

MARSHALL COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2022

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022

	<u>Page</u>
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position – Fiduciary Funds.....	19
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	20
Notes to the Basic Financial Statements	21-51
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	52
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund.....	53
Schedule of the District's Proportionate Share of the Net Pension Liability – CERS Pension Fund.....	54

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2022

Required Supplementary Information:

Schedule of District Contributions – CERS Pension Fund.....	55
Schedule of the District’s Proportionate Share of the Net Postemployment Benefits Other Than Pensions (OPEB) Liability – CERS Insurance Fund	56
Schedule of District Contributions – CERS Insurance Fund.....	57
Schedule of the District’s Proportionate Share of the Net Pension Liability – TRS Pension Fund.....	58
Schedule of District Contributions – TRS Pension Fund.....	59
Schedule of the District’s Proportionate Share of the Net Postemployment Benefits Other than Pensions (OPEB) Liability – TRS Medical Insurance Plan.....	60
Schedule of District Contributions – TRS Medical Insurance Plan	61
Schedule of the District’s Proportionate Share of the Net Postemployment Benefits Other than Pensions (OPEB) Liability – TRS Life Insurance Plan.....	62
Schedule of District Contributions – TRS Life Insurance Plan	63

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Service Funds	66
Combining Balance Sheet – School Activity Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Activity Funds	68
Statement of Receipts, Disbursements and Fund Balances – Marshall County High School.....	69-70
Combining Statement of Net Position – All Private Purpose Trust Funds.....	71
Combining Statement of Revenues, Expenditures and Changes in Net Position Held in Trust – All Private Purpose Trust Funds.....	72
Schedule of Expenditures of Federal Awards	73
Notes to the Schedule of Expenditures of Federal Awards.....	74

MARSHALL COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2022

Reports Required by the Single Audit Act:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75-76
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	77-79
Schedule of Findings and Questioned Costs	80
Schedule of Prior Year Audit Findings.....	81

Management Letter Points:

Independent Auditor's Transmittal Letter for Management Letter Points	82
Management Letter Comments	83

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall 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 Marshall County School District's basic financial statements as listed in the table of contents.

In my 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 Marshall 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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Submission Instructions*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Marshall County School District and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Marshall 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I am 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 I identified during the audit.

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits other than pensions (OPEB) information on pages 4 through 9 and 52 through 63, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

A handwritten signature in black ink that reads "Kim Glavin". The signature is written in a cursive style with a loop at the end of the last name.

Benton, Kentucky
November 14, 2022

MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022

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

FINANCIAL HIGHLIGHTS

- The July 1, 2021 beginning balance in fund 1 (general fund) was \$7,118,561 (\$6,459,910 unrestricted, \$446,621 restricted, \$189,723 committed, \$22,307 non-spendable).
- GASB 54 gives districts the ability to constrain fund balances for specific purposes. District boards must take action before June 30th to commit funds. The dollar amount can be designated after June 30th. New categories added to committed funds for FY22 are as follows and will be discussed individually in applicable sections of the MD&A:
 - Matching funds (FEMA) \$ 100,000
 - Occupational tax refunds 900,000
 - Safety 100,000

- On December 10, 2021, a devastating tornado moved across western Kentucky. While the physical damage to our facilities was minimal, the damage to our residences and businesses was substantial.

The district will not have a loss in “funding AADA” related to the tornado or otherwise during FY22 or FY23. The majority of school districts in Kentucky continue to receive funding according to the FY19 Summary Attendance Report (SAR) Adjusted Average Daily Attendance (AADA) during both FY22 and FY23, a provision offered by the state of Kentucky in the aftermath of COVID-19. Normally districts would be funded in any given year based on the prior year SAR, plus any applicable growth in the current year. Going forward into FY24, it is expected that districts will revert to the traditional AADA funding process for SEEK AADA. The district is preparing for a significant drop to the funding AADA. However, it was reported in a September 14, 2022 KDE webcast for finance officers that western Kentucky tornado impacted districts will receive partial relief for FY24 if AADA decreases by 3% or more than the AADA from FY19. Very minimal provisions for FY25 were also discussed.

Matching funds were committed by the Board of Education on 4-21-22 related to FEMA projects BG23-161 (MCHS Soccer Fieldhouse/Storm Shelter) and BG23-170 (NMMS Restroom and Concession Stand Storm Shelter). The Board approved a commitment letter showing that the matching costs are projected to be 5.2%, not to exceed \$100,000 combined on BG23-161 and BG23-170.

On 4-21-22 the Board approved a Mutual Aid and Assistance Agreement with the Marshall County Fiscal Court related to time and other resources spent in response to the tornado disaster. As of 6-30-22, the mutual aid agreement project was under further review by FEMA.

- Safety remains the priority in this district and as such, the district is in the process of building committed funds to provide gap funding as needed during future years. The Board added \$100,000 during FY22 and will likely continue to increase until enough funds for one full year have been set aside.
- Interest income was low in comparison to the prior year because during FY21 the district had a fixed rate of 2.97 and FY22 tied to the federal funds target rate with a floor of .79.
- As reported during the previous two years, the outbreak of COVID-19 was declared a pandemic by the World Health Organization. On March 13, 2020, President Donald Trump declared a national emergency due to the COVID-19 pandemic. In response to COVID-19, the district has received unprecedented grant funding awards. During FY22, the District continued to spend:
 - CRRSA ESSER II, award date 1-5-21; \$3,460,873: This budget plan was presented at the 5-6-21 board of education meeting. Since permitted by the spending matrix, the district chose a plan to minimize the matching imposed through federal grants for payroll by coding payroll related items through the general fund and then shifting traditional general fund expenses to the grant. During FY22, \$1,119,408 in expenditures were made from the CRRSA ESSER II versus \$774,969 from the general fund for these purposes.
 - ARP ESSER III, award date 3-24-21; \$7,461,107: This draft budget plan was presented at the 7-15-21 board of education meeting. By 6-30-22, \$2,305,538 had been spent from ARP ESSER III. During FY22, BG#22-356 showed ARP ESSER III as the funding source for a district-wide flooring project in the amount of \$1,018,571. It is expected that the ARP ESSER budget will be revised several times before the spending deadline of 9-30-24.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

FINANCIAL HIGHLIGHTS (Continued)

- Property assessments generated on July 28, 2021 and then certified to the District Board of Education by the Commissioner, showed total real and personal property valuation at \$2,499,706,740 and motor vehicle valuation at \$344,764,613. The real estate and personal property rate approved by the Marshall County Board of Education was 47.4 cents for real estate and tangible (same rates as the prior year). Note: 5.8 cents of this rate is required to produce the 5 cent equivalent for Facility Support Program of Kentucky (FSPK) participation. The total collected was \$11,319,666. The motor vehicle property tax rate was 45.6 cents per \$100 of assessed property (same rate as the prior year). The total collected was \$1,914,707.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. FY22 final SEEK funding totaled \$14,942,315. A vital component of this calculation is the Adjusted Average Daily Attendance (AADA). The current year AADA is 4,317.22 (for funding purposes only) which exceeds the prior year because full kindergarten numbers were used (instead of half kindergarten, which is historically how districts have been funded). It is important to note that the Kentucky Department of Education allowed districts to again use FY19 AADA numbers during FY22. (NOTE: 4,317.22 comes from the Full AADA grades 1-12 (3,989.03 + Full AADA kindergarten 328.19).
- The utility gross receipts license (UGRL) tax for schools is assessed on gross receipts derived from the furnishing of utility services and/or cable services within a school district. The service provider collects the tax based on the rate established by the local authority. The Department of Revenue (DOR) collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed .5 percent.

Utilities receipts were up 7.7% from the prior year. The total collection for the year was \$3,262,414. During any given year, the change can be attributed to a combination of usage, fluctuating prices, and rate of collection.

- The Marshall County Occupational License Tax for Schools (OTAX) collects both withholding and net profits from businesses. Withholdings (1/2 percent based on gross earnings for those who live and work in Marshall County) are fairly stable with collections of \$1,398,390 (up 5.67% from the prior year). The net profit portion of the occupation tax collection can cause significant variation when comparing fiscal years. This is partly due to the timing of payments. Some companies ask for an extension using an estimate payment. The extension period often crosses our fiscal year. Also, if the estimate is not close to actual payment, that causes further variation when comparing. Projected net profits have increased significantly in FY22 based on a very high estimate from one company. To help stabilize the occupational tax budget from year to year and prepare for refunds, at the 6-23-22 board of education meeting, funds were committed at \$900,000 for future OTAX refunds.
- Each year the Tennessee Valley Authority (TVA) is required to make in lieu of tax payments to the Commonwealth of Kentucky as provided by Section 13 of the TVA Act and KRS 96.895. The amount received is determined by the proportion that the book value of TVA property in each taxing district, multiplied by the current tax rate, bears to the total of the book values of TVA property in all taxing districts in the Commonwealth, multiplied by their respective tax rates. Of the Marshall County Schools allocation, 70% is distributed to the Local Education Authority (LEA) while 30% is retained by state government. The TVA in lieu payment to our district was \$115,330 less than in FY21. According to a representative from the Kentucky Office for Property Valuation, the total payment received by the Commonwealth of Kentucky from TVA was reduced. Additionally, Marshall County has not changed the tax rate significantly since FY13-14. As other districts in KY increase their tax rates, this can lower our allocation percentage factor. The FY22 total as seen in the table below is almost half of FY13. Much of this relates to reductions in payments to the state of KY due to shutdowns such as USEC and the Paradise Fossil Power Plant.

The following table shows all in lieu of tax revenue (TVA, Paducah Power, and Benton Electric):

FY22	FY21	FY20	FY19	FY18	FY17	FY16	FY15	FY14	FY13
\$866,957	\$987,772	\$1,207,665	\$1,156,128	\$1,139,350	\$1,196,742	\$1,079,640	\$1,377,572	\$1,629,389	\$1,681,185

For FY22 the breakdown is: TVA, 88.3%, Paducah Power, 6.5%, Benton Electric, 5.2%.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

FINANCIAL HIGHLIGHTS (Continued)

- Payroll and benefits for FY22 (including sick leave payout for retirees and excluding on-behalf payments) were \$33,950,538 compared to \$31,319,042 in FY21. A COVID Pandemic stipend was paid during FY22 at an estimated cost of \$830,000, causing a much larger than normal difference from FY21 to FY22. Additionally, employees were hired district-wide for a period of two years with targeted assignments. Funding for this was made possible through a CRRSA ESSER II exchange with the general fund. Small and large step increases for both certified and classified employees and rank changes for certified are built into the annual salary schedule. The salary schedule included a 2% across the board increase to the regular base certified schedules and a 2-4% increase for classified schedules based on job class beginning pay. NOTE: sick leave payout in FY22 was \$315,327. During FY22 the salary schedule for FY23 was approved. This schedule has an across-the-board raise of 3% plus higher raises for targeted classified employees. Beginning pay for custodians, food service and instructional assistants was increased significantly. Funding is partially provided by the significant recurring increase in the SEEK base and transportation funding provided during the 2022 legislative session for the 2022-24 biennium. Also, the full day kindergarten funding is expected to become permanent.
- Due to school bus delivery delays, buses in the prior year were either not received or the title was not in our name by 6-30-21. Due to this, the district did not spend funds on school buses during FY21. The five buses intended for FY21 were received and paid for in FY22. By 6-30-22, the buses ordered during FY22 were either not received or the title was not in our name by 6-30-22. In the future, if the schedule catches up and we need to pay for two years of bus purchases in one year, the board of education can consider releasing funds that are currently committed for buses.

As part of the Volkswagen Mitigation Trust funds program being administered by the Energy and Environment Cabinet in the Governor’s Office, districts were able to apply for school bus replacement funds. The General Assembly allowed up to a 50% reimbursement on the base cost of the school buses being used to replace older, more polluting buses in Kentucky. During FY22, the District received this grant funding in the amount of \$103,084.50.

- Most classified personnel are covered under the Kentucky Public Pensions Authority (previously known as the County Employees Retirement System). Employer matching was 6.34% in FY03. It has increased over the years and has become a significant budget issue. Employer matching was 26.95% in FY22 (up 12% from 24.06% in FY21). House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.
- The June 30, 2022 ending balance in fund 1 was \$7,102,667 (\$6,937,814 in unrestricted, \$152,268 in committed, and \$12,585 in non-spendable funds).

