	50	-	11,334
TOTALS	<u>\$ 53,820</u>	<u>\$ 96,072</u>	<u>\$ 86,805</u>	<u>\$ -</u>	<u>\$ 63,087</u>

BALLARD COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE STUDENT ACTIVITY FUNDS:
OTHER STUDENT ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Ballard County Middle</u>	<u>Ballard County Elementary</u>	<u>Career and Technical Center</u>	<u>Preschool</u>	<u>Totals</u>
Beginning balance, July 1, 2021	<u>\$ 9,852</u>	<u>\$ 5,040</u>	<u>\$ 46,620</u>	<u>\$ 59,058</u>	<u>\$ 120,570</u>
Revenues:					
Student activities	<u>50,870</u>	<u>55,813</u>	<u>69,322</u>	<u>38,763</u>	<u>214,768</u>
Expenditures:					
Student activities	<u>43,334</u>	<u>48,162</u>	<u>68,885</u>	<u>31,010</u>	<u>191,391</u>
ENDING BALANCE, JUNE 30, 2022	<u><u>\$ 17,388</u></u>	<u><u>\$ 12,691</u></u>	<u><u>\$ 47,057</u></u>	<u><u>\$ 66,811</u></u>	<u><u>\$ 143,947</u></u>

BALLARD COUNTY SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT DIFFERENCES
FOR THE YEAR ENDED JUNE 30, 2022

The District has state on-behalf amounts included in total revenue from state sources in the District's AFR as specified by the Kentucky Department of Education. These funds are reported as intergovernmental revenues - on-behalf or state grants - on-behalf in the financial statements. The District received Coronavirus Relief Funds (CRF) which are federal funds issued as part of the CARES Act. These funds are reported as intergovernmental revenues - federal in the financial statements and are included in the Schedule of Expenditures of Federal Awards. Per guidance from the Kentucky Department of Education, CRF is utilized as SEEK replacement funds and should be coded as revenue from state sources in the District's AFR. The District also has child nutrition donated commodities included in the total revenue from federal sources in the District's AFR. These funds are recorded as federal grants - in-kind commodities in the financial statements. The following is a reconciliation of the receipts reported in the District's AFR with that shown in the financial statements.

General Fund:

Revenue from state sources reported to the Department of Education	\$ 7,001,952
On-behalf/state sources	<u>(3,030,862)</u>
Amount per financial statements	<u><u>\$ 3,971,090</u></u>

Debt Service:

Revenue from state sources reported to the Department of Education	\$ 1,017,032
On-behalf/state sources	<u>(1,017,032)</u>
Amount per financial statements	<u><u>\$ -</u></u>

Food Service:

Revenue from state sources reported to the Department of Education	\$ 87,268
On-behalf/state sources	<u>(79,980)</u>
Amount per financial statements	<u><u>\$ 7,288</u></u>
Revenue from federal sources reported to the Department of Education	\$ 1,118,089
In-kind donated commodities	<u>(74,342)</u>
Amount per financial statements	<u><u>\$1,043,747</u></u>

Child Care Center:

Revenue from state sources reported to the Department of Education	\$ 6,090
On-behalf/state sources	<u>(6,090)</u>
Amount per financial statements	<u><u>\$ -</u></u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ACCOUNTS RECEIVABLE
JUNE 30, 2022

General Fund:

Accounts receivable reported in the District's annual financial report to the State Department of Education, Division of Finance \$ 176,087

Additional accounts receivable recorded subsequent to the annual financial report:

Kentucky Department of Revenue - motor vehicle tax	8,580
Kentucky Department of Revenue - omitted tangible	148
Ballard County Clerk - motor vehicle tax	28,531
Ballard County Clerk - Delinquent Taxes	1,369
Interfund receivable from special revenue fund	8,411
Add back prior year accounts receivable that were reversed twice	<u>38,585</u>

TOTAL ACCOUNTS RECEIVABLE PER FINANCIAL STATEMENTS \$ 261,711

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ACCOUNTS PAYABLE
JUNE 30, 2022

General Fund:

Accounts payable reported in District's annual financial report to the State Department of Education, Division of Finance	\$ 42,643
Additional accounts payable recorded subsequent to the annual financial report:	
Remove reissued checks	(4,180)
Premier Fire & Security	6,414
Miscellaneous	<u>1,260</u>
TOTAL ACCOUNTS PAYABLE PER FINANCIAL STATEMENTS	<u><u>\$ 46,137</u></u>

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2022

	<u>Expires</u>	<u>Amount of Coverage</u>
Fire and Extended Coverage - 100%		
Co-Insurance:	7/1/22	\$81,482,579
Collision, Comprehensive, and Property Damage:		
School buses and other vehicles:		
Liability	7/1/22	\$ 2,000,000
Uninsured motorist	7/1/22	500,000
Underinsured motorist	7/1/22	500,000
Educator's Legal Liability (Errors and Omissions):		
Ballard County Board of Education, Superintendent, Board Members and employees	7/1/22	\$ 1,000,000
General Liability:		
Ballard County Board of Education, Superintendent and employees	7/1/22	\$ 2,000,000
Umbrella Coverage	7/1/22	5,000,000
Workmen's compensation insurance	7/1/22	Statutory
Blanket fidelity bond - all employees	1/1/23	25,000
Equipment Floater	7/1/22	25,490
Employee Benefits Liability	7/1/22	1,000,000
Sexual Misconduct & Molestation Liability	7/1/22	1,000,000
Cyber Coverage:		
Identity Recovery	7/1/22	25,000
Other Coverage	7/1/22	50,000
General Liability:		
Treasurer's bond	6/30/22	200,000
Depository Bonds:		
First Community Bank of the Heartland, Inc. U.S. Government Securities	6/30/23	103% of daily deposits above FDIC insured limits

See auditor's report on pages 1-3.

