

CUMBERLAND COUNTY SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022**

With

REPORT OF INDEPENDENT AUDITORS

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to the Basic Financial Statements	17
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	48
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	49
Notes to Required Supplementary Information – Budget and Actual – General Fund and Special Revenue Fund	50
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System	51

TABLE OF CONTENTS (Continued)

Schedule of District Contributions – County Employees Retirement System	52
Notes to Required Supplementary Information – County Employees Retirement System – Pension Fund	53
Schedule of District’s Proportionate Share of Net OPEB Liability – County Employees Retirement System – Medical Insurance Plan	54
Schedule of District Contributions – County Employees Retirement System- Medical Insurance Plan	55
Note to Required Supplementary Information – County Employees Retirement System- Medical Insurance Plan.....	56
Schedule of the State’s Proportionate Share of the Net Pension Liability – Kentucky Teachers’ Retirement System.....	57
Schedule of State Contributions – Kentucky Teacher’s Retirement System	58
Notes to Required Supplementary Information – Kentucky Teacher’s Retirement System	59
Schedule of the State’s Proportionate Share of Net OPEB Liability – Kentucky Teachers’ Retirement System Medical Insurance Plan.....	60
Schedule of State Contributions – Kentucky Teachers’ Retirement System – Medical Insurance Plan	61
Notes to Required Supplementary Information – Kentucky Teachers’ Retirement System – Medical Insurance Plan.....	62
Schedule of the States’ Proportionate Share of Net OPEB Liability – Kentucky Teachers’ Retirement System– Life Insurance Plan.....	63
Schedule of State Contributions – Kentucky Teachers’ Retirement System – Life Insurance Plan	64
Note to Required Supplementary Information – Kentucky Teachers’ Retirement System – Life Insurance Fund	65

Other Supplementary Information

Combining Balance Sheet – Non-major Governmental Funds	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	68
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds	69
Statement of Revenues, Expenditures, and Changes in Fund Balances – Cumberland County High School Activity Fund	70

TABLE OF CONTENTS (Continued)

Schedule of Expenditures of Federal Awards.....72

Notes to the Schedule of Expenditures of Federal Awards.....74

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards*75

Report on Compliance for Each Major Federal Program and Report on
Internal control Over Compliance Required by Uniform Guidance76

Schedule of Findings and Questioned Costs – Major Programs81

Schedule of Prior Year Audit Findings83

Independent Auditors' Transmittal Letter for
Management Letter Comments85

Management Letter Comments86



Cloyd & Associates, PSC

Certified Public Accountants
and
Business Advisors

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Cumberland County School District
Burkesville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland 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 Cumberland 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements and Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cumberland County School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

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

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 Cumberland County School 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.





Cloyd & Associates, PSC

*Certified Public Accountants
and*

Business Advisors

Auditor's Responsibilities for the Audit of the Financial Statement

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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 and 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, so such opinion is expressed.
- Evaluate the appropriateness of accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

Supplementary Information

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

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 10, 2022, on our consideration of Cumberland 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 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cumberland County School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC

London, Kentucky

November 10, 2022

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022

The management of Cumberland County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2022. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, (*Certain Financial Statement Note Disclosures*), issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$3,142,189, which included Student Activity Fund cash balance of \$225,995, School Food Service cash balance of \$385,472, and After School Child Care cash balance of \$159,293.
- The grand total Net General Fund SEEK on the final SEEK calculation for 2021-2022 increased by \$294,925.
- The General Fund had \$8,622,825 in revenue, which primarily consisted of state SEEK, property taxes, and utility taxes.
- The General Fund ended the fiscal year with a fund balance of \$757,059. The fund balance increased by \$170,800 in comparison to the previous fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the District that are primarily 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 asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on the table of contents of this report.

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
Year ended June 30, 2022

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2022

Fiscal year 2022 government-wide net position compared to 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 3,564,859	\$ 5,389,214
Capital assets	9,865,795	10,209,163
Total assets	<u>\$ 13,430,654</u>	<u>\$ 13,652,470</u>
Deferred outflow of resources	<u>\$ 2,043,269</u>	<u>\$ 4,151,734</u>
Current liabilities	\$ 1,166,379	\$ 1,469,967
Noncurrent liabilities	13,215,332	14,560,395
Total Liabilities	<u>\$ 14,381,711</u>	<u>\$ 16,030,362</u>
Deferred inflows of resources	<u>\$ 2,304,120</u>	<u>\$ 2,682,007</u>
Net investment in capital assets,	\$ 2,120,619	\$ 3,557,292
Restricted net position	1,002,445	237,974
Unrestricted net position	(3,739,266)	(4,703,431)
Total net position	<u>\$ (616,202)</u>	<u>\$ (908,165)</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
Year ended June 30, 2022

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental liabilities assets exceeded assets by approximately \$687,295; proprietary assets exceed liabilities by \$595,706; and total liabilities exceeded assets by \$687,295 at June 30, 2022.

The District had an overall increase in unrestricted net position of \$632,221, comprised of an increase in governmental activities unrestricted net position of \$632,221.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total Revenue	<u>\$ 15,667,410</u>	<u>\$ 12,885,003</u>
Expenditures and other financing uses		
Instruction	\$ 8,555,119	\$ 7,358,506
Student support services	310,246	361,619
Instructional support	1,642,596	1,053,760
District administration	450,851	346,800
School administration	562,990	553,591
Business operations	291,189	496,265
Plant operation and maintenance	848,753	1,228,776
Student transportation	590,871	470,543
Day care operations	275,582	50,581
Community services	186,315	137,783
Student activity	438,390	-
Debt service	1,178,849	1,175,126
Facilities acquisition and construction	<u>-</u>	<u>-</u>
Total expenditures	<u>15,331,751</u>	<u>13,233,350</u>
Excess revenues (expenditures)	<u>\$ 335,659</u>	<u>\$ (348,347)</u>
Other financing sources (uses)		
Proceeds from disposal of assets	\$ 1,602	\$ -
Transfers in	1,292,016	1,102,271
Transfers out	<u>(1,230,888)</u>	<u>(1,054,562)</u>
Total other financing sources (uses)	<u>\$ 62,730</u>	<u>\$ 47,709</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public-school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$450,000 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements but are not budgeted by the District.

Comments on Budget Comparisons

- The District's total general fund revenues for the fiscal year ended June 30, 2022 were \$8,622,825 excluding transfers, proceeds from the sale of assets, and capital lease proceeds.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$2,756,520 more than budget or 46.99% more than the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2022 was \$8,549,820.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$1,797,052 more than budget or 26.61% more than budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (270) 864-3377, or to the Finance Officer (270) 864-3377 or by mail at 810 Main Street, Burkesville, Kentucky 42717.

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,597,424	\$ 544,765	\$ 3,142,189
Accounts receivable:			
Taxes	-	-	-
Local	-	-	-
Intergovernmental - Federal	967,435	3,121	970,556
Prepaid expenditures	-	-	-
Capital Assets, net			
Nondepreciable	367,882	-	367,882
Depreciable	9,497,913	47,820	9,545,733
Total assets	13,430,654	595,706	14,026,360
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows from Bond Refunding	126,424	-	126,424
Deferred outflows from CERS PENSION	585,858	-	585,858
Deferred outflows from OPEB - CERS	611,441	-	611,441
Deferred outflows from OPEB - KTRS	719,546	-	719,546
	<u>2,043,269</u>	<u>-</u>	<u>2,043,269</u>
LIABILITIES			
Accounts payable	36,987	-	36,987
Accrued expense	87,061	-	87,061
Unearned revenue	221,174	-	221,174
Current portion of accumulated sick leave	51,107	-	51,107
Current portion of capital lease obligations	68,779	-	68,779
Current maturities of bond obligations	610,000	-	610,000
Interest payable	91,271	-	91,271
Net pension liability - CERS	3,270,395	-	3,270,395
Net OPEB - CERS liability	981,768	-	981,768
Net OPEB - KTRS liability	1,384,000	-	1,384,000
Noncurrent portion of capital lease obligations	304,217	-	304,217
Noncurrent maturities of bond obligations	6,810,000	-	6,810,000
Noncurrent portion of accumulated sick leave	464,952	-	464,952
Total liabilities	14,381,711	-	14,381,711
DEFERRED INFLOW OF RESOURCES			
Deferred inflows - CERS PENSION	622,011	-	622,011
Deferred inflows from OPEB - CERS	514,109	-	514,109
Deferred inflows from OPEB - KTRS	1,168,000	-	1,168,000
	<u>2,304,120</u>	<u>-</u>	<u>2,304,120</u>
NET POSITION			
Net investment in capital assets	2,072,799	47,820	2,120,619
Restricted for:			
Capital expenditures	239,840	-	239,840
Other	214,719	547,886	762,605
Unrestricted	(3,739,266)	-	(3,739,266)
Total net position	\$ (1,211,908)	\$ 595,706	\$ (616,202)