OVERVIEW OF FINANCIAL STATEMENTS

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

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 principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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

The basic fund financial statements can be found on pages 12 through 20 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 notes to the financial statements can be found on pages 21 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$10,880,648 as of June 30, 2022.

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

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

	Net Position for the period ending	
	June 30, 2022	June 30, 2021
Current Assets	\$ 19,152,315	\$ 15,647,065
Noncurrent Assets	83,342,139	83,062,721
Total Assets	<u>\$ 102,494,454</u>	<u>\$ 98,709,786</u>
Deferred Loss from Refunding Bonds	\$ 268,385	\$ 384,409
Deferred Outflows Related to Pensions	2,160,025	2,938,540
Deferred Outflows Related to OPEBs	5,000,893	3,990,944
Total Deferred Outflows of Resources	<u>\$ 7,429,303</u>	<u>\$ 7,313,893</u>
Current Liabilities	\$ 6,798,685	\$ 4,056,311
Noncurrent Liabilities	81,910,481	88,880,297
Total Liabilities	<u>\$ 88,709,166</u>	<u>\$ 92,936,608</u>
Deferred Inflows Related to Pensions	\$ 2,738,272	\$ 473,287
Deferred Inflows Related to OPEBs	7,595,671	5,052,663
Total Deferred Inflows of Resources	<u>\$ 10,333,943</u>	<u>\$ 5,525,950</u>
Net investment in capital assets	\$ 24,600,050	\$ 23,350,860
Restricted for:		
District activity funds	461,737	517,564
School activity funds	526,207	475,903
SFCC escrow	280,693	476,526
Capital projects and construction	2,267,616	3,257,372
Debt service	36,454	40,510
Other	405,252	135,865
Food service	(34,481)	(1,101,045)
Unrestricted	(17,662,880)	(19,592,434)
Total Net Position	<u>\$ 10,880,648</u>	<u>\$ 7,561,121</u>

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following presents a summary of revenue and expense for the fiscal year ended June 30, 2022, compared to the fiscal year ended June 30, 2021.

	June 30, 2022	June 30, 2021
Program Revenues:		
Charges for Services-Governmental	\$ 1,145,386	\$ 762,690
Charges for Services-Food Service	157,149	47,090
Operating Grants-Governmental	21,287,611	21,053,741
Operating Grants-Food Service	4,058,157	3,261,477
Capital Grants-Governmental	<u>1,877,654</u>	<u>1,686,692</u>
Total program revenues	<u>28,525,957</u>	<u>26,811,690</u>
General Revenues:		
Taxes	21,025,884	19,209,066
Earnings on investments	134,455	382,138
State and formula grants	14,942,315	13,669,946
Gain on retirement of assets	<u>29,256</u>	<u>114,762</u>
Total general revenues	<u>36,131,910</u>	<u>33,375,912</u>
Total Revenues	<u>64,657,867</u>	<u>60,187,602</u>
Expenses:		
Instruction	36,088,724	33,656,694
Student support services	2,933,886	2,667,303
Instructional support	1,453,934	2,474,627
District administration	1,936,005	1,840,712
School administration	2,648,497	2,710,449
Business support	1,368,910	1,283,577
Plant operations	6,453,498	5,709,527
Student transportation	2,605,212	2,790,055
Community services	484,343	476,034
Food Service Operation	3,222,119	3,108,240
Adult education	2,291	2,291
Interest on long-term debt	2,076,885	2,096,339
Other Debt Service	<u>64,036</u>	<u>77,019</u>
Total expenses	<u>61,338,340</u>	<u>58,892,867</u>
Change in Net Position	3,319,527	1,294,735
Beginning Net Position	<u>7,561,121</u>	<u>6,266,386</u>
Ending Net Position	<u>\$ 10,880,648</u>	<u>\$ 7,561,121</u>

Government-Wide Revenue Recap

Revenue (excluding proceeds from bonds, inter-fund transfers and on-behalf payments) was generally derived from local funding (43.6%), state funding (36.2%), and federal funding (20.2%).

Government-Wide Expenditure Recap

Instruction expenditures made up the majority at (58.8%) followed by Plant Operations (10.5%), Food Services (5.3%), Student Support Services (4.8%), School Administration (4.3%), Student Transportation (4.2%), Interest on long term debt (3.4%), District Administration (3.2%), Instructional Staff Support (2.4%), Business Support (2.2%), Community Services (0.8%), and Other Debt Service (.1%).

**MARSHALL COUNTY PUBLIC SCHOOL DISTRICT – BENTON, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

COMMENTS ON BUDGET COMPARISONS

During the 20-22 Biennium, the General Assembly continues to allow flexibility in the use of school district capital funds without forfeiting the District's eligibility to participate in the School Facilities Construction Commission (SFCC) program. As such, the potential for significant budget changes is present, potentially affecting the flow from one fiscal year to another.

Significant ESSER grant funding will have a budget impact until the last allocation (ARP ESSER) is complete on 9-30-24. This will impact spending in both grants and the general fund. NOTE: In fund 2 (grants) the budget only pulls into MUNIS (state financial system) in the year of inception. However actual spending shows in the applicable fiscal year. This will cause significant variances in budget to actual, particularly with federal grants that have long award periods.

ADDITIONAL NOTES

In Kentucky, the public school fiscal year is July 1-June 30; other programs such as federal grants, operate on a different fiscal calendar, but are reflected in the District overall budget. The FY22 working budget was approved at the September 23, 2021 Board of Education meeting. Over the course of the year, the District revised the annual operating budget several times. Kentucky districts are required to present to the Board of Education a Draft Budget, Tentative Working Budget, and Working Budget. Significant amendments after the passage of the Working Budget are brought to the Board of Education (during the Treasurer's report) for subsequent review.

Questions regarding this report should be directed to the Superintendent or Finance Officer at (270)527-8628 or by mail at 86 High School Road, Benton, KY 42025.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 12,138,649	\$ 1,924,047	\$ 14,062,696
Accounts receivable:			
Taxes - current	1,166,053	0	1,166,053
Taxes - delinquent	25,962	0	25,962
Accounts receivable	29,079	2,890	31,969
Interest	9,741	0	9,741
Intergovernmental - state	21,282	0	21,282
Intergovernmental - federal	3,398,981	339,681	3,738,662
Inventory	0	83,365	83,365
Prepaid expenses	12,585	0	12,585
Total current assets	<u>16,802,332</u>	<u>2,349,983</u>	<u>19,152,315</u>
Noncurrent Assets:			
Capital assets	139,924,585	1,894,487	141,819,072
Less: Accumulated depreciation	<u>(56,885,061)</u>	<u>(1,591,872)</u>	<u>(58,476,933)</u>
Total noncurrent assets	<u>83,039,524</u>	<u>302,615</u>	<u>83,342,139</u>
TOTAL ASSETS	<u>\$ 99,841,856</u>	<u>\$ 2,652,598</u>	<u>\$ 102,494,454</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 1,471,965	\$ 0	\$ 1,471,965
Less: Accumulated amortization	<u>(1,203,580)</u>	<u>0</u>	<u>(1,203,580)</u>
Deferred pension related outflows	1,883,089	276,936	2,160,025
Deferred OPEB related outflows	4,702,415	298,478	5,000,893
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 6,853,889</u>	<u>\$ 575,414</u>	<u>\$ 7,429,303</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 1,391,184	\$ 14,948	\$ 1,406,132
Unearned grant revenue	1,985,047	0	1,985,047
Current portion of bond obligations	2,767,000	0	2,767,000
Less: Current portion of unamortized bond discount	<u>(36,340)</u>	<u>0</u>	<u>(36,340)</u>
Current portion of accrued sick leave	120,529	4,683	125,212
Interest payable	551,634	0	551,634
Total current liabilities	<u>6,779,054</u>	<u>19,631</u>	<u>6,798,685</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	56,705,000	0	56,705,000
Less: Noncurrent portion of unamortized bond discount	<u>(425,186)</u>	<u>0</u>	<u>(425,186)</u>
Noncurrent portion of accrued sick leave	605,548	23,529	629,077
Net pension liability	11,901,862	1,750,350	13,652,212
Net OPEB liability	<u>10,823,925</u>	<u>525,453</u>	<u>11,349,378</u>
Total noncurrent liabilities	<u>79,611,149</u>	<u>2,299,332</u>	<u>81,910,481</u>
TOTAL LIABILITIES	<u>\$ 86,390,203</u>	<u>\$ 2,318,963</u>	<u>\$ 88,709,166</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension related inflows	\$ 2,387,199	\$ 351,073	\$ 2,738,272
Deferred OPEB related inflows	<u>7,305,829</u>	<u>289,842</u>	<u>7,595,671</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 9,693,028</u>	<u>\$ 640,915</u>	<u>\$ 10,333,943</u>
NET POSITION:			
Net investment in capital assets	\$ 24,297,435	\$ 302,615	\$ 24,600,050
Restricted for:			
District activity funds	461,737	0	461,737
School activity funds	526,207	0	526,207
SFCC escrow	280,693	0	280,693
Capital projects and construction	2,267,616	0	2,267,616
Debt service	36,454	0	36,454
Other	405,252	0	405,252
Food service	0	(34,481)	(34,481)
Unrestricted	<u>(17,662,880)</u>	<u>0</u>	<u>(17,662,880)</u>
TOTAL NET POSITION	<u>\$ 10,612,514</u>	<u>\$ 268,134</u>	<u>\$ 10,880,648</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Charges for	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total	
	Expenses	Services					
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 36,088,724	\$ 1,106,436	\$ 14,825,758	\$ 1,877,654	\$ (18,278,876)	\$ 0	\$ (18,278,876)
Support Services:							
Student	2,933,886	0	985,344	0	(1,948,542)	0	(1,948,542)
Instructional Staff	1,453,934	0	708,316	0	(745,618)	0	(745,618)
District Administration	1,936,005	0	160,751	0	(1,775,254)	0	(1,775,254)
School Administration	2,648,497	0	722,417	0	(1,926,080)	0	(1,926,080)
Business	1,368,910	0	397,472	0	(971,438)	0	(971,438)
Plant operations and maintenance	6,453,498	38,950	1,988,412	0	(4,426,136)	0	(4,426,136)
Student transportation	2,605,212	0	817,239	0	(1,787,973)	0	(1,787,973)
Food service	15,705	0	0	0	(15,705)	0	(15,705)
Community service activities	484,343	0	565,445	0	81,102	0	81,102
Interest on long-term debt	2,076,885	0	116,457	0	(1,960,428)	0	(1,960,428)
Other debt service	64,036	0	0	0	(64,036)	0	(64,036)
Total governmental activities	58,129,635	1,145,386	21,287,611	1,877,654	(33,818,984)	0	(33,818,984)
Business-Type Activities:							
Food service	3,206,414	157,149	4,058,157	0	0	1,008,892	1,008,892
Adult education	2,291	0	0	0	0	(2,291)	(2,291)
Total business-type activities	3,208,705	157,149	4,058,157	0	0	1,006,601	1,006,601
Total primary government	\$ 61,338,340	\$ 1,302,535	\$ 25,345,768	\$ 1,877,654	(33,818,984)	1,006,601	(32,812,383)
General Revenues:							
Taxes:							
Property					11,538,545	0	11,538,545
Motor Vehicle					1,914,707	0	1,914,707
Utilities					3,262,414	0	3,262,414
Occupational license tax					3,399,217	0	3,399,217
In Lieu of					911,001	0	911,001
Earnings on Investments					118,946	15,509	134,455
State and formula grants					14,942,315	0	14,942,315
Gain on retirement of assets					26,366	2,890	29,256
Transfers					(67,217)	67,217	0
Change in net position					2,227,310	1,092,217	3,319,527
Net position beginning of year					8,385,204	(824,083)	7,561,121
Net position end of year					\$ 10,612,514	\$ 268,134	\$ 10,880,648