MEMBERS OF THE BALLARD COUNTY BOARD OF EDUCATION
AS OF JUNE 30, 2022

<u>Name</u>	<u>Date Elected</u>	<u>Term Expires</u>
Karen Hensley Chair	November 2011	May 2022
Brandon Birney Vice Chair/Chair beg June 2022	August 2017	December 2024
Tammy Dennis Vice Chair beg June 2022	January 2013	December 2022
Kent Gordon	June 2013	December 2021
Cara Hunt Mills	January 2013	December 2022
Cathy Drummond	January 2022	December 2024
Kim Morris	June 2022	December 2024

Other Officials:

Dr. Casey Allen, Superintendent and Secretary of the Board

Jennifer Head, Treasurer of the Board

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Totals
U.S. Department of Education:				
Passed-through Kentucky Department of Education:				
		3810002 19	\$ 2,945	
		3810002 20	151,155	
Special Education Grants to States	84.027	3810002 21	<u>130,601</u>	\$ 284,701
COVID-19 - Special Education Grants to States - American Rescue Plan (ARP)	84.027X	4910002 21	<u>488</u>	488
		3800002 19	2,704	
		3800002 20	62,642	
Special Education Preschool Grants	84.173	3800002 21	<u>1,154</u>	66,500
COVID-19 - Special Education Preschool Grants - American Rescue Plan (ARP)	84.173X	4900002 21	<u>6,018</u>	<u>6,018</u>
Special Education Cluster Sub-Total				357,707
		3100002 20	158,697	
Title I Grants to Local Educational Agencies	84.010	3100002 21	<u>164,354</u>	323,051
Career and Technical Education - Basic Grants to States	84.048	3710002 21	<u>18,706</u>	18,706
		3400002 18	(304)	
		3400002 19	65,392	
Twenty-First Century Community Learning Centers	84.287	3400002 20	<u>70,869</u>	135,957
Rural Education	84.358	3140002 21	<u>21,706</u>	21,706
		3230002 20	18,458	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	3230002 21	<u>30</u>	18,488
Student Support and Academic Enrichment Program	84.424	3420002 20	<u>23,241</u>	23,241
Education Stabilization Fund				
COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER)				
COVID-19 - ESSER Funds Digital Learning Coach Support	84.425D	4000003 20	1,135	
COVID-19 - ESSER II Funds 85.00% Direct Services	84.425D	4200002 21	404,456	
COVID-19 - ESSER II Funds Vaccine Incentive	84.425D	4200003 21	10,300	
COVID-19 - ESSER II Funds Digital Learning Coaches	84.425D	554GL	<u>1,415</u>	417,306
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (ARP ESSER)				
COVID-19 - ARP ESSER	84.425U	4300002 21	200,442	
COVID-19 - ARP ESSER Kentucky Virtual Library	84.425U	4300005 21	1,697	
COVID-19 - ARP ESSER 20% Learning Loss	84.425U	4300002 21	<u>56,560</u>	258,699
COVID-19 - ARP ESSER Homeless Children & Youth	84.425W	476IC	<u>1,575</u>	<u>1,575</u>
Education Stabilization Sub-Total				<u>677,580</u>
Total U.S. Department of Education				<u>1,576,436</u>
U.S. Department of Agriculture:				
Passed-through Kentucky Department of Agriculture:				
		7760005 21	46,820	
School Breakfast Program	10.553	7760005 22	<u>215,716</u>	262,536
		7750002 21	128,506	
		7750002 22	486,870	
National School Lunch Program	10.555	9980000 22	<u>31,265</u>	646,641
National School Lunch Program - Non-monetary Food Distribution (1)	10.555	2022	<u>44,762</u>	44,762
		7740023 21	36,826	
		7740023 22	36,039	
Summer Food Service Program for Children	10.559	7690024 21	<u>3,772</u>	76,637
Fresh Fruit & Vegetable Program - Non-monetary Food Distribution (1)	10.582	2022	<u>29,580</u>	<u>29,580</u>
Child Nutrition Cluster Sub-Total				1,060,156
State Administrative Expenses for Child Nutrition	10.560	7700001 21	<u>2,581</u>	2,581
		7790021 21	3,777	
		7790021 22	36,289	
		7800016 21	268	
		7800016 22	2,578	
Child and Adult Care Food Program	10.558	7980000 21	<u>9,377</u>	52,289
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	9990000 21	<u>3,063</u>	<u>3,063</u>
Total U.S. Department of Agriculture				<u>1,118,089</u>

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Totals
U.S. Department of Health and Human Services:				
Passed-through Kentucky Department of Health and Family Services				
Child Care and Development Block Grant				
COVID-19 - Child Care Stabilization Grant - American Rescue Plan (ARP)	93.575	576I	\$ 17,433	\$ 17,433
COVID-19 - Child Care Aid - Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	93.575	672G	85,849	85,849
CCDF Cluster Sub-Total				103,282
Passed-through Murray, KY Board of Education:				
Head Start	93.600	655I	106,030	106,030
Total U.S. Department of Health and Human Services				209,312
TOTAL FEDERAL AWARDS				\$2,903,837

(1) Expense recognized is the total dollar value of commodities used during the year. Amounts are based on dollar values reported by the State Department of Agriculture. This amount is included in the combined statement of revenues, expenditures, and changes in net position.

BALLARD COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ballard County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District did not elect to use the 10.00% de minimis indirect cost rate.

Note 2 - Federal Awards Reconciliation:

Federal revenues reflected in the general fund include reimbursements for Medicaid claims which are not included in the Schedule of Expenditures of Federal Awards.