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities							
Instruction	\$ 9,776,521	\$ 75,441	\$ 5,115,557	\$ -	\$ (4,585,523)	\$ -	\$ (4,585,523)
Student	313,125	-	150,318	-	(162,807)	-	(162,807)
Instructional support	1,642,596	-	788,539	-	(854,057)	-	(854,057)
District administration	479,267	-	230,075	-	(249,192)	-	(249,192)
School administration	562,990	-	270,267	-	(292,723)	-	(292,723)
Business support	291,189	-	139,787	-	(151,402)	-	(151,402)
Plant operations and maintenance	952,899	-	393,992	-	(558,907)	-	(558,907)
Student transportation	572,765	-	274,960	-	(297,805)	-	(297,805)
Daycare operations	275,582	-	132,295	-	(143,287)	-	(143,287)
Community services	186,315	-	89,442	-	(96,873)	-	(96,873)
Student activity	438,390	-	209,990	-	(228,400)	-	(228,400)
Interest on long-term debt	465,337	-	-	204,397	(260,940)	-	(260,940)
Total governmental activities	15,956,976	75,441	7,795,222	204,397	(7,881,916)	-	(7,881,916)
Business-type activities							
Food service	1,090,110	16,626	1,230,341	-	-	156,857	156,857
After school child care	94,655	183,243	-	-	-	88,588	88,588
Total business-type activities	1,184,765	199,869	1,230,341	-	-	245,445	245,445
Total primary government	\$ 17,141,741	\$ 275,310	\$ 9,025,563	\$ 204,397	(7,881,916)	245,445	(7,636,471)
General revenues							
Taxes:							
Property					1,633,031	-	1,633,031
Motor vehicle					277,390	-	277,390
Utility					448,397	-	448,397
Occupational license tax					235,777	-	235,777
Earnings on investments					90,051	2,538	92,589
State grants					4,490,881	-	4,490,881
Other local amounts					748,767	-	748,767
Gain/(loss) on disposal of assets					1,602	-	1,602
Transfers in (out)					61,128	(61,128)	-
Total general revenues					7,987,024	(58,590)	7,928,434
Change in net position					105,108	186,855	291,963
Net position as of July 1, 2021					(1,317,016)	408,851	(908,165)
Net position as of June 30, 2022					\$ (1,211,908)	\$ 595,706	\$ (616,202)

CUMBERLAND COUNTY SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2022**

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 95,747	\$ 89,243	\$ 2,186,439	\$ 225,995	\$ 2,597,424
Accounts receivable:					
Taxes	-	-	-	-	-
Local	-	-	-	-	-
Intergovernmental federal	-	967,435	-	-	967,435
Interfund receivable	835,503	-	-	-	835,503
Prepaid expenditures	-	-	-	-	-
Total assets	\$ 931,250	\$ 1,056,678	\$ 2,186,439	\$ 225,995	\$ 4,400,362
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 36,023	\$ -	\$ -	\$ 964	\$ 36,987
Accrued expense	87,061	-	-	-	87,061
Sick leave payable	51,107	-	-	-	51,107
Interfund payable	-	835,503	-	-	835,503
Unearned revenue	-	221,174	-	-	221,174
Total liabilities	174,191	1,056,677	-	964	1,231,832
Fund balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	2,186,439	225,031	2,411,470
Committed	94,145	-	-	-	94,145
Assigned	-	-	-	-	-
Unassigned	662,914	-	-	-	662,914
Total fund balances	757,059	-	2,186,439	225,031	3,168,529
Total liabilities and fund balances	\$ 931,250	\$ 1,056,677	\$ 2,186,439	\$ 225,995	\$ 4,400,361

CUMBERLAND COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balances - governmental funds	\$ 3,168,529
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	9,865,795
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	2,043,269
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but are presented in the statement of net position.	(7,420,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but are presented in the statement of net position.	(372,996)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(464,952)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(5,636,163)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(2,304,120)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(91,270)</u>
Total net position - governmental activities	<u>\$ (1,211,908)</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2022

	General Fund	Special Revenue Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes					
Property	\$ 1,193,199	\$ -	\$ -	\$ 439,832	1,633,031
Motor vehicle	277,390	-	-	-	277,390
Utility	448,397	-	-	-	448,397
Occupational license tax	235,777	-	-	-	235,777
Earnings on investments	11,218	-	78,833	-	90,051
Other local	265,989	57,331	-	-	323,320
Student activity revenue	-	-	-	425,447	425,447
Intergovernmental - State	6,115,414	945,448	204,397	419,716	7,684,975
Intergovernmental - Federal	75,441	4,311,149	162,432	-	4,549,022
Total revenues	8,622,825	5,313,928	445,662	1,284,995	15,667,410
Expenditures					
Current:					
Instruction	5,506,907	3,048,212	-	-	8,555,119
Student	259,393	50,853	-	-	310,246
Instructional support	153,272	1,489,324	-	-	1,642,596
District administration	450,851	-	-	-	450,851
School administration	562,990	-	-	-	562,990
Business support	291,189	-	-	-	291,189
Plant operations and maintenance	753,506	95,247	-	-	848,753
Student transportation	571,712	19,159	-	-	590,871
Daycare operations	-	275,582	-	-	275,582
Community services	-	186,315	-	-	186,315
Student activity expenditures	-	-	-	438,390	438,390
Buildings acquisition & construction	-	-	-	-	-
Debt service	-	-	1,178,849	-	1,178,849
Total expenditures	8,549,820	5,164,692	1,178,849	438,390	15,331,751
Excess (deficit) of revenues over (under) expenditures	73,005	149,236	(733,187)	846,605	335,659
Other financing sources (uses)					
Proceeds from disposal of assets	1,602	-	-	-	1,602
Proceeds from the sale of bonds	-	-	-	-	-
Transfers in	233,053	85,244	973,719	-	1,292,016
Transfers out	(136,860)	(234,480)	-	(859,548)	(1,230,888)
Total other financing sources (uses)	97,795	(149,236)	973,719	(859,548)	62,730
Net change in fund balance	170,800	-	240,532	(12,943)	398,389
Restated fund balance as of June 30, 2021	586,259	-	1,945,907	237,974	2,770,140
Fund balance as of June 30, 2022	\$ 757,059	\$ -	\$ 2,186,439	\$ 225,031	\$ 3,168,529