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 7,694,758	\$ 0	\$ 2,686,886	\$ 1,696,817	\$ 12,078,461
Accounts receivable:					
Taxes - current	1,166,053	0	0	0	1,166,053
Taxes - delinquent	25,962	0	0	0	25,962
Accounts receivable	26,498	0	0	1,298	27,796
Interfund receivable	1,036,788	0	0	250	1,037,038
Interest	9,741	0	0	0	9,741
Intergovernmental - state	0	21,282	0	0	21,282
Intergovernmental - federal	28,375	3,370,606	0	0	3,398,981
Prepaid expenses	12,585	0	0	0	12,585
TOTAL ASSETS AND RESOURCES	\$ 10,000,760	\$ 3,391,888	\$ 2,686,886	\$ 1,698,365	\$ 17,777,899
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 552,368	\$ 370,575	\$ 419,270	\$ 17,003	\$ 1,359,216
Interfund payable	250	1,036,266	0	522	1,037,038
Unearned grant revenue	0	1,985,047	0	0	1,985,047
Current portion of accrued sick leave	120,529	0	0	0	120,529
TOTAL LIABILITIES	673,147	3,391,888	419,270	17,525	4,501,830
FUND BALANCES:					
Nonspendable	12,585	0	0	0	12,585
Restricted	363,038	0	2,267,616	1,680,840	4,311,494
Committed	1,982,644	0	0	0	1,982,644
Assigned	31,531	0	0	0	31,531
Unassigned	6,937,815	0	0	0	6,937,815
TOTAL FUND BALANCES	9,327,613	0	2,267,616	1,680,840	13,276,069
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,000,760	\$ 3,391,888	\$ 2,686,886	\$ 1,698,365	\$ 17,777,899

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total governmental fund balance per fund financial statements \$ 13,276,069

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	\$ 139,924,585	
Accumulated depreciation	<u>(56,885,061)</u>	83,039,524

Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet

Deferred loss from refunding bonds	268,385	
Deferred pension related outflows	1,883,089	
Deferred OPEB related outflows	<u>4,702,415</u>	6,853,889

Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds

Deferred pension related inflows	(2,387,199)	
Deferred OPEB related inflows	<u>(7,305,829)</u>	(9,693,028)

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

Interest payable		(551,634)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(59,472,000)	
Unamortized bond discount	461,526	
Net pension liability	(11,901,862)	
Net OPEB liability	(10,823,925)	
Accrued sick leave payable	<u>(605,548)</u>	(82,341,809)

Internal service funds are used by management to charge the cost of dental insurance to individual funds. The assets and liabilities of this internal service fund not included in other reconciling items are:

Current assets	61,471	
Current liabilities	<u>(31,968)</u>	<u>29,503</u>

Net position of governmental activities \$ 10,612,514

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	General Fund	Special Revenue Fund	Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 8,694,073	\$ 0	\$ 0	\$ 2,844,472	\$ 11,538,545
Motor Vehicle	1,914,707	0	0	0	1,914,707
Utilities	3,262,414	0	0	0	3,262,414
Occupational license tax	3,399,217	0	0	0	3,399,217
In Lieu of	866,957	0	0	0	866,957
Earnings on Investments	91,300	327	21,399	6,247	119,273
Student activities	0	0	0	892,041	892,041
Other local revenues	317,153	0	0	103,691	420,844
Intergovernmental - State	27,067,670	2,190,413	0	1,994,111	31,252,194
Intergovernmental - direct federal	0	158,838	0	0	158,838
Intergovernmental - indirect federal	234,685	6,450,682	0	0	6,685,367
TOTAL REVENUES	45,848,176	8,800,260	21,399	5,840,562	60,510,397
EXPENDITURES:					
Current:					
Instruction	27,739,527	5,958,777	0	979,270	34,677,574
Support Services:					
Student	2,590,457	397,683	0	0	2,988,140
Instructional Staff	1,104,015	326,617	0	18,811	1,449,443
District Administration	1,825,245	29,815	0	0	1,855,060
School Administration	2,720,918	0	0	0	2,720,918
Business	1,483,677	0	0	0	1,483,677
Plant operations and maintenance	4,667,539	1,370,604	0	9,226	6,047,369
Student transportation	2,662,845	310,837	0	0	2,973,682
Food service	15,705	0	0	0	15,705
Community service activities	111,215	393,505	0	0	504,720
Facilities acquisition and construction	12,518	0	2,573,156	0	2,585,674
Debt service	0	0	0	4,467,085	4,467,085
TOTAL EXPENDITURES	44,933,661	8,787,838	2,573,156	5,474,392	61,769,047
Excess (deficit) of revenues over expenditures	914,515	12,422	(2,551,757)	366,170	(1,258,650)
OTHER FINANCING SOURCES (USES):					
Sale or comp for loss of assets	26,366	0	0	0	26,366
Issurance of school building revenue bonds	0	0	1,395,000	0	1,395,000
Payment of bond issue costs	0	0	(27,750)	0	(27,750)
Net discount on bonds sold	0	0	(1,082)	0	(1,082)
Operating transfers in	566,830	90,662	195,833	4,154,671	5,007,996
Operating transfers out	(621,625)	(103,084)	0	(4,350,504)	(5,075,213)
TOTAL OTHER FINANCING SOURCES (USES)	(28,429)	(12,422)	1,562,001	(195,833)	1,325,317
Net change in fund balance	886,086	0	(989,756)	170,337	66,667
Fund Balance - Beginning of year	8,441,527	0	3,257,372	1,510,503	13,209,402
Fund Balance - End of year	\$ 9,327,613	\$ 0	\$ 2,267,616	\$ 1,680,840	\$ 13,276,069

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2022

Net change in total governmental fund balances per fund financial statements		\$ 66,667
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	(3,650,928)	
Capital outlays	<u>3,904,693</u>	253,765
Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.		
Gross proceeds from the sale of fixed assets	(26,366)	
Gain (Loss) on the disposal of fixed assets	<u>26,366</u>	0
Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Issuance of bonds	(1,395,000)	
Discount on bonds sold	1,082	
Bond principal paid	<u>2,516,000</u>	1,122,082
Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.		
Amortization of deferred loss on early retirement of debt	(116,024)	
Amortization of bond discounts	<u>(36,286)</u>	(152,310)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred. These net differences are as follows:		
Interest payable	(9,776)	
Pension expense	1,062,150	
Long-term portion of accrued sick leave	<u>(8,906)</u>	1,043,468
Internal service funds are used by management to charge the costs of dental insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
		<u>(106,362)</u>
Change in net position of governmental activities		<u>\$ 2,227,310</u>
See independent auditor's report and accompanying notes to financial statements		

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS:				
Current Assets				
Cash and cash equivalents	\$ 1,924,047	\$ 0	\$ 1,924,047	\$ 60,188
Accounts receivable:				
Intergovernmental - indirect federal	339,681	0	339,681	0
Other accounts receivable	2,890	0	2,890	1,283
Inventory	83,365	0	83,365	0
Total current assets	<u>2,349,983</u>	<u>0</u>	<u>2,349,983</u>	<u>61,471</u>
Noncurrent Assets				
Capital assets	1,754,366	140,121	1,894,487	0
Less: accumulated depreciation	(1,452,896)	(138,976)	(1,591,872)	0
Total noncurrent assets	<u>301,470</u>	<u>1,145</u>	<u>302,615</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 2,651,453</u>	<u>\$ 1,145</u>	<u>\$ 2,652,598</u>	<u>\$ 61,471</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension related outflows	\$ 276,936	\$ 0	\$ 276,936	\$ 0
Deferred OPEB related outflows	298,478	0	298,478	0
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 575,414</u>	<u>\$ 0</u>	<u>\$ 575,414</u>	<u>\$ 0</u>
LIABILITIES:				
Current Liabilities				
Accounts payable	\$ 14,948	\$ 0	\$ 14,948	\$ 0
Current portion of accrued sick leave	4,683	0	4,683	0
Estimated claims payable, current	0	0	0	31,968
Total current liabilities	<u>19,631</u>	<u>0</u>	<u>19,631</u>	<u>31,968</u>
Noncurrent Liabilities				
Noncurrent portion of accrued sick leave	23,529	0	23,529	0
Net pension liability	1,750,350	0	1,750,350	0
Net OPEB liability	525,453	0	525,453	0
Total noncurrent liabilities	<u>2,299,332</u>	<u>0</u>	<u>2,299,332</u>	<u>0</u>
TOTAL LIABILITIES	<u>\$ 2,318,963</u>	<u>\$ 0</u>	<u>\$ 2,318,963</u>	<u>\$ 31,968</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension related inflows	\$ 351,073	\$ 0	\$ 351,073	\$ 0
Deferred OPEB related inflows	289,842	0	289,842	0
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 640,915</u>	<u>\$ 0</u>	<u>\$ 640,915</u>	<u>\$ 0</u>
Net Position				
Net investment in capital assets	\$ 301,470	\$ 1,145	\$ 302,615	\$ 0
Restricted for food service	(34,481)	0	(34,481)	0
Other restricted	0	0	0	29,503
Total net position	<u>\$ 266,989</u>	<u>\$ 1,145</u>	<u>\$ 268,134</u>	<u>\$ 29,503</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	Food Service Fund	Total Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Operating Revenues:				
Lunchroom sales	\$ 142,436	\$ 0	\$ 142,436	\$ 0
Other operating revenues	14,713	0	14,713	0
Charges for services from other funds	0	0	0	184,103
COBRA revenues	0	0	0	5,999
Total operating revenues	157,149	0	157,149	190,102
Operating Expenses:				
Salaries and benefits	1,549,853	0	1,549,853	0
Contract services	29,300	0	29,300	25,997
Materials and supplies	1,560,804	0	1,560,804	0
Expendable equipment	5,710	0	5,710	0
Depreciation	42,425	2,291	44,716	0
Claims paid	0	0	0	271,261
Other operating expenses	18,322	0	18,322	0
Total operating expenses	3,206,414	2,291	3,208,705	297,258
Operating income (loss)	<u>(3,049,265)</u>	<u>(2,291)</u>	<u>(3,051,556)</u>	<u>(107,156)</u>
Non-Operating Revenues (Expenses):				
Federal grants	3,374,765	0	3,374,765	0
Donated commodities	228,527	0	228,527	0
State grants	454,865	0	454,865	0
Interest income	15,509	0	15,509	794
Total non-operating revenues	4,073,666	0	4,073,666	794
Net income (loss) before transfers	1,024,401	(2,291)	1,022,110	(106,362)
Gain (loss) on fixed assets	2,890	0	2,890	0
Transfers from other funds	67,217	0	67,217	0
Change in net position	1,094,508	(2,291)	1,092,217	(106,362)
Net Position, July 1, 2021	(827,519)	3,436	(824,083)	135,865
Net Position, June 30, 2022	\$ 266,989	\$ 1,145	\$ 268,134	\$ 29,503