Federal revenues as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds	\$1,826,580
Federal grants as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	1,043,747
Federal grants - in-kind commodities as reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	<u>74,342</u>
Total federal expenditures	2,944,669
Less Medicaid claims	<u>(40,832)</u>
TOTAL FEDERAL AWARDS	<u>\$2,903,837</u>

The total commodities reported in the Statement of Revenues, Expenses, and Changes in Net Position for the proprietary funds of \$74,342 consists of the non-monetary food distributions through the National School Lunch Program in the amount of \$44,762 and the fresh fruit and vegetable program in the amount of \$29,580. These amounts are listed separately on the Schedule of Federal Awards because they fall under different Catalogue of Federal Domestic Award numbers. However, they are both non-cash awards.



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

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

Kentucky State Committee for
School District Audits
Members of the Board of Education
Ballard County School District
Barlow, Kentucky

We have audited, 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 including *Appendix I to the Independent Auditor's Contract - Audit Extension Request* and *Appendix II to the Independent Auditor's Contract - Submission Instructions*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Ballard County School District's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control Over Financial Reporting

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

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we considered to be a material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ballard County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. This item is a noncompliance of specific state statutes or regulations prescribed by the Kentucky State Committee for School District Audits in the Independent Auditor's Contract.

We noted certain matters that we reported to management of Ballard County School District in a separate report letter dated October 25, 2022.

Ballard County School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Ballard County School District's response to findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Ballard County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Williams, Williams + Luty, LLP

Paducah, Kentucky
October 25, 2022



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

Kentucky State Committee for
Audits of School Districts
Members of the Board of Education
Ballard County School District
Barlow, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ballard County School District's 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 Ballard County School District's major federal programs for the year ended June 30, 2022. Ballard County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits including *Appendix I to the Independent Auditor's Contract - Audit Extension Request*, and *Appendix II to the Independent Auditor's Contract - Submission Instructions*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ballard County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will 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 substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Ballard County School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement 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 Ballard County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ballard County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Ballard County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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



Paducah, Kentucky
October 25, 2022

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

A. Summary of Audit Results:

1. The auditor’s report expresses an unmodified opinion on whether the financial statements of the Ballard County School District were prepared in accordance with GAAP.
2. A significant deficiency that is also considered a material weakness in internal control over financial reporting was disclosed in the audit of the financial statements and is reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. An instance of noncompliance material to the financial statements of the Ballard County School District, which would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit and is reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. The auditor’s report on compliance for the major federal awards programs for the Ballard County School District expresses an unmodified opinion on all major federal programs.
5. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
6. There are no audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as major programs were:

Name	CFDA #
Cluster:	
National School Lunch Program	10.555
National School Lunch Program - Non-monetary Food Distribution	10.555
School Breakfast Program	10.553
Summer Food Service Program for Children	10.559
Fresh Fruit and Vegetable Program – Non-monetary Food Distribution	10.582
 Cluster:	
Education Stabilization Fund - COVID-19	
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D
American Rescue Plan - Elementary and Secondary School	
Emergency Relief (ARP ESSER) Fund	84.425U
American Rescue Plan - Elementary and Secondary School	
Emergency Relief Fund - Homeless Children and Youth	84.425W

8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The Ballard County School District was not determined to be a low-risk auditee.

(Continued)

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

B. Findings - Financial Statements Audit:

Material Weakness

Reference Number 2022-001 Adjustments

Condition: As part of the audit, we proposed material adjustments to the financial statements.

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Cause: The District did not identify items to be corrected.

Effect: The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend the District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items. Every effort should be made to enter as many period 13 entries as possible in MUNIS prior to initial submission of the Annual Financial Report to the Kentucky Department of Education.

Views of Responsible Officials and Planned Corrective Action: The finance officer and staff have reviewed all procedures regarding collection of data for journal entries to ensure all end of year adjustments are captured. Some specific entries that were not made in the prior year were made in the current year. The finance officer will work towards recording all entries before initial AFR submittal. All audit entries for this fiscal year will be reviewed at year end next year to make sure any necessary entries are recorded in the future.

Reference Number 2022-002 Bids

Condition: As part of the audit, we identified purchases for an outdoor café that exceed the \$30,000 threshold requiring sealed bids. No bids were obtained.

Criteria: According to KRS 424.260 and 702 KAR 3:135, the bid law requires districts to advertise for sealed bids for any contract, lease or other agreement for materials; supplies except for perishable meat and vegetables; equipment; or contractual services other than professional, involving an expenditure of more than \$30,000.

Cause: The actual disbursements for purchases for the outdoor café were split between fiscal years to get it below the \$30,000 threshold in each year due to time restrictions on getting a bid out. In fiscal year 2021, the amounts paid were less than \$30,000 each. The remaining costs paid in 2022 well exceeded the \$30,000 threshold. The law applies to the entire cost regardless if the payments cross fiscal years. There was a misinterpretation of the law.

Effect: The District did not comply with a state compliance requirement with regards to bids.

Recommendation: The entire cost must be taken into consideration regardless of payment being split between fiscal years when determining if it meets the requirements for obtaining sealed bids. The proper bid process should be followed in advertising for and obtaining sealed bids for any contracts, leases or other agreements, equipment or contractual services that involves an expenditure of more than \$30,000.

Views of Responsible Officials and Planned Corrective Action: The finance officer and staff have reviewed the policies and procedures regarding this mistake. Moving forward, we will take the necessary steps to make sure bids are obtained before spending over the threshold. We will take extra care to make sure we have not purchased like items totaling above the threshold before continuing.