CUMBERLAND COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2021**

Net change in total fund balances - governmental funds	\$ 398,389
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlay for the year.	(295,940)
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities	(36,608)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	783,664
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	(70,153)
Pension expense is not recognized on the governmental fund financial statements but is recognized as an expense on the statement of activities.	(480,177)
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(194,067)</u>
Change in net position - governmental activities	<u>\$ 105,108</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS
 June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 385,472	\$ 159,293	\$ 544,765
Inventories	<u>3,121</u>	<u>-</u>	<u>3,121</u>
Total current assets	<u>388,593</u>	<u>159,293</u>	<u>547,886</u>
Noncurrent assets			
Capital assets	499,792	1,131	500,923
Less accumulated depreciation	<u>(452,326)</u>	<u>(777)</u>	<u>(453,103)</u>
Total noncurrent assets	<u>47,466</u>	<u>354</u>	<u>47,820</u>
Total assets	<u>436,059</u>	<u>159,647</u>	<u>595,706</u>
LIABILITIES			
Current liabilities			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	47,466	354	47,820
Restricted for:			
Other	388,593	159,293	547,886
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 436,059</u>	<u>\$ 159,647</u>	<u>\$ 595,706</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 Year ended June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
Operating revenues			
Lunchroom sales	\$ 16,626	\$ -	\$ 16,626
Other	-	183,243	183,243
Total operating revenues	<u>16,626</u>	<u>183,243</u>	<u>199,869</u>
Operating expenses			
Salaries and wages	276,462	50,657	327,119
Employee benefits	160,227	16,314	176,541
Materials and supplies	636,385	27,639	664,024
Other	-	-	-
Depreciation	17,036	45	17,081
Total operating expenses	<u>1,090,110</u>	<u>94,655</u>	<u>1,184,765</u>
Operating income/(loss)	<u>(1,073,484)</u>	<u>88,588</u>	<u>(984,896)</u>
Nonoperating revenues			
Federal grants	1,106,141	-	1,106,141
State grants	77,710	-	77,710
Earnings on investments	2,538	-	2,538
Donated commodities	46,490	-	46,490
Total nonoperating revenues/(expenses)	<u>1,232,879</u>	<u>-</u>	<u>1,232,879</u>
Gain/(Loss) on disposal of assets	<u>-</u>	<u>-</u>	<u>-</u>
Income before contributions, transfers, and special items	<u>159,395</u>	<u>88,588</u>	<u>247,983</u>
Transfers in (out)	(48,664)	(12,464)	(61,128)
Change in net position	110,731	76,124	186,855
Net position as of June 30, 2021	<u>325,328</u>	<u>83,523</u>	<u>408,851</u>
Net position as of June 30, 2022	<u>\$ 436,059</u>	<u>\$ 159,647</u>	<u>\$ 595,706</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

Year ended June 30, 2022

	Food Service Fund	After School Child Care Fund	Total
Cash flows from operating activities			
Cash received from:			
Lunchroom sales	\$ 16,626	\$ -	\$ 16,626
Other activities		183,243	183,243
Cash paid to/for:			
Employees	(436,689)	(66,971)	(503,660)
Supplies	(595,229)	(27,956)	(623,185)
Net cash used in operating activities	<u>(1,015,292)</u>	<u>88,316</u>	<u>(926,976)</u>
Cash flows from non-capital financing activities			
Grants received	1,183,851	-	1,183,851
Transfer from (to) general fund	(48,664)	(12,464)	(61,128)
Net cash used in non-capital financing activities	<u>1,135,187</u>	<u>(12,464)</u>	<u>1,122,723</u>
Cash flows from capital and related financing activities			
Purchase of equipment	(17,475)	-	(17,475)
Repayment from governmental funds	14,685	-	14,685
Net cash used in capital and related financing activities	<u>(2,790)</u>	<u>-</u>	<u>(2,790)</u>
Cash flows from investing activities			
Investment income	2,538	-	2,538
Net cash used in capital and related activities	<u>2,538</u>	<u>-</u>	<u>2,538</u>
Net increase/(decrease) in cash and cash equivalents	119,643	75,852	195,495
Cash and cash equivalents as of June 30, 2021	265,829	83,441	349,270
Cash and cash equivalents as of June 30, 2022	<u>\$ 385,472</u>	<u>\$ 159,293</u>	<u>\$ 544,765</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income/ (loss)	\$ (1,073,484)	\$ 88,588	\$ (984,896)
Adjustments to reconcile change in net position to net cash used in operating activities:			
Increase/(decrease) in accounts payable	(7,475)	(317)	(7,792)
Decrease in inventory	2,141	-	2,141
Donated commodities	46,490	-	46,490
Depreciation	17,036	45	17,081
Net cash used in operating activities	<u>\$ (1,015,292)</u>	<u>\$ 88,316</u>	<u>\$ (926,976)</u>
Schedule of non-cash transactions:			
Depreciation	\$ 17,036	\$ -	\$ 17,036
Donated commodities	46,490	-	46,490
Total non-cash transactions	<u>\$ 63,526</u>	<u>\$ -</u>	<u>\$ 63,526</u>

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 1,347,960	\$ 981,768	\$ 681,247

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 706,756	\$ 981,768	\$ 1,313,712

OPEB Plan Fiduciary Net Position- Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

11. OPERATING LEASES

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification® Topic 842, Leases.

12. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022, may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

1. REPORTING ENTITY

The Cumberland County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Cumberland County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. 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 activities relevant to the operation of the Cumberland County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Cumberland County School District Finance Corporation - The Cumberland County Board of Education resolved to authorize the establishment of the Cumberland County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity 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 District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the significant accounting policies:

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

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

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

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

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

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

The Student Activity Fund is used to account for activities of student groups.

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.

II. Proprietary Fund Types (Enterprise Fund)

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

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Basis of Accounting

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

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

Unearned Revenue/Advances from Grantors- Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022 were \$.424 per \$100 valuation for real property, \$.425 per \$100 valuation for business personal property and \$.530 per \$100 valuation for motor vehicles.

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

The District levies an occupational license tax of 0.5% of all gross wages paid within the county.

Prepaid Assets

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Interfund Receivables and Payables

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining amount. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

Bonds and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance are recognized in the current period. The face amount of the debt is reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Receivables

The District recognizes revenues as receivables when they are measurable, and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

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 program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-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.

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

Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022, in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt 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 School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

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

Contributions of Capital

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

Interfund Activity

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

Estimates

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pension and Other Postemployment Benefits

For purposes of measuring the net liabilities, the deferred outflows of resources and deferred inflows of resources, and expense related to pensions and other postemployment benefits (OPEB), information about the fiduciary net position of the pension / OPEB plans, and additions to / deductions from the pension / OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension / OPEB plans. For this purpose, revenues are recognized when earned. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts was further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and the County Employees Retirement System Non-Hazardous (CERS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by the pension 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

New Accounting Standard

GASB Statement No. 87, Leases, effective for fiscal year 2022, , was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources.

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2022 consisted of the following:

See table on next page

3. CUSTODIAL CREDIT RISK – DEPOSITS – CONTINUED

	<u>Bank Balance</u>	<u>Book Balance</u>
First & Farmer's Bank	\$ 1,743,592	\$ 955,751
Bank of New York - Mellon	<u>2,186,438</u>	<u>2,186,438</u>
	<u>\$ 3,930,030</u>	<u>\$ 3,142,189</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 2,597,424
Proprietary funds	<u>544,765</u>
	<u>\$ 3,142,189</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

- Special Revenue Funds
- SEEK Capital Outlay Fund
- Facility Support Program (FSPK) Fund
- School Construction Fund
- School Food Service Fund
- Agency Funds

4. INVESTMENTS

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2022, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year ended June 30, 2022

5. CAPITAL ASSETS

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

	<u>June 30, 2021</u>			<u>June 30, 2022</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities				
Land & land improvements	\$ 936,656	\$ -	\$ 2,962	\$ 933,694
Buildings	17,740,624	9,851	-	17,750,475
Technology equipment	251,077	105,421	72,258	284,240
Vehicles	1,592,006	103,280	53,891	1,641,395
General equipment	711,198	66,341	9,626	767,913
Construction work in progress	-	205,311	-	205,311
Total historical cost	<u>21,231,561</u>	<u>490,204</u>	<u>138,737</u>	<u>21,583,028</u>
Less accumulated depreciation	<u>11,069,826</u>	<u>786,144</u>	<u>138,737</u>	<u>11,717,233</u>
Governmental capital assets, net	<u>\$ 10,161,735</u>	<u>\$ (295,940)</u>	<u>\$ -</u>	<u>\$ 9,865,795</u>
Business-type Activities				
Buildings and Improvements	\$ 32,506	\$ -	\$ -	\$ 32,506
General equipment	<u>488,621</u>	<u>17,474</u>	<u>6,304</u>	<u>499,791</u>
Total historical cost	521,127	17,474	6,304	532,297
Less accumulated depreciation	<u>473,699</u>	<u>17,082</u>	<u>6,304</u>	<u>484,477</u>
Business-type capital assets, net	<u>\$ 47,428</u>	<u>\$ 392</u>	<u>\$ -</u>	<u>\$ 47,820</u>