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	Food Service Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities:				
Cash received from:				
Lunchroom sales	\$ 142,436	\$ 0	\$ 142,436	\$ 0
Other operating revenues	15,883	0	15,883	6,405
Charges for services from other funds	0	0	0	184,103
Cash paid to/for:				
Employees	(1,129,449)	0	(1,129,449)	0
Contract services	(24,359)	0	(24,359)	(25,997)
Materials and supplies	(1,333,602)	0	(1,333,602)	0
Expendable equipment	(5,710)	0	(5,710)	0
Other operating expenses	(17,556)	0	(17,556)	(274,590)
Net cash provided by (used in) operating activities	<u>(2,352,357)</u>	<u>0</u>	<u>(2,352,357)</u>	<u>(110,079)</u>
Cash Flows from Non-Capital Financing Activities:				
Transfers from other funds	67,217	0	67,217	0
Operating grants received	3,126,221	0	3,126,221	0
Net cash provided by (used in) non-capital financing activities	<u>3,193,438</u>	<u>0</u>	<u>3,193,438</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:				
Insurance proceeds from loss of capital assets	2,890	0	2,890	0
Purchases of capital assets	(70,369)	0	(70,369)	0
Net cash provided by (used in) capital and related financing activities	<u>(67,479)</u>	<u>0</u>	<u>(67,479)</u>	<u>0</u>
Cash Flows from Investing Activities:				
Interest income received	15,509	0	15,509	794
Net cash provided by (used in) investing activities	<u>15,509</u>	<u>0</u>	<u>15,509</u>	<u>794</u>
Net increase (decrease) in cash and cash equivalents	789,111	0	789,111	(109,285)
Cash and cash equivalents, July 1, 2021	<u>1,134,936</u>	<u>0</u>	<u>1,134,936</u>	<u>169,473</u>
Cash and cash equivalents, June 30, 2022	<u>\$ 1,924,047</u>	<u>\$ 0</u>	<u>\$ 1,924,047</u>	<u>\$ 60,188</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (3,049,265)	\$ (2,291)	\$ (3,051,556)	\$ (107,156)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	42,425	2,291	44,716	0
On behalf payments	422,220	0	422,220	0
Commodities used	228,527	0	228,527	0
Changes in assets and liabilities:				
Inventory	(10,566)	0	(10,566)	0
Deferred outflows of resources	108,355	0	108,355	0
Accounts receivable	1,170	0	1,170	406
Accounts payable	14,948	0	14,948	(3,329)
Accrued sick leave	3,461	0	3,461	0
Net pension liability	(399,340)	0	(399,340)	0
Net OPEB liability	(151,148)	0	(151,148)	0
Deferred inflows of resources	436,856	0	436,856	0
Net cash provided by (used in) operating activities	<u>\$ (2,352,357)</u>	<u>\$ 0</u>	<u>\$ (2,352,357)</u>	<u>\$ (110,079)</u>
Non-Cash Investing, Capital, and Financing Activities:				
Food commodities received	\$ 228,527	\$ 0	\$ 228,527	\$ 0
On behalf payments	422,220	0	422,220	0
Total Non-Cash Investing, Capital, and Financing Activities	<u>\$ 650,747</u>	<u>\$ 0</u>	<u>\$ 650,747</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022

	Private Purpose Trust Funds
ASSETS:	
Cash and cash equivalents	\$ 1,172,631
Total Assets	\$ 1,172,631
 LIABILITIES:	
Accounts payable	\$ 0
Total Liabilities	\$ 0
 NET POSITION HELD IN TRUST	 \$ 1,172,631

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	<u>Private Purpose Trust Funds</u>
Additions:	
Interest income	\$ 9,326
Contributions received	<u>36,395</u>
Total Additions	<u>45,721</u>
 Deductions:	
Benefits paid	<u>71,566</u>
Total Deductions	<u>71,566</u>
Change in net position	(25,845)
Net position, July 1, 2021	<u>1,198,476</u>
Net position, June 30, 2022	<u><u>\$1,172,631</u></u>

See independent auditor's report and accompanying notes to financial statements

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

NOTE A – REPORTING ENTITY

The Marshall County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marshall 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 because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all the funds and activities relevant to the operation of the Marshall County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the 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 organizations are included in the accompanying financial statements:

Marshall County School District Finance Corporation – In 1991, the Marshall County Board of Education resolved to authorize the establishment of the Marshall County School District Finance Corporation (a nonprofit, 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 board members of the Marshall County Board of Education also comprise the Corporation’s Board of Directors.

Marshall County Finance Office – On September 1, 1968, the Marshall County Fiscal Court formed the Marshall County Finance Office as an agency of the Board for collecting the .5% occupational license tax for schools. When the District began providing office space and the salary for the collector of the tax, the fund was included as an Agency Fund on the District’s financial statements. Based on format changes to the statements under GASB 34, the Finance Office Fund activities were combined with the General Fund.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation (continued)

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

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

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. 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. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets plus deferred outflows, liabilities plus deferred inflows, revenues, or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

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

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

The fiduciary funds are reported using the economic resources measurement focus.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal, and private grants where unused balances are returned to the grantor at the close of specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 73. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Other Special Revenue Funds include the 1) District Activity Funds which are used to support co-curricular activities and includes funds that are not raised and expended by student groups and 2) Student Activity Funds which account for activities of student groups and other types of activities requiring clearing accounts. The Student Activity Funds are accounted for in accordance with the Accounting Procedures for Kentucky School Activity Funds (Redbook), while the District Activity Funds are accounted for in the District bank account, are not subject to the Redbook, and may be expended with more flexibility, but must meet the educational purpose standard for all District expenditures.
- (D) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 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.
- (E) 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 and Internal Service Funds)

- (A) The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$228,527 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

II. Proprietary Fund Types (Enterprise and Internal Service Funds) - Continued

- (B) The Adult Education Fund (Enterprise) is used to account for revenues from adult education programs.
- (C) The Self-insurance Dental Fund (Internal Service) is used to account for the financing of risk management for dental and vision coverage.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

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.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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 resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the 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 the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

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 grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement 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.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022, to finance operations were \$.474 per \$100 valuation for real property, \$.474 per \$100 valuation for business personal property and \$.456 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.

In addition, the District levies an occupational license tax of .5% on salaries, wages, commissions, and other compensation of individuals for work done and services performed or rendered in the county by resident individuals and on the net profits of all businesses, professions, or occupations from activities conducted in the county.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

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

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2022 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. Prepaid items at June 30, 2022 consisted of the cost of running water lines to the new South Marshall Middle School, which will be applied to the water bill each month until depleted and insurance premiums with coverage dates that extend beyond June 30, 2022.

Debt Costs

Unamortized discounts of \$268,385 are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July 17, 2012 meeting, the Board approved a change to its Fixed Asset policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property, including computer workstations. Larger thresholds apply to land improvements, buildings and building improvements, leasehold improvements, and infrastructure. Improvements to land and to buildings in excess of established thresholds 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.

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

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

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

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

Pensions and Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension expense, and OPEB expense, information about the fiduciary net position of the Kentucky Public Pensions Authority (KPPA) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investment 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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact. At June 30, 2022, the District had \$12,585 in nonspendable fund balance – prepaids.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the District had \$363,038 restricted for sick leave in the General Fund, \$461,737 restricted for district activity funds and \$526,207 restricted for student activity funds in Special Revenue Funds, \$280,693 SFCC escrow and \$375,749 other restricted in the FSPK fund, \$2,267,616 restricted for future construction in the Construction Fund, and \$36,454 restricted for debt service in the Debt Service fund.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2022: \$152,268 for SDBM carryforward, \$10,617 for playground equipment, \$719,759 for buses, \$100,000 for FEMA matching funds, \$900,000 for occupational tax refunds, and \$100,000 for safety.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2022, was \$31,531 in the General Fund. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

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

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its 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. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022.

Operating Revenues and Expenses

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

Use of Restricted Resources

The District does not have a policy regarding the use of restricted net position; however when an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's informal policy to use restricted resources first, then unrestricted resources as they are needed, with the exception of funds that are escrowed for SFCC, which must be released by the SFCC and KDE before being used.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

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

NOTE D – CASH AND CASH EQUIVALENTS

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

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year end, the carrying amount of the District's cash and cash equivalents was \$15,235,327. The bank balance was \$16,364,587. Of the bank balance, \$14,849,071 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$1,515,516 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MARSHALL COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
For the Year Ended June 30, 2022

Note E - Capital Assets

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

Governmental Activities	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital Assets:				
Land	\$ 1,490,473	\$ 105,000	\$ 0	\$ 1,595,473
Land improvements	67,000	752,043	0	819,043
Buildings and improvements	115,203,856	2,020,636	216,060	117,008,432
Technology equipment	3,313,389	0	0	3,313,389
Vehicles	8,715,480	616,990	0	9,332,470
General Equipment	4,752,593	134,029	0	4,886,622
Construction	2,693,161	3,053,100	2,777,105	2,969,156
Totals at historical cost	<u>136,235,952</u>	<u>6,681,798</u>	<u>2,993,165</u>	<u>139,924,585</u>
Less: Accumulated depreciation				
Land improvements	33,223	6,542	0	39,765
Buildings and improvements	39,414,193	3,012,836	216,060	42,210,969
Technology equipment	3,077,365	112,567	0	3,189,932
Vehicles	6,688,759	413,684	0	7,102,443
General Equipment	4,236,653	105,299	0	4,341,952
Total accumulated depreciation	<u>53,450,193</u>	<u>3,650,928</u>	<u>216,060</u>	<u>56,885,061</u>
Governmental Activities Capital Assets - Net	<u><u>\$ 82,785,759</u></u>	<u><u>\$ 3,030,870</u></u>	<u><u>\$ 2,777,105</u></u>	<u><u>\$ 83,039,524</u></u>
Business-Type Activities				
Capital Assets:				
Buildings and improvements	\$ 114,545	\$ 0	\$ 0	\$ 114,545
Technology equipment	66,542	0	0	66,542
General Equipment	1,643,031	70,369	0	1,713,400
Totals at historical cost	<u>1,824,118</u>	<u>70,369</u>	<u>0</u>	<u>1,894,487</u>
Less: Accumulated depreciation				
Buildings and improvements	111,109	2,291	0	113,400
Technology equipment	66,542	0	0	66,542
General Equipment	1,369,505	42,425	0	1,411,930
Total accumulated depreciation	<u>1,547,156</u>	<u>44,716</u>	<u>0</u>	<u>1,591,872</u>
Business-Type Activities Capital Assets - Net	<u><u>\$ 276,962</u></u>	<u><u>\$ 25,653</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 302,615</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,810,958
Instructional staff support	4,491
District administration	107,877
School administrative support	6,667
Business support	3,126
Plant operation and maintenance	1,311,429
Student transportation	406,380
Total depreciation expense	<u><u>\$ 3,650,928</u></u>

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

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District’s future obligations to make lease payments related to school building revenue bonds issued by the Marshall County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

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

Following is a schedule of obligations existing at June 30, 2022:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
November 30, 2010	November 1, 2030	3.625%	\$ 272,000
November 30, 2011	June 1, 2024	2.000% - 2.625%	2,990,000
December 30, 2014	November 1, 2034	2.000% - 3.375%	935,000
April 16, 2015	April 1, 2035	3.000% - 3.375%	22,230,000
January 6, 2016	May 1, 2027	1.000% - 3.000%	2,425,000
March 20, 2018	April 1, 2038	3.625% - 5.000%	10,310,000
June 27, 2018	August 1, 2038	3.625% - 5.000%	14,915,000
April 3, 2019	April 1, 2039	3.000% - 4.000%	1,475,000
June 29, 2021	August 1, 2041	2.000% - 3.000%	2,525,000
May 26, 2022	June 1, 2042	2.000% - 4.000%	1,395,000
			<u>\$ 59,472,000</u>

In 1991 the District entered into a “participation agreement” with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, 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.

In November 2011, the Board issued bonds to advance refund outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during a previous year. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$1,272,087. Amortization for the year was \$97,853 and is included as a component of interest expense.

In January 2016, the Board issued bonds to advance refund outstanding 2007 School Building Revenue Bonds that were scheduled to mature on or after May 1, 2018. In the Statement of Net Position, the net costs associated with the early retirement of the issue are deferred and amortized over the remaining life of the defeased debt. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$199,878. Amortization for the year was \$18,171 and is included as a component of interest expense. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due May 1, 2027.

In March 2018, the Board issued \$11,210,000 in Energy Conservation Revenue Bonds for the purpose of providing funds to pay the costs of the construction of energy savings measures at various schools and facilities within the District. The District is required to make semi-annual payments of principal and interest, with the final payment due April 1, 2038.

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

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

In June 2018, the Board issued \$15,675,000 in School Building Revenue Bonds for the purpose of renovations to Marshall County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due August 1, 2038.

In April 2019, the Board issued \$1,665,000 in School Building Revenue Bonds for the purpose of financing various projects, including roof replacement at South Marshall Elementary School, wastewater treatment plant replacement at Sharpe Elementary, and sanitary sewer and wastewater projects at Marshall County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due April 1, 2039.

In June 2021, the Board issued \$2,525,000 in School Building Revenue Bonds for the purpose of financing the cost of constructing roof renovations at Benton Elementary School, Central Elementary School, and the School District's Office, and renovations and improvements to Marshall County High School and the Technology Center. The District is required to make semi-annual payments of principal and interest, with the final payment due August 1, 2041.

In May 2022, the Board issued \$1,395,000 in School Building Revenue Bonds for the purpose of roof renovations at Calvert City Elementary School. The District is required to make semi-annual payments of principal and interest, with the final payment due June 1, 2042.