C. Findings and Questioned Costs - Major Federal Programs:

None

BALLARD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

FINDING 2021-001 Adjustments - Material Weakness

Condition: As part of the audit, we proposed material adjustments to the financial statements. The design of the internal controls identifying adjustments did not prevent material adjustments.

Recommendation: We recommend the District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items.

Current Status: There are still material audit adjustments for fiscal year 2022 although significantly fewer in number and amounts.

FINDING 2021-002 Bids - Non-Compliance

Condition: As part of the audit, we identified two purchases for an outdoor café that each exceeded the \$30,000 threshold requiring sealed bids. No bids were obtained.

Recommendation: The entire cost of a project must be taken into consideration regardless of payment being split between fiscal years when determining if it meets the requirements for obtaining sealed bids. The proper bid process should be followed in advertising for and obtaining sealed bids for any contracts, leases or other agreements, equipment or contractual services that involves an expenditure of more than \$30,000.

Current Status: This is still a finding as the remainder of the project costs were paid in fiscal year 2022 with no bids being obtained.

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2022

		Debit	Credit
10 6111DA	Investment		\$ 2,085.33
110 1510 0201	Interest Income	\$ 238.62	
110 1510 0202	Interest Income	203.21	
110 1510 0203	Interest Income	986.35	
110 1510 0204	Interest Income	261.95	
110 1510 0205	Interest Income	17.21	
110 1510 0206	Interest Income	118.16	
110 1510 0209	Interest Income	259.83	
	To record unrealized loss and fees.		
110 1920 0207	Donations	6,062.36	
110 1750 0207	Donations		6,062.36
	To reclassify to proper codes.		
10 6153	Accounts Receivable	38,584.64	
110 1115	Delinquent Property Tax		4,519.40
110 1117	Motor Vehicle Tax		28,084.11
110 1980	Refund of Prior Yr Exp		5,781.34
110 4810	Medicaid Reimbursement		199.79
	To reverse duplicate postings of accounts receivable.		
10 6153	Accounts Receivable	38,628.20	
110 1191	Omitted Property Tax		148.53
110 1115	Delinquent Property Tax		1,369.27
110 1117	Motor Vehicle Tax		37,110.40
	To record additional ending accounts receivable.		
10 6114	Accrued Interest Receivable	1,707.84	
110 1510	Interest Income		1,707.84
	To record accrued interest on CD's.		
0051987 0349	Other Professional Services	5,755.68	
0001087 0434	Building Repairs & Maintenance	1,260.00	
0101987 0434P	Bldg Rep & Maint Paint	283.00	
9201134 0349	Other Professional Services	375.00	
9011091 0662	Tires & Tubes		4,020.00
0501818 0610 7050	General Supplies		160.00
10 7421	Accounts Payable		3,493.68
	To correct accounts payable.		
10 8770	Unassigned Fund Balance	29,543.06	
10 8740	Committed Fund Balance		4,312.44
110 0999U	Beginning Balance		27,146.53
110 0999U 201	Beginning Balance		257.80
110 0999U 202	Beginning Balance		219.54
110 0999U 203	Beginning Balance		1,065.64
110 0999U 204	Beginning Balance		283.03
110 0999U 205	Beginning Balance		18.60
110 0999U 206	Beginning Balance		127.67
110 0999U 209	Beginning Balance		344.79
110 0999U 7050	Beginning Balance	4,232.98	
	To reclassify equity balances and correct beginning balances.		
10 8770	Unassigned Fund Balance	26,068.00	
10 8735	Future Construction Projects		26,068.00
	To restrict per BG.		
0001113 0910 CWTP	Transfer Out	11,865.75	
10 8770	Unassigned Fund Balance		11,865.75
	To correct postings to move project CWTP to 17WI and correct beginning fund balance.		

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2022

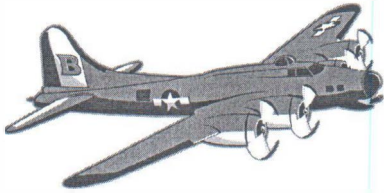
		Debit	Credit
0501987 0434E	Bldg R & M - Electrical	\$ 9,495.00	
0101017 0434E	Bldg R & M - Electrical	9,495.00	
10 6101	Cash		\$ 18,990.00
	To move reimbursement to construction fund.		
0701002 0610 655I	General Supplies	5,872.00	
110 4700 655I	Federal Rev Thru Intermed Srv		5,872.00
	To reclassify head start funds for supplies to agree to SEFA.		
10 6101	Cash	611.49	
110 1510	Interest Income		611.49
	To reverse interest allocations to closed construction projects.		
10 6130	Interfund Receivable	8,411.00	
10 6101	Cash		8,411.00
	To record interfund receivable and payable to cover shortage on fund 2.		
20 6101	Cash	8,411.00	
20 7400	Interfund Payable		8,411.00
	To record interfund receivable and payable to cover shortage on fund 2.		
0102087 0441 106I	Rent	9,971.96	
0102077 0130 106I	Classified Regular Salary		9,971.96
	To reclassify rent expense.		
220 3200 17WI	Restricted State Revenue	11,865.75	
220 5210 17WI	Fund Transfer		11,865.75
	To move to correct code.		
20 8731	Restricted Grants	0.74	
20 8770	Unassigned Fund Balance		0.74
	To reclassify.		
225 0999U 7905A	Beginning Balance	167.88	
25 8770	Unassigned Fund Balance		167.88
	To correct beginning balance for prior year payable.		
9052518 0610 7905A	General Supplies		167.88
0502504 0679 7050P	Other Student Activities	238.93	
0502535 0899 7050A	Other Miscellaneous	295.61	
225 1510 7905A	Interest		74.94
225 1790 7050A	Other Student Activity Income		295.61
225 1510 7050A	Interest		48.53
225 1510 7050P	Interest		79.06
225 1510 7005A	Interest		24.67
225 1710 7010A	Admissions		1,110.00
225 1730 7010A	Club & Other Dues		161.46
225 1740 7010A	Student Fees		102.50
0102535 0610 7010A	General Supplies		164.00
225 1790 7010A	Other Student Activity Income	1,270.73	
25 6101	Cash	423.38	
	To reclassify fund 25 to agree to AFR's at the schools.		
36 8770	Unreserved Fund Balance	18,378.51	
36 8735	Restricted - Future Constr BG-1		18,378.51
	To reclassify equity balances.		