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 592,286
Student	2,880
District administrative	28,416
Plant operation and maintenance	77,388
Student transportation	<u>85,174</u>
	<u>\$ 786,144</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2022

6. CAPITAL LEASE OBLIGATION

The District has entered into multiple finance lease agreements for buses under which the buses will become the property of the District when all the terms of the finance lease agreement are met. The following schedule presents the finance lease activity for the year ended June 30, 2022:

Maturity	Balance July 1, 2021	Debt Issued	Debt Paid	Balance June 30, 2022	Due Within One Year
March, 2022	\$ 15,491	\$ -	\$ 15,491	\$ -	\$ -
March, 2025	70,419	-	18,499	51,920	18,911
March, 2027	112,908	-	18,644	94,264	19,141
March, 2029	152,839	-	18,652	134,187	19,178
March, 2031	104,174	-	11,549	92,625	11,549
	<u>\$ 455,831</u>	<u>\$ -</u>	<u>\$ 82,835</u>	<u>\$ 372,996</u>	<u>\$ 68,779</u>

The following presents a schedule by years of the future minimum lease payments under finance lease as of June 30, 2022.

Year	Principal	Interest	Total
2022-23	68,779	8,883	77,662
2023-24	65,838	7,250	73,088
2024-25	67,435	5,644	73,079
2025-26	48,758	3,954	52,712
2026-27	49,984	2,752	52,736
2027-28	26,783	1,518	28,301
2028-29	27,454	902	28,356
2029-30	8,915	269	9,184
2030-31	9,050	136	9,186
Totals	<u>\$ 372,996</u>	<u>\$ 31,308</u>	<u>\$ 404,304</u>
		Less: amounts representing interest	<u>(31,308)</u>
		Net Capital lease liability	<u>\$ 372,996</u>

The District has no other finance leases or operating leases requiring disclosure as right of use assets as defined by *FASB Accounting Standards Codification® Topic 842, Leases*.

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Cumberland County School District Finance Corporation.

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

See table on next page

7. LONG-TERM OBLIGATIONS - CONTINUED

<u>Issue Date</u>		<u>Proceeds</u>	<u>Rates</u>
2011 QZAB	\$	2,411,505	5.30%
2016R	\$	5,860,000	1.00-2.125%
2016	\$	1,100,000	1.00-3.25%

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

In 1996, 2003, and 2008 the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008 the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

See table on next page

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2022

7. LONG-TERM OBLIGATIONS - CONTINUED

Year	Cumberland County School District		Kentucky School Facility Construction Commission		Federal Interest	Total Principal	Total Interest
	Principal	Interest	Principal	Interest			
2022-23	457,082	56,385	167,918	36,475	86,125	625,000	178,986
2023-24	468,722	47,243	171,278	33,119	86,125	640,000	166,487
2024-25	469,822	37,844	175,178	29,218	86,125	645,000	153,188
2025-26	3,735,829	28,437	179,171	25,226	86,125	3,915,000	139,788
2026-27	496,743	18,674	183,257	21,139	-	680,000	39,813
2027-28	351,574	8,090	53,426	16,791	-	405,000	24,881
2028-29	-	606	55,000	15,188	-	55,000	15,794
2029-30	3,322	334	56,678	13,538	-	60,000	13,872
2030-31	1,621	506	58,379	11,838	-	60,000	12,344
2031-32	4,797	455	60,203	10,013	-	65,000	10,469
2032-33	2,915	305	62,085	8,132	-	65,000	8,438
2033-34	974	214	64,026	6,192	-	65,000	6,406
2034-35	3,974	184	66,026	4,191	-	70,000	4,375
2035-36	1,911	59	68,089	2,128	-	70,000	2,187
	<u>\$ 5,999,286</u>	<u>\$ 199,337</u>	<u>\$ 1,420,714</u>	<u>\$ 233,188</u>	<u>\$ 344,500</u>	<u>\$ 7,420,000</u>	<u>\$ 777,025</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2022 is as follows:

School Building Revenue Bonds	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
2011 QZAB	3,250,000	-	-	3,250,000
2013	195,000	-	195,000	-
2016	875,000	-	50,000	825,000
2016R	3,905,000	-	560,000	3,345,000
2012 KISTA	15,491	-	15,491	-
2015 KISTA	70,419	-	18,499	51,920
2017 KISTA	112,908	-	18,644	94,264
2019 KISTA	152,839	-	18,652	134,187
2021 KISTA	104,174	-	11,549	92,625
Net Pension Liability	3,897,315	-	626,920	3,270,395
Net OPEB Liability	2,952,641	-	254,929	2,697,712
Accrued Sick Leave	321,991	194,068	-	516,059
	<u>\$ 15,852,778</u>	<u>\$ 194,068</u>	<u>\$ 1,769,684</u>	<u>\$ 14,277,162</u>

8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

Contributions—Required contributions by the employee are based on the tier:

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

Funding Policy - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 26.95% of the employee's total compensation subject to contribution. Pension has a contribution rate of 21.17% and OPEB has a contribution rate of 5.78%.

8. RETIREMENT PLANS - CONTINUED

General information about the Teachers' Retirement System of the State of Kentucky (KTRS)

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 5.13% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

8. RETIREMENT PLANS – CONTINUED

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

District's proportionate share of the CERS net pension liability	\$	3,270,395
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>15,785,142</u>
	<u>\$</u>	<u>19,055,537</u>

The net pension liability for each plan was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.051294%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,007,741 related to CERS and \$1,260,021 related to KTRS. The District also recognized revenue of \$1,260,021 for KTRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 37,554	\$ 31,741
Changes of assumptions	43,893	-
Net difference between projected and actual earnings on pension plan investments	126,870	562,758
Changes in proportion and differences between District contributions and proportionate share of contributions	54,605	27,512
District contributions subsequent to the measurement date	<u>322,936</u>	<u>-</u>
Total	<u>\$ 585,858</u>	<u>\$ 622,011</u>

8. RETIREMENT PLANS – CONTINUED

Reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ (32,402)
2023	(93,167)
2024	(97,023)
2025	(136,497)
	<u>\$ (359,089)</u>

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

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	3.00%
Projected salary increases	3.3-15.3%	3.5-7.5%
Investment rate of return, net of investment expense & inflation	5.25%	7.10%
Municipal bond index rate		2.13%
Single equivalent interest rate		7.10%

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

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

For KTRS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 2.13% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

8. RETIREMENT PLANS – CONTINUED

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 4,194,437	\$ 3,270,395	\$ 2,505,772
KTRS	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ -	\$ -	\$ -

Pension plan fiduciary net position—Detailed information about pension plan's fiduciary net position, is available in separately issued financial reports of both CERS and KTRS.

The District's contribution (both withholding and match) KTRS for the year ended June 30, 2022 was \$113,546. The District's contribution (match only) CERS for the years ended June 30, 2022 was \$411,106. The District met their contribution requirements.

General Information about the Kentucky Teachers' Retirement System of the State of Kentucky (TRS)

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1983 General Assembly and is governed by the Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

9. OTHER POST-EMPLOYMENT BENEFITS

Funding Policy – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

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 \$1,384,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .064484%.

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

District's proportionate share of the KTRS net OPEB liability	\$ 1,384,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>1,124,000</u>
	<u>\$ 2,508,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$95,244 and revenue of \$95,244 for support provided by the state. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows on resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 823,000
Changes of assumptions	362,000	-
Net difference between projected and actual earning on plan investments	-	148,000
Changes in proportion and differences between contributions and proportionate share of contributions	244,000	197,000
District contribution subsequent to the measurement date	<u>113,546</u>	<u>-</u>
Total	<u>\$ 719,546</u>	<u>\$ 1,168,000</u>

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

	Year ended June 30,
2022	\$ (143,000)
2023	\$ (144,000)
2024	\$ (122,000)
2025	\$ (106,000)
2026	\$ (36,000)
Thereafter	\$ (11,000)
	<u>\$ (562,000)</u>

Actuarial assumptions - The total OPEB liabilities in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0-7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.0% for FY 2021 decreasing to an ultimate rate of 4.5% by FY 2031
Ages 65 and older	5.00% for FY 2021 decreasing to an ultimate rate of 4.5% by FY 2024
Medicare Part B	4.40% for FY 2021 with an ultimate rate of 4.5% by 2034
Municipal bond index rate	2.13%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

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

Discount rate -The discount rates used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plans' fiduciary net position were 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.