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:

Year	Marshall County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2022-2023	\$ 2,422,107	\$ 1,834,632	\$ 344,893	\$ 107,390	\$ 4,709,022
2023-2024	2,508,780	1,757,657	354,220	98,063	4,718,720
2024-2025	2,606,276	1,679,185	312,724	87,789	4,685,974
2025-2026	2,703,055	1,594,001	321,945	78,567	4,697,568
2026-2027	2,818,844	1,501,505	332,156	68,357	4,720,862
2027-2028	2,931,564	1,411,471	205,436	57,967	4,606,438
2028-2029	2,971,176	1,323,991	211,824	51,580	4,558,571
2029-2030	3,075,395	1,233,965	218,605	44,797	4,572,762
2030-2031	3,195,251	1,139,926	217,749	37,916	4,590,842
2031-2032	3,313,993	1,038,766	196,007	31,271	4,580,037
2032-2033	3,441,885	932,058	203,115	24,816	4,601,874
2033-2034	3,575,370	818,275	209,630	17,972	4,621,247
2034-2035	3,723,577	698,934	216,423	10,885	4,649,819
2035-2036	3,897,622	545,005	27,378	3,536	4,473,541
2036-2037	4,056,640	407,671	28,360	2,554	4,495,225
2037-2038	4,230,610	261,546	29,390	1,523	4,523,069
2038-2039	3,671,548	91,799	23,452	582	3,787,381
2039-2040	285,000	20,675	0	0	305,675
2040-2041	295,000	13,125	0	0	308,125
2041-2042	295,000	5,562	0	0	300,562
	<u>\$ 56,018,693</u>	<u>\$ 18,309,749</u>	<u>\$ 3,453,307</u>	<u>\$ 725,565</u>	<u>\$ 78,507,314</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2022 was \$2,076,885.

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

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Due Within One Year
Governmental:					
Bonds payable	\$ 60,593,000	\$ 1,395,000	\$ 2,516,000	\$ 59,472,000	\$ 2,767,000
Less: Unamortized discounts	(496,730)	(1,082)	(36,286)	(461,526)	(36,340)
Sick leave – non-current	596,642	197,357	188,451	605,548	0
Sick leave – current	118,756	120,529	118,756	120,529	120,529
Net pension liability	14,663,152	0	2,761,290	11,901,862	0
Net OPEB liability	13,156,133	0	2,332,208	10,823,925	0
Totals	<u>\$ 88,630,953</u>	<u>\$ 1,711,804</u>	<u>\$ 7,880,419</u>	<u>\$ 82,462,338</u>	<u>\$ 2,851,189</u>
Business-Type:					
Sick leave	\$ 24,751	\$ 6,348	\$ 2,887	\$ 28,212	\$ 4,683
Net pension liability	2,149,690	0	399,340	1,750,350	0
Net OPEB liability	676,601	0	151,148	525,453	0
Totals	<u>\$ 2,851,042</u>	<u>\$ 6,348</u>	<u>\$ 553,375</u>	<u>\$ 2,304,015</u>	<u>\$ 4,683</u>

NOTE G – EMPLOYEE BENEFITS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System (CERS), administered by Kentucky Public Pensions Authority (KPPA), covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System (TRS) of the State of Kentucky covers positions requiring teaching certification or otherwise requiring a college degree.

County Employees Retirement System Pension and Insurance Funds

Plan Descriptions and Benefits Provided - 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. CERS was created by the Kentucky General Assembly on July 1, 1958, pursuant to Kentucky Revised Statute (KRS) 78.520 and the separate governing board was created in 2021. The purpose of CERS is to provide retirement benefits to all regular full-time members employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. CERS provides retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. KPPA provides administrative support. KRS 61.691 only allows the Cost of Living Adjustments (COLAs) to be awarded on a biennial basis if the State Legislature so authorizes and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA. The COLAs are limited to 1.50%. No COLA has been granted since July 1, 2011.

The CERS also provides other post-employment benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit other postemployment benefits (OPEB) plan and was established by KRS 61.701 for the purpose of providing hospital and medical insurance benefits for eligible members receiving benefits from CERS. The responsibility for the general administration and operation of the Insurance Fund is vested with the Kentucky Retirement System and CERS Boards of Trustees. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The amount of benefit paid by the Insurance Fund is based on years of service. All participants enrolled in CERS are automatically enrolled in both the insurance fund and the pension fund. Information regarding the Insurance Fund is contained in the financial statements of the KPPA.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension and Insurance Funds (Continued)

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

Contributions – The employee contribution rate is set by state statute. Non-hazardous plan members who began participating prior to September 1, 2008 are required to contribute 5% of their annual creditable compensation. Plan members who began participating on or after September 1, 2008 and before January 1, 2014 are required to contribute 6% of their annual creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits in the Insurance Fund. Plan members who began participating on or after January 1, 2014 are required to contribute to the Cash Balance Plan which is a hybrid plan with characteristics of both a defined benefit plan and a defined contribution plan. Members in the Cash Balance Plan are required to contribute at the same rates as plan members who began participating on or after September 1, 2008. The employer contribution rates are set by the CERS Board under KRS 78.635 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For non-hazardous plan members, the employer contribution rate was 26.95% for the year ended June 30, 2022. The required contribution rate is made up of a portion that is attributed to the insurance fund and a portion attributed to the pension fund. For non-hazardous contributions, 21.17% is the rate for the pension fund and 5.78% is the rate for the insurance fund. The pension contributions for the fiscal year ended June 30, 2022 were \$1,276,584. The insurance contributions for the fiscal year ended June 30, 2022 were \$348,543.

County Employees Retirement System Pension Fund

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$13,652,212 for its proportionate share of the net pension liability. The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on a projection of the District's share of contributions to the pension plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .214126%.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of \$1,158,660 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net differences between projected and actual earnings on pension plan investments	\$ 461,713	\$ 67,902	\$ 2,048,032	\$ 301,194
Differences between expected and actual experience	136,670	20,099	115,516	16,988
Changes of assumptions	159,737	23,492	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	12,055	1,773	223,651	32,891
District contributions subsequent to the measurement date	1,112,914	163,670	0	0
Total	<u>\$ 1,883,089</u>	<u>\$ 276,936</u>	<u>\$ 2,387,199</u>	<u>\$ 351,073</u>

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

Deferred outflows of resources in governmental activities of \$1,112,914 and in business-type activities of \$163,670 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Governmental Activities	Business-Type Activities
2023	\$ (291,431)	\$ (42,859)
2024	(465,902)	(68,518)
2025	(362,937)	(53,375)
2026	(496,754)	(73,055)

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

Actuarial Assumptions - The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. There have been no changes in actuarial assumptions since June 30, 2020 (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report).

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. There were no other material benefit provision changes since the prior valuation.

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

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

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Pension Fund (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth - U.S. Equity	21.75%	5.70%
Growth - Non U.S. Equity	21.75%	6.35%
Growth - Private Equity	10.00%	9.70%
Growth - Specialty Credit/High Yield	15.00%	2.80%
Liquidity - Core Bonds	10.00%	0.00%
Liquidity - Cash	1.50%	-0.60%
Diversifying Strategies - Real Estate	10.00%	5.40%
Diversifying Strategies - Real Return	10.00%	4.55%
Total	<u>100.00%</u>	

Discount Rate - The single discount rate used to measure the total pension liability was 6.25%. The rate was based on the expected rate of return on pension investments for the plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability for the plan. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 Legislative Session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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

	1% Decrease <u>(5.25%)</u>	Current Discount <u>(6.25%)</u>	1% Increase <u>(7.25%)</u>
District's proportionate share of net pension liability	\$17,509,610	\$13,652,212	\$10,460,306

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

Payables to the pension plan – At June 30, 2022, the financial statements include \$258,294 in payables to CERS for the pension and insurance funds.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2022, the District reported a liability of \$4,098,378 for its proportionate share of the net OPEB liability of non-hazardous employees. The total OPEB liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on a projection of the District's share of contributions to the OPEB plan relative to the total contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .214076%.

The fully insured premiums KPPA pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

As a result of its requirement to contribute to the CERS insurance fund, the District recognized OPEB expense of \$495,354 for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirements to contribute to CERS:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net differences between projected and actual earnings on OPEB plan investments	\$ 180,014	\$ 26,474	\$ 738,949	\$ 108,674
Differences between expected and actual experience	561,843	82,628	1,066,756	156,883
Changes of assumptions	947,250	139,308	3,322	489
Change in proportion and differences between employer contributions and proportionate share of plan contributions	36,596	5,382	161,802	23,796
District contributions subsequent to the measurement date	<u>303,857</u>	<u>44,686</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 2,029,560</u>	<u>\$ 298,478</u>	<u>\$ 1,970,829</u>	<u>\$ 289,842</u>

Deferred outflows of resources in governmental activities of \$303,857 and in business-type activities of \$44,686 related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ 59,805	\$ 8,795
2024	(25,071)	(3,687)
2025	(45,399)	(6,677)
2026	(234,461)	(34,481)
2027	0	0
Thereafter	0	0

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued) -The net OPEB liability as of June 30, 2022 is based on the June 30, 2020 actuarial valuation rolled-forward to the plan's fiscal year end of June 30, 2021 using generally accepted actuarial principles. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred outflows and inflows related to differences between expected and actual experience, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions are amortized over a period that represents the average of the expected remaining service lives of all active and inactive members of the plan (4.92 years for non-hazardous plans).

Actuarial Assumptions - The total OPEB liability, net OPEB liability, and sensitivity information for the actuarial valuation as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018. The single discount rate used to calculate the total OPEB liability within the plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes. The 2021 valuation utilized the assumptions listed below (a complete list of actuarial assumptions is listed in the Required Supplementary Information section of this report):

- Inflation - 2.30%
- Salary increases - 3.30% to 10.30%, varies by service
- Investment rate of return – 6.25% net of OPEB plan investment expense, including inflation
- Payroll growth rate – 2.00%
- Healthcare trend rates – Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend rate starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Post-65).
- Single discount rate – Prior measurement date: 5.34%; Measurement date: 5.18%
- Municipal bond rate – Prior measurement date: 2.45%; Measurement date: 1.92%

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. There were no other material plan provision changes.

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

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

Actuarial Assumptions (Continued) - The long-term expected rate of return on plan assets was determined by using a building block method in which best-estimate ranges of expected future real rates of return are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth - U.S. Equity	21.75%	5.70%
Growth - Non U.S. Equity	21.75%	6.35%
Growth - Private Equity	10.00%	9.70%
Growth - Specialty Credit/High Yield	15.00%	2.80%
Liquidity - Core Bonds	10.00%	0.00%
Liquidity - Cash	1.50%	-0.60%
Diversifying Strategies - Real Estate	10.00%	5.40%
Diversifying Strategies - Real Return	10.00%	4.55%
Total	<u>100.00%</u>	

Discount Rate - The single discount rate used to calculate the total OPEB liability was 5.18% for non-hazardous. The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently reviewed by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.18%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.18%) or 1-percentage-point higher (6.18%) than the current rate:

	<u>1% Decrease (4.18%)</u>	<u>Current Discount (5.18%)</u>	<u>1% Increase (6.18%)</u>
District's proportionate share of net OPEB liability	\$5,627,042	\$4,098,378	\$2,843,856

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

County Employees Retirement System Insurance Fund (OPEB) (Continued)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$2,950,345	\$4,098,378	\$5,484,072

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

Payables to the OPEB plan – At June 30, 2022, the financial statements include \$258,294 in payables to CERS for the pension and insurance funds.

Teachers' Retirement System of the State of Kentucky General Information about the Pension Plan

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

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

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

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

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky Retirement Annuity Trust (Continued)

Benefits Provided (Continued) – The final average salary is the member's five (5) highest annual salaries except members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. TRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System effective July 1, 2015.

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

Medical Insurance Plan

Plan Description – In addition to the pension benefits described above, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing, multiple-employer, defined benefit plan and is funded by employer and member contributions. Changes made to the medical plan provided through the trust may be made by the TRS 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 and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and/or are eligible for Medicare, coverage is obtained through the Medicare Eligible Health Plan (MEHP) administered by TRS.