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2022

		Debit		Credit
36 6101	Cash	\$ 18,990.00		
360 3200 8151	Restricted State Revenue To move reimbursement from general fund.			\$ 18,990.00
360 1510 8266	Interest on Investments	174.95		
360 1510 8151	Interest on Investments	189.98		
360 1510 8238	Interest on Investments	246.56		
36 6101	Cash			611.49
	To reverse the interest allocations to construction fund on projects that were closed in prior year.			
0005101 0585	Travel - Meals	415.33		
0005101 0583	Hauling of Commodities To reclassify			415.33
51 8739	Net Investment in Capital Assets			68,296.77
51 8739I	Restricted Other	23,267.94		
51 8712	Unrestricted Net Assets	148,290.71		
51 8770	Unassigned Fund Balance			24,333.06
51 8737P	Restricted - Other			57,305.60
51 8737O	Restricted - Other OPEB Liability To correct net assets balance.			21,623.22
0505101 0630	Food	1,065.11		
51 7421	Accounts Payable To record accounts payable for June.			1,065.11
510 3200	Restricted State Revenue	703.73		
510 4500	Restricted Fed Thru State To reclassify.			703.73
0005101 0630	Commodity Expense	74,342.00		
510 4950	Child Nutr Prg Donated Commodities To record commodities received.			74,342.00
0005101 0630	Food	23,267.94		
51 6172	Inventories for Consumption To adjust inventory at year end.			23,267.94
51 8770	Unassigned Fund Balance	105,687.36		
0005101 0739	Other Equipment			70,531.02
0105101 0698	Lawn & Landscaping Supplies			33,127.43
0005101 0433	Equip/Mach/Furn R&M To record entries per KDE instructions for fixed asset purchases on Food Service.			2,028.91
52 8712	Unrestricted Net Assets	6,375.82		
52 8737P	Restricted - Other Pension			4,629.11
52 8737O	Restricted - Other OPEB To reclassify equity balances.			1,746.71
81 6221	Building & Build Improvements	175,025.86		
81 8711	Investments Business Assets			175,025.86
0008101 0740	Depreciation	29,932.94		
81 6252	Accum Dep - Gen Equipment			27,599.26
81 6222	Accum Dep - Buildings & Improvements To record Food Service fixed asset additions and depreciation expense.			2,333.68

BALLARD COUNTY SCHOOL DISTRICT
SCHEDULE OF ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2022

		<u>Debit</u>	<u>Credit</u>
80 6221	Building & Build Improvements	\$ 8,549.31	
80 6241	Vehicles		\$ 249,400.00
80 6251	General Equipment	69,748.22	
80 8710	Investments Governmental Assets		194,073.53
80 6212	Accum Dep - Land Improvements		40,284.23
80 6222	Accum Dep - Buildings & Improv		901,072.16
80 6232	Accum Dep - Technology		41,568.63
80 6242	Accum Dep - Vehicles	283,133.16	
80 6252	Accum Dep - Gen Equipment		36,173.61
8881100 0740	Depreciation	812,979.27	
8882100 0740	Depreciation	41,045.26	
8882600 0740	Depreciation	166,266.05	
8882700 0740	Depreciation	80,742.84	
8882200 0740	Depreciation	108.05	
	To record fixed asset additions and depreciation expense.		
90 7531	Noncurrent Portion of Capital Lease		45,989.00
90 6304	Amount Retire Long-Term Debt		2,051,708.87
90 7551	Compensated Absences		3,900.00
90 7511	Noncurrent Portion of Bond Obligations	1,710,000.00	
90 7512	Accrued Interest	4,361.12	
90 6400	Deferred Outflows of Resources	62,311.34	
90 6194	Bond Premium/Discount		58,378.92
90 7541P	Unfunded Pension Liability	743,328.92	
90 7541O	Unfunded Pension Liability	623,260.43	
90 7700	Deferred Inflows of Resources		983,285.02
	To adjust to ending balances.		



Ballard County Schools

11 Vocational School Road, Barlow, Kentucky 42024
Phone: (270) 665-8400; Fax: (270) 665-9844
Casev Allen, Superintendent

CORRECTIVE ACTION PLAN

October 25, 2022

Kentucky Department of Education

Ballard County School District respectfully submits the following corrective action plan for the year ended June 30, 2022.

Williams, Williams & Lentz, LLP
601 Jefferson Street
Paducah, Kentucky 42001

Audit period:

The findings from the June 30, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings - Financial Statements Audit

Material Weakness

2022-001 Material Adjustments

Recommendation: We recommend the District management and financial personnel review the procedures and processes involved in recording journal entries and enhance its internal control policies to ensure proper recording of these items. Every effort should be made to enter as many period 13 entries as possible in MUNIS prior to initial submission of the Annual Financial Report to the Kentucky Department of Education.

Action Taken: The finance officer and staff have reviewed all procedures regarding collection of data for journal entries to ensure all end of year adjustments are captured. Specific entries that were not made in the prior year were made in the current year. The number of material audit adjustments were significantly less than in the prior year. All audit entries for this fiscal year will be reviewed at year end next year to make sure any necessary entries are recorded in the future.