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

The following table presents the District's proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 7.10%. as well as what the District's proportionate share of the collective net MIP 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% Decrease</u> 6.10%	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
KTRS			
District's proportionate share of net OPEB liability	\$ 1,771,000	\$ 1,384,000	\$ 1,063,000

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability	\$ 1,005,000	\$ 1,384,000	\$ 1,855,000

OPEB plans fiduciary net position - Detailed information about the OPEB plans' fiduciary net position is available in the separately issued TRS financial report.

Life Insurance Plan

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

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

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

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

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

District's proportionate share of the KTRS net OPEB Life Insurance Plan liability	\$	-
Commonwealth's proportionate share of the KTRS net OPEB Life Insurance liability associated with the District	\$	<u>15,000</u>
Total	\$	<u>15,000</u>

Actuarial assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal bond index rate	2.13%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

Discount rate -The discount rates used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the 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.

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate.

	1% decrease	discount rate	1% increase
KTRS	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
State's proportionate share			
of net OPEB liability - Life Insurance	\$ 22,866	\$ 15,000	\$ 8,550

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

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

Plan Description- Employees whose positions do not require a degree beyond a high school diploma are provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agent of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish an amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits Provided- CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

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

Tier 1	Participation date Contribution Percentage	Before September 1, 2008 0.00%
Tier 2	Participation date Contribution Percentage	September 1, 2008 - December 31, 2013 1%
Tier 3	Participation date Contribution Percentage	After December 31, 2013 1%

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

At June 30, 2022, the District reported a liability of \$981,768 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was 0.051282%.

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

District's proportionate share of the CERS net pension net OPEB liability	\$ 981,768
Commonwealth's proportionate share of the CERS net OPEB Liability associated with the District	\$ <u> -</u>
Total	\$ <u> 981,768</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$429,251. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

See table on next page

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 154,383	\$ 293,123
Changes of assumptions	260,285	913
Net difference between projected and actual earnings on pension plan investments	49,464	203,048
Changes in proportion and differences between District contributions and proportionate share of contributions	59,139	17,025
District contributions subsequent to the measurement date	<u>88,170</u>	<u>-</u>
Total	<u>\$ 611,441</u>	<u>\$ 514,109</u>

Of the total amount reported as deferred outflows of resources related to the OPEB, \$88,170 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District's MIP OPEB expense as follows:

Year ended June 30:	
2022	\$ 39,801
2023	16,427
2024	7,043
2025	(54,107)
2026	-
	<u>\$ 9,164</u>

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

Discount rate -The discount rates used to measure the total OPEB liability for life insurance was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 1,347,960	\$ 981,768	\$ 681,247

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 706,756	\$ 981,768	\$ 1,313,712

OPEB Plan Fiduciary Net Position- Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

11. OPERATING LEASES

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification® Topic 842, Leases.

12. CONTINGENCIES

Grants - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022, may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

13. LITIGATION

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

14. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES

The District had a deficit net position in the Food Service Fund due to the recognition of a net pension and OPEB liability. No other funds had deficit fund balances, but some funds may have deficit operating balances.

16. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Operating	General Fund	\$ 233,053	\$ 136,860
Operating	Special Revenue	85,244	234,480
Operating	Capital Outlay	-	84,236
Operating	Building	-	775,312
Operating	Debt Service	973,719	-
Operating	Food Service	-	61,128
		<u>\$ 1,292,016</u>	<u>\$ 1,292,016</u>

18. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2022, the general fund had a \$835,503 interfund receivable due from the special revenue fund and the asset and liability are recorded in the respective funds.

19. ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

For the year ended June 30, 2022, total payments of \$2,687,080 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District.

CUMBERLAND COUNTY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED
Year ended June 30, 2022

19. ON-BEHALF PAYMENTS - CONTINUED

These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Retirement Contributions to the Teachers'		
Retirement System of Kentucky	\$	1,355,265
Health and Life Insurance		1,279,067
Other Less Federal		(230,413)
Technology		78,764
Debt Service		204,397
	\$	<u>2,687,080</u>

20. FUND BALANCE DESIGNATIONS

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 94,145	Sick Leave Retirement Benefit

The following funds had no assigned fund balances.

The following funds had restricted fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
School Activity	\$ 225,031	School Activity
Debt Service Fund	2,186,439	Debt Service
Food Service Fund	388,593	Food Service
Daycare Fund	159,293	Daycare

21. RESTATEMENT OF ESCROW AND DEBT

Bond Series 2011 has a balloon payment due at the end to retire the debt, consequently at the initiation of the debt, Ross, Sinclair & Associates provided a payment that included annual escrow payments of \$161,699. These payments were designed to provide cash and earnings to provide funds to make the balloon payment at the end of the debt. However, the district simply treated them as principal payments causing recalculations each year. The District reclassified both the escrow and the debt in order to be correct moving forward. The District has now corrected this issue and both debt and escrow cash are now correct. To date, no principal payments have been made on this debt, final payment on the debt will be made from the escrow balance. Interest is paid by the Federal government.

	<u>Outstanding QZAB Bonds</u>	<u>Escrow Cash Held for Future Payment</u>	<u>Net QZAB Bonds</u>
Balance per 6/30/2021 Audit	\$ 1,304,093	\$ -	\$ 1,304,093
Restatement of QZAB Bonds & Cash	1,945,907	1,945,907	-
Restated Balance at 6/30/2021	<u>\$ 3,250,000</u>	<u>\$ 1,945,907</u>	<u>\$ 1,304,093</u>

21. RESTATEMENT OF ESCROW AND DEBT – CONTINUED

In addition, the total outstanding KISTA Capital Lease Obligation was restated to include the 2021 KISTA Capital Lease Obligation not in the summary of liabilities at June 30, 2021 in error.

Issue	Balance at 6/30/2021 per Audit	Restate for 2021 KISTA	Balance at 6/30/2021 as Restated
2012	\$ 15,491	\$ -	\$ 15,491
2015	70,419	-	70,419
2017	112,908	-	112,908
2019	152,839	-	152,839
2021	-	104,174	104,174
	<u>\$ 351,657</u>	<u>\$ 104,174</u>	<u>\$ 455,831</u>

22. COVID-19 PANDEMIC

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District currently has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2022.

23. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 10, 2022, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. However, in March 2021, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The pandemic is still ongoing as of the date of this audit report.