Funding Policy – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions, three-quarters percent (.75%) from Commonwealth appropriation and three percent (3%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2022, the District did not report a liability for its proportionate share of the net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount of the Commonwealth's proportionate share of the net pension liability associated with the District was \$82,190,675.

The total pension liability was rolled-forward from the actuarial valuation date of June 30, 2020 to the plan's fiscal year ended June 30, 2021, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the Commonwealth's proportion of the total liability of TRS that is related to the District was .6316%.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky Retirement Annuity Trust (Continued)

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

For the year ended June 30, 2022, the District recognized pension expense of \$6,560,736 and revenue of \$6,560,736 for support provided by the Commonwealth.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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 pension plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation rate	2.50%
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the TRS Board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. A summary of the target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows:

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

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky Retirement Annuity Trust (Continued)

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of net pension liability	\$0	\$0	\$0

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

Teachers' Retirement System of the State of Kentucky General Information about the OPEB Plan

Plan Description – Teaching-certified employees of the 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, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information/>.

Medical Insurance Plan

Plan Description – In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible members and dependents. The TRS Health Insurance Trust is funded by a combination of contributions from employees, the state, and other employers. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided - To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and/or are eligible for Medicare, coverage is obtained through the Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three-quarters percent (3.75%) is paid by member contributions, three-quarters (.75%) from Commonwealth appropriation and three percent (3%) from the employer. The state contributes the net cost of health insurance premiums for new retirees after July 1, 2010 in the non-Medicare eligible group.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky OPEB Health Insurance Trust (Continued)

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 \$7,251,000 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 .337937%.

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

District's proportionate share of the net OPEB liability	\$ 7,251,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>5,889,000</u>
Total	<u>\$ 13,140,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$(346,000) and revenue of \$487,145 for support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Differences between expected and actual experience	\$ 0	\$ 0	\$ 4,312,000	\$ 0
Changes of assumptions	1,896,000	0	0	0
Net differences between projected and actual earnings on OPEB plan investments	0	0	774,000	0
Change in proportion and differences between employer contributions and proportionate share of contributions	147,000	0	249,000	0
District contributions subsequent to the measurement date	<u>629,855</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 2,672,855</u>	<u>\$ 0</u>	<u>\$ 5,335,000</u>	<u>\$ 0</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$629,855 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2023	\$ (800,000)	\$ 0
2024	(803,000)	0
2025	(772,000)	0
2026	(731,000)	0
2027	(194,000)	0
Thereafter	8,000	0

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky OPEB Health Insurance Trust (Continued)

Actuarial Assumptions - The total OPEB liability (TOL) in the June 30, 2020 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	3.00-7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.5% by FY 2031
Age 65 and Older	5.125% for FY 2021 decreasing to an ultimate rate of 4.5% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the TRS board on September 20, 2021. The remaining actuarial assumptions used in the June 30, 2020 valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories: High Yield	8.0%	1.7%
Other Additional Categories	9.0%	2.2%
Cash	1.0%	-0.3%
Total	<u>100.0%</u>	

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Teachers' Retirement System of the State of Kentucky OPEB Health Insurance Trust (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. Other assumptions are listed in the TRS ACFR and in the RSI. Based on those assumptions, the Health Insurance Trust's fiduciary net position was not projected to be depleted.

The following table presents the District's proportionate share of the collective net OPEB liability, 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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of net OPEB liability	\$9,283,000	\$7,251,000	\$5,571,000

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$5,268,000	\$7,251,000	\$9,719,000

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

Life Insurance Plan

Plan Description – TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to active and retired members. This benefit is financed by actuarially determined contributions from the 204 participating employers.

Benefits Provided - TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon 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.

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Life Insurance Plan (Continued)

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

District's proportionate share of the net OPEB liability	\$	0
Commonwealth's proportionate share of the net OPEB liability associated with the District		78,000
Total		<u>78,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$0 and revenue of \$11,997 for support provided by the Commonwealth.

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation.

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ended June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System. The long-term expected rate of return on OPEB investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

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

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Life Insurance Plan (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. Other assumptions are listed in the TRS ACFR and in the RSI. Based on those assumptions, the Life Insurance Trust's fiduciary net position was not projected to be depleted.

The following table presents the District's proportionate share of the collective net OPEB liability, 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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of net pension liability	\$0	\$0	\$0

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

NOTE H – INSURANCE AND RISK MANAGEMENT

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

Employees of the District were covered by the District's dental and vision self-insurance plan (the "Plan"). The District contributed a set amount per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the District. The administrative contract between the District and the third party administrator is renewable annually and administrative fees are included in the contractual provisions. The costs associated with this self-insurance plan are reported as interfund transactions to the extent of amounts determined to be needed to fund the plan based on past history. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General, Special Revenue and Proprietary Funds. The liabilities of the Plan are based on estimated claims incurred but not yet reported to the third party administrator.

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

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

NOTE I - COBRA

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

NOTE J – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

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

Contributions to Kentucky Teachers' Retirement System	\$ 7,059,878
Technology	127,665
SFCC Debt Service	452,283
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	5,290,699
Total	\$ 12,930,525

These payments are recorded in the General, Debt Service, and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to functions as follows:

Instruction	\$ 8,711,627
Student support services	587,661
Instructional staff support services	381,699
District administration support services	130,936
School administration support services	722,417
Business support services	397,472
Plant operations and maintenance support services	617,808
Student transportation support services	506,402
Debt service	452,283
Food services	422,220
Total	\$ 12,930,525

NOTE K – OPERATING LEASES

The District had entered into an agreement with Dell Financial Services for 300 Dell Latitudes and docking stations for a total of \$309,606. Annual payments on the lease of \$108,131 were due each year for three years, with interest at a rate of 4.95% included. The first payment was made October 31, 2019 and the final payment was made September 14, 2021. The District also had a lease for a copier at Jonathan Elementary with monthly payments of \$198.00, with the last payment made during the fiscal year. The District also has a lease for a mailing system at the district office with monthly payments of \$141.57 through February 2024.

The District entered into new lease agreements during the fiscal year as follows:

<u>Description</u>	<u>Contract Date</u>	<u>Term</u>	<u>Final Payment</u>	<u>Term Remaining</u>	<u>Monthly Payment</u>
NMMS copier	March 2022	60 months	March 2027	57 months	\$ 112.69
CCES copier	August 2021	60 months	August 2026	50 months	334.00
BES copier	June 2021	60 months	June 2026	48 months	673.35

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

NOTE L - TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. Transfers made during the year were:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 90,662
Operating	Capital Outlay	Debt Service	Debt Service	431,722
Operating	FSPK	Debt Service	Debt Service	3,115,083
Operating	General	Debt Service	Debt Service	463,746
Operating	FSPK	Construction	BG transfer	195,833
Operating	School Activity	District Activity	District activity transfer	144,120
Operating	Special Revenue	General	Volkswagen settlement	103,084
Operating	General	Food Service	Policy change	2,228
Operating	FSPK	General	Reimburse debt service	463,746
Capital	General	Food Service	Purchase capital assets	64,989

NOTE M – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, and food service funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2022, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 1,036,266	\$ 0
Student Activity Fund	522	250
Special Revenue Fund:		
General Fund	0	1,036,266
School Activity Funds:		
General Fund	250	522

NOTE N – NET POSITION DEFICIT BALANCE:

There were no funds with a deficit fund balance or a net position deficit balance as of June 30, 2022.

NOTE O – COMMITMENTS AND CONTINGENCIES

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

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

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

NOTE P – COMMITMENTS FOR CONSTRUCTION

The District has entered into contracts for various construction projects, which are summarized as follows:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Paid/Accrued by June 30</u>	<u>Contract Balance</u>
Board office roofing project	\$ 119,620	\$ 94,632	\$ 24,988
Various flooring renovations	960,322	389,896	570,426
MCHS sewer project	96,305	68,202	28,103
CCES roofing project	1,273,785	435,929	837,856
SMES wastewater upgrades	87,980	57,491	30,489

NOTE Q – LITIGATION

The District is subject to legal actions, 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 combined financial statements as a result of the actions presently in progress.

NOTE R – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement 87, *Leases*. GASB 87 was issued to increase usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed for eighteen months and became effective for the fiscal year ended June 30, 2022. After a review of the leases the district had during the fiscal year, it was determined the amount would not be material to the government-wide financial statements and no amounts have been recorded under this new statement.

In June 2018, the GASB issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. GASB 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions of this statement were supposed to take effect for the District's financial statements for the fiscal year ending June 30, 2021; however, this statement was postponed to the fiscal year ended June 30, 2022.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements (SBITA)*. GASB 96 defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, which will be for the fiscal year ending June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Favorable (Unfavorable)
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 8,365,000	\$ 8,705,000	\$ 8,694,073	\$ (10,927)
Motor Vehicle	1,500,000	1,870,000	1,914,707	44,707
Utilities	2,900,000	3,000,000	3,262,414	262,414
Occupational license tax	1,900,000	3,200,000	3,399,217	199,217
In Lieu of	975,000	850,000	866,957	16,957
Earnings on Investments	114,000	87,000	91,300	4,300
Other local revenues	87,000	108,000	317,153	209,153
Intergovernmental - State	27,286,549	27,049,931	27,067,670	17,739
Intergovernmental - indirect federal	100,000	190,000	234,685	44,685
TOTAL REVENUES	<u>43,227,549</u>	<u>45,059,931</u>	<u>45,848,176</u>	<u>788,245</u>
EXPENDITURES:				
Current:				
Instruction	27,559,951	28,175,105	27,739,527	435,578
Support Services:				
Student	2,573,781	2,633,601	2,590,457	43,144
Instructional Staff	1,312,567	1,198,178	1,104,015	94,163
District Administration	1,861,216	1,836,296	1,825,245	11,051
School Administration	2,888,821	2,859,899	2,720,918	138,981
Business	1,382,820	1,509,272	1,483,677	25,595
Plant operations and maintenance	5,244,336	4,776,417	4,667,539	108,878
Student transportation	2,870,747	3,182,670	2,662,845	519,825
Food services	0	18,295	15,705	2,590
Community services	64,131	110,547	111,215	(668)
Facilities acquisition and construction	20,219	26,219	12,518	13,701
Debt service	12,820	0	0	0
Contingency	2,742,094	5,869,363	0	5,869,363
TOTAL EXPENDITURES	<u>48,533,503</u>	<u>52,195,862</u>	<u>44,933,661</u>	<u>7,262,201</u>
Excess (deficit) of revenues over expenditures	<u>(5,305,954)</u>	<u>(7,135,931)</u>	<u>914,515</u>	<u>8,050,446</u>
OTHER FINANCING SOURCES (USES):				
Sale or comp for loss of assets	1,500	1,500	26,366	24,866
Operating transfers in	842,006	566,830	566,830	0
Operating transfers out	(550,959)	(550,959)	(621,625)	(70,666)
TOTAL OTHER FINANCING SOURCES (USES)	<u>292,547</u>	<u>17,371</u>	<u>(28,429)</u>	<u>(45,800)</u>
Net Change in Fund Balance	(5,013,407)	(7,118,560)	886,086	8,004,646
Fund Balance, July 1, 2021	<u>5,013,407</u>	<u>7,118,560</u>	<u>8,441,527</u>	<u>1,322,967</u>
Fund Balance, June 30, 2022	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,327,613</u>	<u>\$ 9,327,613</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$12,056,022 from the state are included in both revenues and expenditures in the actual column. While these payments were not required to be budgeted, the district did budget an amount of \$12,037,004 in both revenues and expenditures.