2022-002 Bids

Recommendation: The entire cost must be taken into consideration regardless of payment being split between fiscal years when determining if it meets the requirements for obtaining sealed bids. The proper bid process should be followed in advertising for and obtaining sealed bids for any contracts, leases or other agreements, equipment or contractual services that involves an expenditure of more than \$30,000.

Action Taken: The finance officer and staff have reviewed the policies and procedures regarding this mistake. Moving forward, we will take the necessary steps to make sure bids are obtained before spending over the threshold. We will take extra care to make sure we have not purchased like items totaling above the threshold before continuing.

If the Kentucky Department of Education has questions regarding this plan, please call Jennifer Head at 270-665-8400 extension 2007.

Sincerely yours,

A handwritten signature in black ink that reads "Jennifer Head". The signature is written in a cursive, flowing style.

Finance Officer

BALLARD COUNTY SCHOOL DISTRICT



MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2022



WILLIAMS WILLIAMS & LENTZ

CERTIFIED PUBLIC ACCOUNTANTS

J. David Bailey, III
Roger G. Harris
Michael F. Karnes
Mark A. Thomas
Ashley C. Grooms
Kelly D. Scruggs
Benjamin D. Teer

Ballard County School District
Members of the Board
Barlow, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ballard County School District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Ballard County School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We also noted immaterial instances of noncompliance with applicable laws and regulations which we are required to report to you. These comments and recommendations, most of which have been discussed with the appropriate members of management, are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. This letter does not affect our report dated October 25, 2022, on the financial statements of Ballard County School District.

SEGREGATION OF DUTIES

Finding: As previously noted, the proper segregation of duties does not exist.

Criteria: This District is small, and it is not feasible to hire additional staff necessary to provide the proper segregation of duties.

Cause: The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Effect: Weaknesses in internal controls can create the possibility for the misappropriation of assets and/or fraudulent financial reporting.

Recommendation: Lack of proper segregation of duties dictates that the Board continues to be involved in the financial affairs of the District to provide oversight and independent review functions. The Superintendent should review journal entries in addition to the year-to-date budget reports received each month.

Management's Response: The Board will continue to be involved in the financial affairs of the District to provide oversight and independent review functions. The Superintendent will review journal entries in addition to the year to date budget reports received each month.

DISBURSEMENTS

Finding: Purchase orders are sometimes being used to authorize payment rather than the purchase as the purchase order is prepared in the payment process well after the date of the invoice.

Criteria: Approval of the purchase on a purchase order and approval for payment are two very important and separate internal controls in the purchasing process.

Cause: There was a breakdown in the internal controls over purchases.

Effect: Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: If a purchase order is required, the purchase order should be prepared and approved prior to the purchase. Once the purchase is made and items are received, the invoice should be initialed to indicate approval for payment. There should be separate initials or signatures on the invoice to indicate the items ordered were received and to indicate approval for payment.

Management's Response: Separate signatures will be provided to approve the purchase on the purchase order, if required, and to approve payment on the invoice. When purchase orders are required, approval for the purchase will be obtained prior to the actual purchase.

Finding: During our disbursements testing, we identified three out of forty disbursements for which there was no approval for payment. This is a repeat comment from the prior year.

Criteria: Approval of the purchase on a purchase order and approval for payment are two very important and separate internal controls in the purchasing process.

Cause: There was a breakdown in the internal controls over purchases.

Effect: Weakness in this internal control could serve as a way to misappropriate funds.

Recommendation: Once the invoices are received and there is verification that all items ordered were received, approval of payment must be obtained before actual payment is made. This should be in the form of a signature or initials of an authorized individual on the invoice.

Management's Response: We will double check that authorization for payment is noted on all purchases before payment is made.

Finding: During our disbursements testing, we identified four out of forty disbursements for which there was no initials on shipping documents or receipts to indicate the items ordered were received.

Criteria: When goods are purchased and shipped to the District, the individual receiving the goods must initial the packing slip or invoice to indicate all items ordered were received prior to paying the invoice.

Cause: There was a breakdown in the internal controls over purchases.

Effect: Weakness in this internal control could serve as a way to misappropriate funds. The initials provide accountability and reassurance that the goods have been received and the invoice is ready for payment. This mitigates the risk of paying an invoice for items that were not received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location.

Recommendation: Extra care should be used to make sure the proper internal control procedures are in place and being followed. Prior to payment, there should be initials on the packing slip or invoice to indicate the items were received.

Management's Response: These were overlooked that they had not been signed or initialed. We will watch closer to make sure all shipping documents or receipts have the appropriate initials indicating items were received.

ACTIVITY FUNDS

The following findings on the activity funds are listed by school in order to ensure the personnel in charge obtain the appropriate recommendations.

Ballard Memorial High School

Finding: During our receipts testing, we identified three receipts which were not timely deposited or dated. One secondary receipt was not dated. Therefore, the timing of the collections versus turning the funds into the treasurer could not be verified. Two of the primary receipts were not dated the same day as the secondary receipt with one of them not being issued until 10 days later.

Criteria: Per the Redbook, money collected should be turned into the treasurer and deposited the day it is received unless the total receipts for the day are less than \$100. The money should be deposited on the day collections exceed \$100 or weekly whichever occurs first.

Cause: There was breakdown in internal controls over receipts.

Effect: Untimely deposits increase the risk of misappropriation of funds.

Recommendation: All money collected should be turned into the treasurer and a primary receipt issued immediately upon receipt of the funds. The funds should be deposited on the same day it is received or the following business day if collected for a game after hours. Any exceptions should be noted as to the reasons why it wasn't deposited the same day unless the total collected is less than \$100.