REQUIRED SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources				
Taxes:				
Property	\$ 1,250,522	\$ 1,250,522	\$ 1,193,199	\$ (57,323)
Motor vehicle	255,787	255,787	277,390	21,603
Utility	350,000	350,000	448,397	98,397
Occupational	215,000	215,000	235,777	
Earnings on investments	12,000	12,000	11,218	(782)
Other local	1,000	1,000	265,989	264,989
Intergovernmental - State	3,701,996	3,701,996	6,115,414	2,413,418
Intergovernmental - Federal	80,000	80,000	75,441	(4,559)
Total revenues	<u>5,866,305</u>	<u>5,866,305</u>	<u>8,622,825</u>	<u>2,756,520</u>
Expenditures				
Current:				
Instruction	2,992,776	2,992,776	5,506,907	(2,514,131)
Student	382,185	382,185	259,393	122,792
Instructional support	176,620	176,620	153,272	23,348
District administration	577,827	577,827	450,851	126,976
School administration	559,658	559,658	562,990	(3,332)
Business support	299,891	299,891	291,189	8,702
Plant operations and maintenance	769,621	769,621	753,506	16,115
Student transportation	542,590	542,590	571,712	(29,122)
Food service operations	600	600	-	600
Community services	1,000	1,000	-	1,000
Debt service	-	-	-	-
Contingency	450,000	450,000	-	450,000
Total expenditures	<u>6,752,768</u>	<u>6,752,768</u>	<u>8,549,820</u>	<u>(1,797,052)</u>
Excess (deficit) of revenues over (under) expenditures	(886,463)	(886,463)	73,005	959,468
Other financing sources (uses)				
Sale of assets	-	-	1,602	1,602
Transfers in	445,000	445,000	233,053	(211,947)
Transfers out	(158,537)	(158,537)	(136,860)	21,677
Total other financing sources (uses)	<u>286,463</u>	<u>286,463</u>	<u>97,795</u>	<u>(188,668)</u>
Net change in fund balance	(600,000)	(600,000)	170,800	770,800
Fund balance as of June 30, 2021	<u>600,000</u>	<u>600,000</u>	<u>586,259</u>	<u>(13,741)</u>
Fund balance as of June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 757,059</u>	<u>\$ 757,059</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
Year ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
From local sources:				
Other local	\$ 2,450	\$ 2,450	\$ 57,331	\$ 54,881
Intergovernmental - State	1,149,507	\$ 1,149,507	945,448	(204,059)
Intergovernmental - Federal	6,542,295	\$ 6,542,295	4,311,149	(2,231,146)
Total revenues	<u>7,694,252</u>	<u>7,694,252</u>	<u>5,313,928</u>	<u>(2,380,324)</u>
Expenditures				
Current:				
Instruction	3,846,177	3,846,177	3,048,212	797,965
Student support services	78,910	78,910	50,853	28,057
Instructional support	2,468,825	2,468,825	1,489,324	979,501
Business support	-	-	-	-
Plant operations & maintenance	278,644	278,644	95,247	183,397
Student transportation	18,324	18,324	19,159	(835)
Day care operations	385,125	385,125	275,582	109,543
Community service	231,760	231,760	186,315	45,445
Total expenditures	<u>7,307,765</u>	<u>7,307,765</u>	<u>5,164,692</u>	<u>2,143,073</u>
Excess (deficit) of revenues over (under) expenditures	<u>386,487</u>	<u>386,487</u>	<u>149,236</u>	<u>(237,251)</u>
Other financing sources				
Operating transfers in	85,244	85,244	85,244	-
Operating transfers out	(515,873)	(515,873)	(234,480)	281,393
Total other financing sources	<u>(430,629)</u>	<u>(430,629)</u>	<u>(149,236)</u>	<u>281,393</u>
Net change in fund balance	<u>(44,142)</u>	<u>(44,142)</u>	<u>-</u>	<u>(44,142)</u>
Fund balance as of June 30, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2022	<u>\$ (44,142)</u>	<u>\$ (44,142)</u>	<u>\$ -</u>	<u>\$ 44,142</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND

Year ended June 30, 2022

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

County Employees Retirement System
June 30, 2022

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.05%	\$ 3,270,395	\$ 1,526,837	214.19%	57.33%
2021	0.05%	\$ 3,897,315	\$ 1,044,077	373.28%	47.81%
2020	0.05%	\$ 3,669,280	\$ 1,245,431	294.62%	50.45%
2019	0.05%	\$ 2,951,666	\$ 1,220,600	241.82%	53.54%
2018	0.04%	\$ 2,559,747	\$ 1,081,686	236.64%	55.30%
2017	0.05%	\$ 2,287,872	\$ 1,109,314	206.24%	55.50%
2016	0.05%	\$ 2,032,030	\$ 1,108,484	183.32%	59.97%
2015	0.05%	\$ 1,528,460	\$ 1,234,566	123.81%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS

County Employees Retirement System

Year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 322,936	\$ 322,936	\$ -	\$ 1,526,837	21.15%
2021	\$ 251,205	\$ 251,205	\$ -	\$ 1,044,077	24.06%
2020	\$ 267,519	\$ 267,519	\$ -	\$ 1,245,431	21.48%
2019	\$ 234,111	\$ 234,111	\$ -	\$ 1,220,600	19.18%
2018	\$ 202,059	\$ 202,059	\$ -	\$ 1,081,686	18.68%
2017	\$ 189,249	\$ 189,249	\$ -	\$ 1,109,314	17.06%
2016	\$ 137,777	\$ 137,777	\$ -	\$ 1,108,484	12.43%
2015	\$ 139,728	\$ 139,728	\$ -	\$ 1,234,566	11.32%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYÉES RETIREMENT SYSTEM - PENSION FUND
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

None.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 County Employees Retirement System
 June 30, 2022

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.05%	\$ 1,313,712	\$ 1,526,837	86.04%	62.91%
2021	0.05%	\$ 1,226,661	\$ 1,044,077	117.49%	51.67%
2020	0.05%	\$ 877,274	\$ 1,245,431	70.44%	60.44%
2019	0.05%	\$ 860,806	\$ 1,220,600	70.52%	57.62%
2018	0.04%	\$ 892,893	\$ 1,081,686	82.55%	52.40%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

County Employees Retirement System

Year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 88,170	\$ 88,170	\$ -	\$ 1,526,837	5.77%
2021	\$ 87,483	\$ 87,483	\$ -	\$ 1,044,077	8.38%
2020	\$ 84,477	\$ 84,477	\$ -	\$ 1,245,431	6.78%
2019	\$ 56,479	\$ 56,479	\$ -	\$ 1,220,600	4.63%
2018	\$ 51,151	\$ 51,151	\$ -	\$ 1,081,686	4.73%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

None.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

Kentucky Teachers' Retirement System
June 30, 2022

	<u>State's proportion of net pension liability (asset)</u>	<u>State's proportionate share of the net pension liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2022	100%	\$ 15,785,142	65.59%
2021	100%	\$ 18,094,632	58.27%
2020	100%	\$ 16,466,684	58.76%
2019	100%	\$ 14,511,328	59.28%
2018	100%	\$ 32,319,931	39.83%
2017	100%	\$ 36,968,350	35.22%
2016	100%	\$ 31,395,835	42.49%
2015	100%	\$ 30,850,918	45.59%

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS

Kentucky Teachers' Retirement System

Year ended June 30, 2022

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$ 1,260,021	\$ 1,260,021	\$ -
2021	\$ 1,309,731	\$ 1,309,731	\$ -
2020	\$ 1,239,205	\$ 1,239,205	\$ -
2019	\$ 1,051,459	\$ 1,051,459	\$ -
2018	\$ 1,148,305	\$ 1,148,305	\$ -
2017	\$ 608,578	\$ 608,578	\$ -
2016	\$ 649,310	\$ 649,310	\$ -
2015	\$ 429,369	\$ 429,369	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation, changed from 3.00% to 2.50%

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 7.50% to 7.10%

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 Kentucky Teachers' Retirement System
 June 30, 2022

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.06%	\$ 1,384,000	\$ 1,124,000	\$ 5,120,229	27.03%	51.74%
2021	0.12%	\$ 1,726,000	\$ 1,383,000	\$ 4,026,500	42.87%	39.05%
2020	0.11%	\$ 1,876,000	\$ 1,515,000	\$ 3,719,900	50.43%	32.58%
2019	0.10%	\$ 1,985,000	\$ 1,711,000	\$ 3,397,200	58.43%	25.50%
2018	0.11%	\$ 2,259,000	\$ 1,845,000	\$ 3,618,400	62.43%	21.18%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

year ended June 30, 2022

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2022	\$ 153,607	\$ 153,607	\$ -	\$ 5,120,229	3.00%
2021	\$ 120,795	\$ 120,795	\$ -	\$ 4,026,500	3.00%
2020	\$ 111,596	\$ 111,596	\$ -	\$ 3,719,900	3.00%
2019	\$ 101,917	\$ 101,917	\$ -	\$ 3,397,200	3.00%
2018	\$ 108,552	\$ 108,552	\$ -	\$ 3,618,400	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Kentucky Teachers' Retirement System - Medical Insurance Plan

Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of OPEB expense, including inflation, changed from 8.00% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

Single Equivalent Interest Rate, net of pension expense, including inflation, changed from 8.00% to 7.10%

CUMBERLAND COUNTY SCHOOL DISTRICT

**SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - LIFE INSURANCE PLAN**

**Kentucky Teachers' Retirement System
June 30, 2022**

	<u>State's proportion of net OPEB liability (asset)</u>	<u>State's proportionate share of the net OPEB liability (asset)</u>	<u>Plan fiduciary net position as a percentage of the total OBEP liability</u>
2022	100%	\$ 15,000	89.15%
2021	100%	\$ 21,000	71.57%
2020	100%	\$ 19,000	73.40%
2019	100%	\$ 17,000	75.00%
2018	100%	\$ 14,000	79.99%

CUMBERLAND COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN

Kentucky Teachers' Retirement System

Year ended June 30, 2022

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2022	\$ 2,289	\$ 2,289	\$ -
2021	\$ 2,013	\$ 2,013	\$ -
2020	\$ 1,488	\$ 1,488	\$ -
2019	\$ 1,019	\$ 1,019	\$ -
2018	\$ 1,086	\$ 1,086	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CUMBERLAND COUNTY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation decreased from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary Increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of OPEB expense, including inflation, changed from 8.00% to 7.10%

Municipal Bond Index Rate changed from 2.19% to 2.13%.

OTHER SUPPLEMENTARY INFORMATION

CUMBERLAND COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2022

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Total Non-major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 225,995	\$ -	\$ -	\$ 225,995
Accounts receivable	-	-	-	-
Total assets	<u>\$ 225,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,995</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 964	\$ -	\$ -	\$ 964
Fund Balances:				
Restricted	<u>225,031</u>	<u>-</u>	<u>-</u>	<u>225,031</u>
Total liabilities fund balances	<u>\$ 225,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,995</u>

CUMBERLAND COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Year ended June 30, 2022

	School Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Total Non-major Governmental Funds
Revenues				
Taxes				
Property	\$ -	\$ -	\$ 439,832	\$ 439,832
Student activity revenue	425,447	-	-	425,447
Intergovernmental - State	-	84,236	335,480	419,716
	<u>425,447</u>	<u>84,236</u>	<u>775,312</u>	<u>1,284,995</u>
Expenditures				
Student activity expenditures	<u>438,390</u>	-	-	<u>438,390</u>
	<u>438,390</u>	-	-	<u>438,390</u>
Other financing sources (uses)				
Transfers out	-	(84,236)	(775,312)	(859,548)
	-	(84,236)	(775,312)	(859,548)
Net change in fund balance	(12,943)	-	-	(12,943)
fund balance as of June 30, 2021	<u>237,974</u>	-	-	<u>237,974</u>
Fund balance as of June 30, 2022	<u>\$ 225,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,031</u>

**CUMBERLAND COUNTY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
 Year Ended June 30, 2022**

School/ Activity Fund	Cash and Equivalents June 30, 2021	Receipts	Disbursements	Cash and Cash Equivalents June 30, 2022	Accounts Receivable June 30, 2022	Accounts Payable June 30, 2022	Balances June 30, 2022
Cumberland County Elementary School	84,908	95,857	(109,083)	71,682	-	-	71,682
Cumberland County Middle School	<u>56,964</u>	<u>146,708</u>	<u>(139,592)</u>	<u>64,081</u>	<u>-</u>	<u>-</u>	<u>64,081</u>
Totals	<u>141,873</u>	<u>242,565</u>	<u>(248,675)</u>	<u>135,762</u>	<u>-</u>	<u>-</u>	<u>135,762</u>

CUMBERLAND COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
CUMBERLAND COUNTY HIGH SCHOOL
Year ended June 30, 2022

Acc#	Balances			Transfers in (out)	Cash and	Accounts	Accounts	Balances
	June 30, 2021	Receipts	Disbursements		cash equivalent	Receivable	Payable	
100 GENERAL	8,916	2,864	(4,379)	(5)	7,396	-	-	7,396
110 BOOK	17	-	-	-	17	-	-	17
125 SWEEP	-	217	(5,447)	5,231	-	-	-	-
150 LIBRARY	200	-	-	-	200	-	-	200
175 CHANGE FUND	-	600	(600)	-	-	-	-	-
200 CONCESSIONS	8,386	1,343	(808)	-	8,922	-	-	8,922
210 FLOWER	133	558	(512)	-	178	-	-	178
225 STUDENT REWARDS	1,848	-	-	-	1,848	-	-	1,848
230 POSTER MACHINE	1,002	-	(1,035)	540	507	-	-	507
300 BETA CLUB	2,602	5,490	(6,140)	-	1,952	-	-	1,952
305 FCCLA	858	2,151	(2,550)	300	759	-	-	759
310 FFA	3,338	10,162	(9,543)	(300)	3,658	-	-	3,658
320 DRAMA CLASS	343	-	-	-	343	-	-	343
330 STLP	199	178	(210)	-	167	-	-	167
340 FBLA	309	-	(296)	(13)	-	-	-	-
345 ACADEMIC	2,389	1,000	(658)	-	2,731	-	-	2,731
350 FCS CULINARY	889	4,023	(2,203)	(1,688)	1,021	-	-	1,021
355 FCA	260	-	-	-	260	-	-	260
360 PEP CLUB	117	135	-	-	252	-	-	252
400 VOCATIONAL AG	18,400	14,921	(10,010)	-	23,310	-	-	23,310
405 IND TEHNOLOGY	954	586	(261)	-	1,279	-	-	1,279
410 ART	43	-	-	-	43	-	-	43
415 ENGLISH	266	-	-	-	266	-	-	266
420 BIOLOGY	71	-	-	-	71	-	-	71
425 SPANISH/MEDIA	1,751	-	-	-	1,751	-	-	1,751
435 SPECIAL EDUCATION	334	-	-	-	334	-	-	334
445 FRYSC/CATHOLIC	2,197	-	-	-	2,197	-	-	2,197
450 FRYSC/CHRISTMAS	1,050	-	(719)	-	331	-	-	331
455 FRYSC/MISC	601	-	-	-	601	-	-	601
500 ATHLETIC	2,948	44,370	(35,378)	(3,543)	8,398	-	964	7,433
505 CHEERLEADING	6,383	7,496	(13,697)	1,000	1,182	-	-	1,182
525 ATHLETIC BOOSTERCLUB	18,078	47,807	(64,703)	1,560	2,742	-	-	2,742

CUMBERLAND COUNTY SCHOOL DISTRICT

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
CUMBERLAND COUNTY HIGH SCHOOL

Year ended June 30, 2022

	Balances June 30, 2021	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalent June 30, 2022	Accounts Receivable June 30, 2022	Accounts Payable June 30, 2022	Balances June 30, 2022
Acc#								
530 BOOSTER SPECIAL	-	8,120	(4,969)	(3,100)	51	-	-	51
540 3-D ARCHERY CLUB	169	-	-	-	169	-	-	169
550 BAND BOOSTERS SPECIAL	-	14,825	(14,825)	-	-	-	-	-
555 TRIP FUNDRAISER	-	194	(58)	-	136	-	-	136
622 SENIORS 2022	632	1,475	(2,124)	18	-	-	-	-
623 SENIORS 2023	-	3,190	(970)	-	2,220	-	-	2,220
700 YEARBOOK	9,328	7,700	(3,191)	-	13,837	-	-	13,837
710 GUIDANCE	1,084	1,479	(1,462)	-	1,102	-	-	1,102
805 IRBY FAMILY SCHOLARSHIP	5	2,000	(2,005)	-	-	-	-	-
Total accounts	<u>\$ 96,102</u>	<u>\$182,882</u>	<u>\$ (188,751)</u>	<u>\$ -</u>	<u>\$ 90,233</u>	<u>\$ -</u>	<u>\$ 964</u>	<u>\$ 91,197</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
Expenditures			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002 22	\$ 686,885 <u>686,885</u>
<i>Special Education Cluster</i>			
Special Education_ Grants to States	84.027	3810002 22	<u>301,192</u> <u>301,192</u>
Special Education_ Preschool Grants	84.173	3800002 22	<u>18,023</u> <u>18,023</u>
Total Special Education Cluster			<u>319,215</u>
Adult Education	84.002	AE21	<u>75,127</u> <u>75,127</u>
Career and Technical Education	84.048	3710002 22	<u>12,111</u> <u>12,111</u>
Twenty-First Century Community Learning Centers	84.287	3400002 22	<u>286,878</u> <u>286,878</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	379	<u>139,405</u> <u>139,405</u>
Rural Education	84.358	3140002 22	<u>20,502</u> <u>20,502</u>
Supporting Effective Instruction State Grants	84.367	3230002 22	<u>62,555</u> <u>62,555</u>
Comprehensive Literacy Development	84.371	3220002 22	<u>51,673</u> <u>51,673</u>
Student Support and Academic Enrichment Grant	84.424	3420002 22	<u>50,853</u> <u>50,853</u>
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief – Homeless Children and Youth (ARP-HCY)	84.425W	476IC	292
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425U	473G	961,185
COVID-19 Governor's Emergency Education Relief Fund	84.425D	544GD	<u>1,426,357</u> <u>2,387,834</u>
Total U.S. Department of Education			<u>4,093,038</u>

**CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
Year ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002 22	596,622
School Breakfast Program	10.553	7760005 20	276,909
Summer Food Service Program for Children	10.559	7760005 22	113,862
Non-cash Assistance (Commodities) National School Lunch Program	10.555	57502 02	46,490
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>1,033,883</u>
Child and Adult Care Food Program	10.558	7800016 22	90,676
			<u>90,676</u>
State Administrative Expenses for Child Nutrition	10.560	7700001 22	1,464
			<u>1,464</u>
Fresh Fruit and Vegetable Programs	10.582	7720012 22	25,994
			<u>25,994</u>
Pandemic EBT Administrative Costs	10.649	9990000 22	614
			<u>614</u>
Total U.S. Department of Agriculture			<u>1,152,631</u>
<u>U.S. Department of Health and Human Services</u>			
Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001 22	299
			<u>299</u>
Child Care and Development Block Grant	93.575	CCDBG21	280,367
			<u>280,367</u>
Total U.S. Department of Health and Human Services			<u>280,666</u>
Total federal expenditures			<u>\$ 5,526,335</u>

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

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Cumberland 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 basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2022 is \$46,490.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

4. INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

5. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



Cloyd & Associates, PSC
Certified Public Accountants
and
Business Advisors

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Cumberland County School District
Burkesville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cumberland County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Cumberland County School District's basic financial statements, and have issued our report thereon dated November 10, 2022.

Internal Control over Financial Reporting

Management of Cumberland County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Cumberland County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cumberland County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Cumberland County School District's internal control.

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

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

1700 Forest Drive, Corbin, KY 40701
Ph. 606.528.8776 Fax: 606.523.5457

2410 Greatstone Point, Lexington, KY 40504
Ph. 859.223.3318 Fax: 859.223.5875

1301 West 5th Street, London, KY 40741
Ph. 606.864.8110 Fax: 606.657.5889



www.cloydcpa.com



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cumberland 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Cumberland County School District in a separate letter dated November 10, 2022.

Purpose of this Report

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

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Cumberland County School District
Burkesville, Kentucky

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

Opinion on Each Major Federal Program

We have audited Cumberland County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Cumberland County School District's major federal programs for the year ended June 30, 2022. The Cumberland 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, Cumberland 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 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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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





Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Auditor's Responsibilities for the Audit of Compliance

Our responsibility is to obtain reasonable assurance about whether material noncompliance with the with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Cumberland 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 a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Cumberland 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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cumberland 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 Cumberland 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 Cumberland 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.





Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

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. However, material weaknesses or significant deficiencies may exist that have not been 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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC

London, Kentucky

November 10, 2022



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	<u> </u>	Yes	<u> ✓ </u> No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes	<u> ✓ </u> None reported
Noncompliance material to financial statement noted	<u> </u>	Yes	<u> ✓ </u> No

Federal Awards

Internal control over major programs:			
Material weaknesses identified	<u> </u>	Yes	<u> ✓ </u> No
Significant deficiencies identified that are not considered to be material weaknesses	<u> </u>	Yes	<u> ✓ </u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u>	Yes	<u> ✓ </u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Education Stabilization Fund:	
Elementary and Secondary School Relief (ESSER) Fund	84.425D
American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U

Dollar threshold used to distinguish between Type A and Type B program \$750,000

Auditee qualified as low risk ✓ Yes No

(Continued)

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
Year Ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

CUMBERLAND COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

Status of Prior Year Findings

There were no prior year audit findings.

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC
Certified Public Accountants
and
Business Advisors

MANAGEMENT LETTER

Members of the Board of Education
Cumberland County School District
Burkesville, Kentucky

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

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated November 10, 2022, on the basic financial statements of Cumberland County School District.

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

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 10, 2022



No prior year findings

Current Year Comments –School Activity Funds

Cumberland County Elementary

1. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Management Response: The school principal will monitor invoices processed for payment to ensure all invoices have been cancelled in an appropriate manner. The director of finance will review how invoices processed for payment to ensure all invoices have been cancelled in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

2. Several instances of bank statements not being signed. Bank statements must be signed to indicate it has been properly reviewed.

Management Response: The school principal will monitor to ensure the bank statements are properly reviewed and signed in an appropriate manner. The director of finance will review the bank statements to ensure all bank statements have been properly reviewed and signed in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

3. Several instances of bank validations missing from deposits. Bank validations must be included with deposit to ensure deposit was made,

Management Response: The school principal will monitor to ensure the bank validations are properly included with each deposit. The director of finance will review the bank deposits to ensure all bank validations are properly included with each deposit during the on-site internal audit. Additional Redbook training will be made available if necessary.

4. Several instances of receipt numbers missing from deposit slips. Receipt numbers must be included on deposit slips.

Management Response: The school principal will monitor to ensure that receipt numbers are properly included on each deposit slip. The director of finance will review the bank deposits to ensure that receipt numbers are included on each deposit slip during the on-site internal audit. Additional Redbook training will be made available if necessary.

Cumberland County Middle School

5. Several instances of invoices not being properly canceled or signed by the proper employee after payment of those invoices. Invoices that are paid need to have a proper cancellation either by stamp or signature on the actual invoice to ensure that invoices are paid twice and to allow others to be certain that the item was paid.

Management Response: The school principal will monitor invoices processed for payment to ensure all invoices have been cancelled in an appropriate manner. The director of finance will review how invoices processed for payment to ensure all invoices have been cancelled in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

6. Several instances of bank statements not being signed. Bank statements must be signed to indicate it has been properly reviewed.

Management Response: The school principal will monitor to ensure the bank statements are properly reviewed and signed in an appropriate manner. The director of finance will review the bank statements to ensure all bank statements have been properly reviewed and signed in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

Cumberland County High School

7. Several instances of bank statements not being signed. Bank statements must be signed to indicate it has been properly reviewed.

Management Response: The school principal will monitor to ensure the bank statements are properly reviewed and signed in an appropriate manner. The director of finance will review the bank statements to ensure all bank statements have been properly reviewed and signed in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

8. Several instances in which the multiple receipt form date was not within one day of the date on the bank deposit validation. Deposits are being made in a timely manner to ensure that deposits are not missed.

Management Response: The school principal will monitor to ensure that bank deposits are made in timely manner and evidenced by multiple receipt forms dates within one day of the bank deposit validation in an appropriate manner. The director of finance will review bank deposits to ensure that multiple receipt forms dates within one day of the bank deposit validation in an appropriate manner during the on-site internal audit. Additional Redbook training will be made available if necessary.

9. There was no separate Charitable Gaming bank account at the time of field work. Charitable gaming was taking place out of the same bank account as the activity funds.

Management Response: The school principal and director of finance will work to establish a separate bank account for charitable gaming in accordance with the Redbook and KRS 238.550(2). Additional Redbook training will be made necessary if appropriate.