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ (109)	\$ 327	\$ 436
Intergovernmental - State	2,066,375	2,298,314	2,190,413	(107,901)
Intergovernmental - direct federal	200,366	389,939	158,838	(231,101)
Intergovernmental - Indirect federal	2,760,143	3,276,681	6,450,682	3,174,001
TOTAL REVENUES	<u>5,026,884</u>	<u>5,964,825</u>	<u>8,800,260</u>	<u>2,835,435</u>
EXPENDITURES:				
Current:				
Instruction	4,166,563	4,660,864	5,958,777	(1,297,913)
Support Services:				
Student support services	160,112	319,287	397,683	(78,396)
Instructional Staff	224,101	130,662	326,617	(195,955)
District admin support	9,931	9,931	29,815	(19,884)
Plant operations and maintenance	15,300	225,462	1,370,604	(1,145,142)
Student transportation	147,061	147,060	310,837	(163,777)
Community service activities	391,029	491,029	393,505	97,524
TOTAL EXPENDITURES	<u>5,114,097</u>	<u>5,984,295</u>	<u>8,787,838</u>	<u>(2,803,543)</u>
Excess (deficit) of revenues over expenditures	<u>(87,213)</u>	<u>(19,470)</u>	<u>12,422</u>	<u>31,892</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	87,213	87,213	90,662	3,449
Operating transfers out	0	(103,084)	(103,084)	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>87,213</u>	<u>(15,871)</u>	<u>(12,422)</u>	<u>3,449</u>
Net Change in Fund Balance	0	(35,341)	0	35,341
Fund Balance, July 1, 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2022	<u>\$ 0</u>	<u>\$ (35,341)</u>	<u>\$ 0</u>	<u>\$ 35,341</u>

See independent auditor's report and accompanying notes to financial statements

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

	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability	0.214126%	0.219205%
District's proportionate share of the net pension liability	\$ 13,652,212	\$ 16,812,842
District's covered payroll	\$ 5,473,462	\$ 5,625,824
District's proportionate share of the net pension liability as a percentage of its covered payroll	249.43%	298.85%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%

Notes to Schedule

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

Valuation date:	June 30, 2020
Experience study:	July 1, 2013 - June 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percent of pay
Remaining amortization period:	28 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected market value of assets is recognized each year
Inflation:	2.30%
Payroll growth rate:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%, net of pension plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members: System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled retired members: PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Change of benefit terms:	Senate Bill 169 passed during the 2021 Legislative Session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. There were no other material plan provision changes.
Change of assumptions:	There have been no assumption changes since June 30, 2020.

See Notes to Financial Statements

2020	2019	2018	2017	2016	2015
0.219260%	0.227241%	0.219258%	0.226456%	0.223148%	0.224148%
\$ 15,420,653	\$ 13,839,670	\$ 12,833,845	\$ 11,149,839	\$ 9,594,322	\$ 7,272,199
\$ 5,530,428	\$ 5,631,644	\$ 5,339,200	\$ 5,409,008	\$ 5,218,944	\$ 5,142,164
278.83%	245.75%	240.37%	206.13%	183.84%	141.42%
50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

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

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

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) PENSION FUND
LAST NINE FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 1,276,584	\$ 1,056,378	\$ 1,085,784
Contributions in relation to the contractually required contribution	<u>1,276,584</u>	<u>1,056,378</u>	<u>1,085,784</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 6,030,154	\$ 5,473,462	\$ 5,625,824
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

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

See Notes to Financial Statements

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 900,554	\$ 820,440	\$ 744,101	\$ 671,798	\$ 663,060	\$ 708,102
<u>900,554</u>	<u>820,440</u>	<u>744,101</u>	<u>671,798</u>	<u>663,060</u>	<u>708,102</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,530,428	\$ 5,631,644	\$ 5,339,200	\$ 5,409,008	\$ 5,218,944	\$ 5,142,164
16.28%	14.57%	13.94%	12.42%	12.70%	13.77%

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

	2022
District's proportion of the net OPEB liability	0.214076%
District's proportionate share of the net OPEB liability	\$ 4,098,378
District's covered payroll	\$ 5,473,462
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.88%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%

Notes to Schedule

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

Valuation date:	June 30, 2020
Experience study:	July 1, 2013 - June 30, 2018
Actuarial cost method:	Entry age normal
Amortization method:	Level percent of pay
Remaining amortization period:	28 years, closed
Asset valuation method:	20% of the difference between the market value of assets and the expected market value of assets is recognized each year
Inflation:	2.30%
Payroll growth:	2.00%
Salary increase:	3.30% to 10.30%, varies by service
Investment rate of return:	6.25%, net of OPEB plan investment expense, including inflation
Mortality:	For active members: PUB-2010 General Mortality Table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For non-disabled retired members: system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled retired members: PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Healthcare trend rates:	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years (Pre-65). Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years (Post-65).
Change of benefit terms:	Senate Bill 169 passed during the 2021 Legislative Session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. There were no other material plan provision changes.
Change of assumptions:	The single discount rate for non-hazardous changed from 5.34% to 5.18%. The municipal bond rate decreased from 2.45% to 1.92%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases.

See Notes to Financial Statements

2021	2020	2019	2018
0.219147%	0.219205%	0.227232%	0.219258%
\$ 5,291,734	\$ 3,686,929	\$ 4,034,459	\$ 4,407,836
\$ 5,625,824	\$ 5,530,428	\$ 5,631,644	\$ 5,339,200
94.06%	66.67%	71.64%	82.56%
51.67%	60.44%	57.62%	52.39%

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

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

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS) INSURANCE FUND
LAST SIX FISCAL YEARS***

	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 348,543	\$ 260,537
Contributions in relation to the contractually required contribution	<u>348,543</u>	<u>260,537</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 6,030,154	\$ 5,473,462
Contributions as a percentage of covered payroll	5.78%	4.76%

* The amounts presented for each fiscal year were determined as of June 30. Until a full 10-year trend is compiled, governments will present information only for those years for which information is available.

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

See Notes to Financial Statements

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 267,789	\$ 292,041	\$ 266,304	\$ 252,302
<u>267,789</u>	<u>292,041</u>	<u>266,304</u>	<u>252,302</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,625,824	\$ 5,530,428	\$ 5,631,644	\$ 5,339,200
4.76%	5.28%	4.73%	4.73%

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

	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability	0%	0%
District's proportionate share of the net pension liability	\$ 0	\$ 0
Commonwealth's proportion of the net pension liability associated with the District	0.631600%	0.629400%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 82,190,675	\$ 89,201,714
District's covered payroll	\$ 21,909,112	\$ 21,795,351
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	375.14%	409.27%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%

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

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

Valuation date:	June 30, 2020
Experience study:	July 1, 2015 - June 30, 2020
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of pay, closed
Remaining amortization period:	22.9 years
Asset valuation method:	5-year smoothed market
Inflation:	2.50%
Salary increase:	3.0 - 7.5%, including inflation
Investment rate of return:	7.1%, net of pension plan investment expense, including inflation
Mortality:	PUB-2010 Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each group.
Municipal Bond Index Rate	Prior measurement date 2.19%; Measurement date 2.13%
Single Equivalent Interest Rate	Prior measurement date 7.50%; Measurement date 7.10%
Post-Retirement Benefit Increases	1.50% annually

See Notes to Financial Statements

2020	2019	2018	2017	2016	2015
0%	0%	0%	0%	0%	0%
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0.650600%	0.657600%	0.644400%	0.656000%	0.648800%	0.631500%
\$ 88,766,571	\$ 86,105,546	\$ 173,882,200	\$ 193,521,888	\$ 150,988,190	\$ 129,771,800
\$ 21,810,215	\$ 21,643,569	\$ 20,788,163	\$ 20,946,065	\$ 20,328,547	\$ 19,790,966
407.00%	397.83%	836.45%	923.91%	742.74%	655.71%
58.76%	59.28%	39.83%	35.22%	42.49%	45.59%

Change of benefit terms:

None

Change of assumptions:

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) PENSION FUND
LAST NINE FISCAL YEARS***

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 6,984,290	\$ 6,765,530	\$ 6,983,486
District's contributions in relation to the contractually required contribution - federal programs	423,554	308,928	303,308
Commonwealth's contributions in relation to the contractually required contribution	<u>6,560,736</u>	<u>6,456,602</u>	<u>6,680,178</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 23,642,806	\$ 21,909,112	\$ 21,795,351
Contributions as a percentage of District's covered payroll	29.54%	30.88%	32.04%

* The amounts presented for each fiscal year were determined as of June 30.

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

See Notes to Financial Statements

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 6,501,120	\$ 6,408,336	\$ 3,397,289	\$ 3,333,202	\$ 3,262,359	\$ 2,648,536
262,116	230,406	213,057	210,563	204,246	200,209
<u>6,239,004</u>	<u>6,177,930</u>	<u>3,184,232</u>	<u>3,122,639</u>	<u>3,058,113</u>	<u>2,448,327</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 21,810,215	\$ 21,643,569	\$ 20,788,163	\$ 20,946,065	\$ 20,328,547	\$ 19,790,966
29.81%	29.61%	16.34%	15.91%	16.05%	13.38%

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

	2022
District's proportion of the collective net OPEB liability	0.337937%
District's proportionate share of the collective net OPEB liability	\$ 7,251,000
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.274447%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 5,889,000
District's covered payroll	\$ 21,909,112
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	33.10%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	26.88%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of District Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ended June 30, 2021:

Valuation date:	June 30, 2021
Experience study:	July 1, 2015 - June 30, 2020
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Amortization period:	19 years, closed
Asset valuation method:	5-year smoothed market value
Investment rate of return:	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases:	3.0 - 7.5%, including inflation
Inflation rate:	2.50%
Real wage growth:	0.25%
Wage inflation:	2.75%
Municipal Bond Index Rate:	Prior measurement date 2.19%; Measurement date 2.13%
Discount rate	7.10%
Single Equivalent Interest Rate:	7.10%, net of OPEB plan investment expense, including price inflation
Mortality:	PUB-2010 Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each group.
Health care cost trends:	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and older	5.125% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Under age 65 claims	The current premium charged by KEHP is used as the base cost and is projected forward using only the health care trend assumption (no implicit rate subsidy is recognized).

See Notes to Financial Statements

2021	2020	2019	2018
0.338435%	0.347657%	0.340359%	0.341005%
\$ 8,541,000	\$ 10,175,000	\$ 11,809,000	\$ 12,159,000
0.271099%	0.280758%	0.293318%	0.278553%
\$ 6,842,000	\$ 8,217,000	\$ 10,177,000	\$ 9,933,000
\$ 21,795,351	\$ 21,810,215	\$ 21,643,569	\$ 20,788,163
39.19%	46.65%	54.56%	58.49%
31.39%	37.68%	47.02%	47.78%
39.05%	32.58%	25.54%	21.18%

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

Change of benefit terms: None

Change of assumptions: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 8.0% to 7.1%. The price inflation assumption was lowered from 3.0% to 2.5%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) MEDICAL INSURANCE PLAN
LAST FIVE FISCAL YEARS***

	2022
Contractually required contribution	\$ 1,117,000
District's contributions in relation to the contractually required contribution -	629,855
Commonwealth's contributions in relation to the contractually required contribution	487,145
Contribution deficiency (excess)	\$ 0
District's covered payroll	\$ 23,642,806
Contributions as a percentage of District's covered payroll	4.72%

* The amounts presented for each fiscal year were determined as of June 30.

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

See Notes to Financial Statements

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 1,078,508	\$ 1,094,242	\$ 1,128,777	\$ 1,083,628
599,728	605,366	606,286	606,389
<u>478,780</u>	<u>488,876</u>	<u>522,491</u>	<u>477,239</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 21,909,112	\$ 21,795,351	\$ 21,810,215	\$ 21,643,569
4.92%	5.02%	5.18%	5.01%

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

	2022
District's proportion of the collective net OPEB liability	0%
District's proportionate share of the collective net OPEB liability	\$ 0
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.598695%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 78,000
District's covered payroll	\$ 21,909,112
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	0.36%
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%

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

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

Valuation date:	June 30, 2021
Experience study:	July 1, 2015 - June 30, 2020
Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll
Amortization period:	23 years, closed
Asset valuation method:	Five-year smoothed fair value
Investment rate of return:	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases:	3.00 - 7.50%, including wage inflation
Inflation rate:	2.50%
Real wage growth:	0.25%
Wage inflation:	2.75%
Discount rate	7.10%
Single Equivalent Interest Rate:	7.10%, net of OPEB plan investment expense, including price inflation
Change of benefit terms:	None
Change of assumptions:	The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

2021	2020	2019	2018
0%	0%	0%	0%
\$ 0	\$ 0	\$ 0	\$ 0
0.596049%	0.614399%	0.619250%	0.605441%
\$ 207,000	\$ 191,000	\$ 175,000	\$ 133,000
\$ 21,795,351	\$ 21,810,215	\$ 21,643,569	\$ 20,788,163
0.00%	0.00%	0.00%	0.00%
0.95%	0.88%	0.81%	0.64%
71.57%	73.40%	74.97%	79.99%

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (TRS) LIFE INSURANCE PLAN
LAST FIVE FISCAL YEARS***

	2022
Contractually required contribution	\$ 11,997
District's contributions in relation to the contractually required contribution -	0
Commonwealth's contributions in relation to the contractually required contribution	11,997
Contribution deficiency (excess)	\$ 0
District's covered payroll	\$ 23,642,806
Contributions as a percentage of District's covered payroll	0.05%

* The amounts presented for each fiscal year were determined as of June 30.