Management's Response: The treasurer was out of the office when the money was turned in and should have been deposited. The treasurer will double check to make sure the secondary receipts are filled out correctly and completely. For the receipt that was issued 10 days late, the funds were collected on Tuesday before school was out for Thanksgiving. The first day back in school was six days later.

Finding: During our disbursements testing, we identified two disbursements in which the invoice or packing slip was not initialed by the person receiving the goods. This is a repeat comment from prior years.

Criteria: When goods are purchased and shipped to the District, the individual receiving the goods must initial the packing slip or invoice to indicate all items purchased were received prior to paying the invoice.

Cause: There was breakdown in internal controls over the purchasing process. Not all steps were completed before the payment was made.

Effect: The initials provide accountability and reassurance that the goods have been received and the invoice is ready for payment. This mitigates the risk of paying an invoice for items that were not received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location.

Recommendation: Extra care should be used to make sure the proper internal control procedures are in place and being followed.

Management's Response: The treasurer will double check to make sure all packing slips have the correct signatures/initials from this point forward.

Finding: The Monthly Financial Reports and bank reconciliations were not always prepared timely. Three months were prepared a month to a month and a half after month end.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," the monthly financial reports must be prepared at the close of each month, signed and dated by the treasurer, and reviewed and signed by the principal. The bank statements should be reviewed, signed, and dated by the principal prior to the statements being given to the treasurer to reconcile.

Cause: There is a lack of adequate training with regard to the guidance governing school activity funds.

Effect: The required reports were not being prepared and accounts were not being properly reconciled on a timely basis. Reviewing of the bank statements by the principal after the bank reconciliation was prepared indicated a significant breakdown in internal controls over financial reporting.

Recommendation: We recommend that the monthly and annual financial reports as well as bank reconciliations be prepared and approved by the 15th of the following month and that original documents be retained in situations that require changes be made to reports that have already been approved. The principal should be reviewing, signing, and dating the bank statements prior to giving them to the treasurer.

Management's Response: The bank statements were delivered to the mailbox at the board office then delivered to the school. They were lost on campus a couple of times, but they have fixed that issue now.

Finding: Ticket reports were not being completed accurately. The report shows a shortage of \$600.

Criteria: The first ticket available on the roll should be attached to the ticket report. The first ticket number sold (not the one attached to the form) is the beginning ticket number to be recorded on the report. The ending ticket number recorded on the form is the next ticket number on the ticket roll that was not sold. The difference between these numbers is the number of tickets sold. The number of tickets sold multiplied by the dollar amount per ticket should be the amount collected. The count of cash column should list the number of each denomination on hand. The total cash counted should equal the total sales plus change. The total cash on hand less the start-up change should equal the cash collected. Any discrepancies noted by the school treasurer's review of the ticket reports should be resolved immediately. Signatures should be present for the ticket seller, ticket taker, and the person in charge of sales.

Cause: The proper procedures over ticket reports were not clearly understood by the individuals in charge of them. Based on the explanations provided, the beginning and ending ticket numbers were backed into based on how much money they had without subtracting the original \$600 in change.

Effect: The control over ticket sales was completely bypassed. The risk of altering the ticket reports in an attempt to misappropriate funds increases when proper procedures are not followed.

Recommendation: The proper procedures for completing ticket reports should be communicated to those working gates at all athletic events. The completeness and accuracy of ticket reports should continue to be verified by the treasurer when the reports are turned in. Reasons for any overages or shortages should be documented on the reports.

Management's Response: This happened while the treasurer was out of the office with a death in the family. The treasurer will make sure the employees working the gate understand how the paperwork is supposed to be completed correctly.

Finding: Transfer forms were not completed as required.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," amounts may be transferred between the activity accounts only by proper completion of the transfer form (F-SA-10). The form must be approved by the transfer from account sponsor as well as the principal.

Cause: There was a breakdown in controls over transfers.

Effect: Policies surrounding transfers were not being followed. Approvals prior to action were not being obtained or at least documented.

Recommendation: We recommend the transfer forms be completed with sponsor signatures prior to transferring funds from one account to another. The supervisor of the accounts involved must be notified of the transfer and verify adequate funds exist to make the transfer.

Management's Response: The treasurer will make sure the F-SA-10 forms are used for any transfers and signed by the appropriate individuals prior to making the transfer.

Ballard County Middle School

Finding: During our receipts testing, we identified one receipt which was not timely deposited. The total of the receipts received on Monday exceeded \$100 but were not deposited until the following Wednesday. This is a repeat comment.

Criteria: Per the Redbook, money collected should be deposited the day it is received unless the total receipts for the day are less than \$100. The money should be deposited on the day collections exceed \$100 or weekly whichever occurs first.

Cause: There was breakdown in internal controls over receipts.

Effect: Untimely deposits increase the risk of misappropriation of funds.

Recommendation: All money collected should be deposited on the same day it is received or the following business day if collected for a game after hours. Any exceptions should be noted as to the reasons why it wasn't deposited the same day unless the total collected is less than \$100.

Management's Response: The treasurer was out of the office on Tuesday when the money should have been deposited. Notes will be made documenting any reasons for deposits not being made the day collected.

Finding: During our disbursements testing, we identified three disbursements in which there were not separate signatures by the individual receiving the goods and the one approving the invoice for payment. This is a repeat comment from prior years.

Criteria: When goods are purchased and shipped to the District, the individual receiving the goods must initial the packing slip or invoice to indicate all items purchased were received prior to paying the invoice. A separate individual must initial or sign the invoice indicating approval for payment. These are two separate controls.

Cause: There was breakdown in internal controls over the purchasing process. Not all steps were completed before the payment was made.

Effect: The initials provide accountability and reassurance that the goods have been received and the invoice is ready for payment. This mitigates the risk of paying an invoice for items that were not received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location. The approval for payment indicates the purchase is for authorized purposes and the funds are available to pay the invoice.

Recommendation: Extra care should be used to make sure the proper internal control procedures are in place and being followed.

Management's Response: The treasurer will double check to make sure all packing slips are initialed by the person receiving the items, and the invoices are initialed for payment approval.

Finding: The Monthly Financial Reports and bank reconciliations were not always prepared timely. January and March were not prepared until the end of the following month. The April report was not signed or dated by the principal.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," the monthly financial reports must be prepared at the close of each month, signed and dated by the treasurer, and reviewed and signed by the principal. The bank statements should be reviewed, signed, and dated by the principal prior to the statements being given to the treasurer to reconcile.

Cause: There is a lack of adequate training with regard to the guidance governing school activity funds.

Effect: The required reports were not being prepared and accounts were not being properly reconciled on a timely basis. Reviewing of the bank statements by the principal after the bank reconciliation was prepared indicated a significant breakdown in internal controls over financial reporting.

Recommendation: We recommend that the monthly and annual financial reports as well as bank reconciliations be prepared and approved by the 15th of the following month and that original documents be retained in situations that require changes be made to reports that have already been approved. The principal should be reviewing, signing, and dating the bank statements prior to giving them to the treasurer.

Management's Response: The bank statements were delivered to the mailbox at the board office then delivered to the school. They were lost on campus a couple of times, but they have fixed that issue now.

Ballard County Career & Technical Center (BCCTC)

Finding: During our receipts testing, we identified one receipt in which the primary receipt was not signed or dated until the following day.

Criteria: According to the Redbook, a pre-numbered receipt shall be issued to the payer immediately any time money is received. The school treasurer and the person turning in money shall jointly count the money.

Cause: There was breakdown in internal controls over receipts.

Effect: There is an increase the risk of misappropriation of funds.

Recommendation: The school treasurer and the person turning in money should jointly count the money at the time it is turned in making sure it agrees to the secondary receipt which is properly completed. A primary receipt should be issued immediately to the person remitting the money.

Management's Response: The treasurer was not in the office or otherwise busy when the funds were turned in. The treasurer will make sure this does not happen again.

Finding: During our disbursements testing, we identified one disbursement in which there were not separate signatures by the individual receiving the goods and the one approving the invoice for payment.

Criteria: When goods are purchased and shipped to the District, the individual receiving the goods must initial the packing slip or invoice to indicate all items purchased were received prior to paying the invoice. A separate individual must initial or sign the invoice indicating approval for payment. These are two separate controls.

Cause: There was breakdown in internal controls over the purchasing process. Not all steps were completed before the payment was made.

Effect: The initials provide accountability and reassurance that the goods have been received and the invoice is ready for payment. This mitigates the risk of paying an invoice for items that were not received. It also mitigates the risk of unauthorized purchases through the District that may be shipped to another location. The approval for payment indicates the purchase is for authorized purposes and the funds are available to pay the invoice.

Recommendation: Extra care should be used to make sure the proper internal control procedures are in place and being followed.

Management's Response: The treasurer will double check to make sure all packing slips are initialed by the person receiving the items, and the invoices are initialed for payment approval.

Finding: The Monthly Financial Reports and bank reconciliations were not always prepared timely. Three months were prepared a month to a month and a half after month end.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," the monthly financial reports must be prepared at the close of each month, signed and dated by the treasurer, and reviewed and signed by the principal. The bank statements should be reviewed, signed, and dated by the principal prior to the statements being given to the treasurer to reconcile.

Cause: There is a lack of adequate training with regard to the guidance governing school activity funds.

Effect: The required reports were not being prepared and accounts were not being properly reconciled on a timely basis. Reviewing of the bank statements by the principal after the bank reconciliation was prepared indicated a significant breakdown in internal controls over financial reporting.

Recommendation: We recommend that the monthly and annual financial reports as well as bank reconciliations be prepared and approved by the 15th of the following month and that original documents be retained in situations that require changes be made to reports that have already been approved. The principal should be reviewing, signing, and dating the bank statements prior to giving them to the treasurer.

Management's Response: The bank statements were delivered to the mailbox at the board office then delivered to the school. They were lost on campus a couple of times, but they have fixed that issue now.

Finding: The ending balances in several of the activity fund accounts are significant.

Criteria: According to "Accounting Procedures for Kentucky School Activity Funds," school activity funds are raised for a specific function or purpose during a specific fiscal year and must be used for that specific function during that period. There are two allowable reasons to carry significant balances forward to the next year: funds raised for a specific future purpose or funds are needed at the beginning of a fiscal year.

Cause: There is a lack of adequate training with regard to the guidance governing school activity funds.

Effect: Balances in school activity funds continue to grow not being spent during the period or for the purpose for which the funds were raised.

Recommendation: We recommend the sponsors consider the necessity of these larger balances being carried forward from one year to the next and if they meet one of the exceptions in the criteria above. If they do not meet one of the exceptions, fundraising should be prohibited until the excessive balances have decreased.

Management's Response: The treasurer will speak with the sponsors and explain the criteria for carrying forward funds and the necessity of spending the funds for the purpose and within the time period for which they were raised.

Ballard County Elementary School

All prior year recommendations appear to have been properly addressed.

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We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. This communication is intended solely for the information and use of the Board, management, and others within the District as deemed appropriate, and is not intended to be, and should not be, used by anyone other than these specified parties. .



Williams, Williams + Luty, LLP

Paducah, Kentucky
October 25, 2022