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

See Notes to Financial Statements

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 9,962	\$ 8,072	\$ 6,063	\$ 5,842
0	0	0	0
<u>9,962</u>	<u>8,072</u>	<u>6,063</u>	<u>5,842</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 21,909,112	\$ 21,795,351	\$ 21,810,215	\$ 21,643,569
0.05%	0.04%	0.03%	0.03%

OTHER SUPPLEMENTARY INFORMATION

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	District Activity Funds	Student Activity Funds	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:						
Cash and cash equivalents	\$ 0	\$ 656,442	\$ 36,454	\$ 468,877	\$ 535,044	\$ 1,696,817
Accounts receivable	0	0	0	94	1,204	1,298
Interfund receivable	0	0	0	0	250	250
TOTAL ASSETS AND RESOURCES	\$ 0	\$ 656,442	\$ 36,454	\$ 468,971	\$ 536,498	\$ 1,698,365
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 7,234	\$ 9,769	\$ 17,003
Interfund payable	0	0	0	0	522	522
TOTAL LIABILITIES	0	0	0	7,234	10,291	17,525
FUND BALANCES:						
Restricted - SFCC escrow	0	280,693	0	0		280,693
Restricted - Debt service	0	0	36,454	0	0	36,454
Restricted - Other	0	375,749	0	461,737	526,207	1,363,693
TOTAL FUND BALANCES	0	656,442	36,454	461,737	526,207	1,680,840
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 656,442	\$ 36,454	\$ 468,971	\$ 536,498	\$ 1,698,365

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	SEEK Capital Outlay Fund	FSPK Fund	Debt Service Fund	District Activities Funds	Student Activities Funds	Total Nonmajor Governmental Funds
REVENUES:						
From Local Sources:						
Taxes:						
Property	\$ 0	\$ 2,844,472	\$ 0	\$ 0	\$ 0	\$ 2,844,472
Earnings on Investments	0	0	195	648	5,404	6,247
Student activities	0	0	0	37,714	854,327	892,041
Other local revenues	0	0	0	103,691	0	103,691
Intergovernmental - State	431,722	1,110,106	452,283	0	0	1,994,111
TOTAL REVENUES	431,722	3,954,578	452,478	142,053	859,731	5,840,562
EXPENDITURES:						
Instruction	0	0	0	313,963	665,307	979,270
Support Services:						
Instructional Staff	0	0	0	18,811	0	18,811
Plant operations and maintenance	0	0	0	9,226	0	9,226
Debt service	0	0	4,467,085	0	0	4,467,085
TOTAL EXPENDITURES	0	0	4,467,085	342,000	665,307	5,474,392
Excess (deficit) of revenues over expenditures	431,722	3,954,578	(4,014,607)	(199,947)	194,424	366,170
OTHER FINANCING SOURCES (USES):						
Operating transfers in	0	0	4,010,551	144,120	0	4,154,671
Operating transfers out	(431,722)	(3,774,662)	0	0	(144,120)	(4,350,504)
TOTAL OTHER FINANCING SOURCES (USES)	(431,722)	(3,774,662)	4,010,551	144,120	(144,120)	(195,833)
Net Change in Fund Balance	0	179,916	(4,056)	(55,827)	50,304	170,337
Fund Balance - Beginning of year	0	476,526	40,510	517,564	475,903	1,510,503
Fund Balance - End of year	\$ 0	\$ 656,442	\$ 36,454	\$ 461,737	\$ 526,207	\$ 1,680,840

See independent auditor's report and accompanying notes to financial statements

MARSHALL COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2022

	2010 BONDS FUND	2011 BONDS FUND	2014 BONDS FUND	2015 BONDS FUND
REVENUES:				
From local sources:				
Earnings on investments	\$ 0	\$ 0	\$ 1	\$ 14
Intergovernmental - State	36,331	51,771	0	196,158
TOTAL REVENUES	<u>36,331</u>	<u>51,771</u>	<u>1</u>	<u>196,172</u>
EXPENDITURES:				
Debt Service:				
Principal	26,000	1,445,000	20,000	295,000
Interest	10,331	112,763	30,931	719,790
TOTAL EXPENDITURES	<u>36,331</u>	<u>1,557,763</u>	<u>50,931</u>	<u>1,014,790</u>
Excess (deficit) of revenues over expenditures	<u>0</u>	<u>(1,505,992)</u>	<u>(50,930)</u>	<u>(818,618)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>0</u>	<u>1,505,992</u>	<u>50,931</u>	<u>818,632</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>1,505,992</u>	<u>50,931</u>	<u>818,632</u>
Net Change in Fund Balance	0	0	1	14
Fund balance July 1, 2021	<u>0</u>	<u>0</u>	<u>53</u>	<u>559</u>
Fund balance June 30, 2022	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54</u>	<u>\$ 573</u>

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2016 BONDS FUND	2018 BONDS FUND	2018B BONDS FUND	2019 BONDS FUND	2021 BONDS FUND	NOW ACCOUNT	Totals Debt service Fund
\$ 7	\$ 3	\$ 2	\$ 1	\$ 0	\$ 167	\$ 195
<u>137,110</u>	<u>0</u>	<u>21,262</u>	<u>9,651</u>	<u>0</u>	<u>0</u>	<u>452,283</u>
<u>137,117</u>	<u>3</u>	<u>21,264</u>	<u>9,652</u>	<u>0</u>	<u>167</u>	<u>452,478</u>
140,000	260,000	265,000	65,000	0	0	2,516,000
<u>70,025</u>	<u>374,975</u>	<u>551,956</u>	<u>51,013</u>	<u>29,301</u>	<u>0</u>	<u>1,951,085</u>
<u>210,025</u>	<u>634,975</u>	<u>816,956</u>	<u>116,013</u>	<u>29,301</u>	<u>0</u>	<u>4,467,085</u>
<u>(72,908)</u>	<u>(634,972)</u>	<u>(795,692)</u>	<u>(106,361)</u>	<u>(29,301)</u>	<u>167</u>	<u>(4,014,607)</u>
<u>72,915</u>	<u>634,975</u>	<u>795,693</u>	<u>106,362</u>	<u>29,301</u>	<u>(4,250)</u>	<u>4,010,551</u>
<u>72,915</u>	<u>634,975</u>	<u>795,693</u>	<u>106,362</u>	<u>29,301</u>	<u>(4,250)</u>	<u>4,010,551</u>
7	3	1	1	0	(4,083)	(4,056)
<u>5,159</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>34,734</u>	<u>40,510</u>
<u>\$ 5,166</u>	<u>\$ 6</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 30,651</u>	<u>\$ 36,454</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET-SCHOOL ACTIVITY FUNDS
June 30, 2022

	<u>Benton Elementary</u>	<u>Calvert Elementary</u>	<u>Central Elementary</u>	<u>Jonathan Elementary</u>	<u>Sharpe Elementary</u>
ASSETS:					
Cash and cash equivalents	\$ 23,350	\$ 15,349	\$ 11,837	\$ 7,231	\$ 8,445
Accounts receivable	0	0	0	0	101
Interfund receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u><u>\$ 23,350</u></u>	<u><u>\$ 15,349</u></u>	<u><u>\$ 11,837</u></u>	<u><u>\$ 7,231</u></u>	<u><u>\$ 8,546</u></u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 235	\$ 0	\$ 0	\$ 747	\$ 0
Interfund payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>235</u>	<u>0</u>	<u>0</u>	<u>747</u>	<u>0</u>
FUND BALANCE:					
Restricted for student activities	<u>23,115</u>	<u>15,349</u>	<u>11,837</u>	<u>6,484</u>	<u>8,546</u>
TOTAL FUND BALANCES	<u>23,115</u>	<u>15,349</u>	<u>11,837</u>	<u>6,484</u>	<u>8,546</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 23,350</u></u>	<u><u>\$ 15,349</u></u>	<u><u>\$ 11,837</u></u>	<u><u>\$ 7,231</u></u>	<u><u>\$ 8,546</u></u>

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South Elementary	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum Only)
\$ 25,332	\$ 32,898	\$ 48,363	\$ 284,275	\$ 77,964	\$ 535,044
0	0	0	878	225	1,204
0	0	0	0	250	250
<u>\$ 25,332</u>	<u>\$ 32,898</u>	<u>\$ 48,363</u>	<u>\$ 285,153</u>	<u>\$ 78,439</u>	<u>\$ 536,498</u>
\$ 0	\$ 1,914	\$ 425	\$ 2,941	\$ 3,507	\$ 9,769
0	522	0	0	0	522
0	2,436	425	2,941	3,507	10,291
<u>25,332</u>	<u>30,462</u>	<u>47,938</u>	<u>282,212</u>	<u>74,932</u>	<u>526,207</u>
<u>25,332</u>	<u>30,462</u>	<u>47,938</u>	<u>282,212</u>	<u>74,932</u>	<u>526,207</u>
<u>\$ 25,332</u>	<u>\$ 32,898</u>	<u>\$ 48,363</u>	<u>\$ 285,153</u>	<u>\$ 78,439</u>	<u>\$ 536,498</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2022

	<u>Benton Elementary</u>	<u>Calvert Elementary</u>	<u>Central Elementary</u>	<u>Jonathan Elementary</u>	<u>Sharpe Elementary</u>
REVENUES:					
From local sources:					
Earnings on Investments	\$ 272	\$ 168	\$ 143	\$ 98	\$ 142
Student activities	41,786	38,801	39,353	28,843	35,205
Total Revenues	<u>42,058</u>	<u>38,969</u>	<u>39,496</u>	<u>28,941</u>	<u>35,347</u>
EXPENDITURES:					
Student Activities	<u>22,358</u>	<u>13,290</u>	<u>30,995</u>	<u>23,927</u>	<u>30,246</u>
Total Expenditures	<u>22,358</u>	<u>13,290</u>	<u>30,995</u>	<u>23,927</u>	<u>30,246</u>
Excess (deficit) of revenues over expenditures	<u>19,700</u>	<u>25,679</u>	<u>8,501</u>	<u>5,014</u>	<u>5,101</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers out	<u>(20,590)</u>	<u>(24,680)</u>	<u>(7,736)</u>	<u>(2,866)</u>	<u>(7,103)</u>
Total Other Financing Sources (Uses)	<u>(20,590)</u>	<u>(24,680)</u>	<u>(7,736)</u>	<u>(2,866)</u>	<u>(7,103)</u>
Net Change in Fund Balance	(890)	999	765	2,148	(2,002)
Fund Balance - Beginning of year	24,005	14,350	11,072	4,336	10,548
Fund Balance - End of year	<u>\$ 23,115</u>	<u>\$ 15,349</u>	<u>\$ 11,837</u>	<u>\$ 6,484</u>	<u>\$ 8,546</u>

See independent auditor's report and accompanying notes to financial statements

South Elementary	North Middle	South Middle	Marshall County High School	Marshall County Technical Center	Totals (Memorandum only)
\$ 191	\$ 416	\$ 563	\$ 2,719	\$ 692	\$ 5,404
29,198	68,001	68,477	427,930	76,733	854,327
<u>29,389</u>	<u>68,417</u>	<u>69,040</u>	<u>430,649</u>	<u>77,425</u>	<u>859,731</u>
15,902	68,216	64,562	319,937	75,874	665,307
<u>15,902</u>	<u>68,216</u>	<u>64,562</u>	<u>319,937</u>	<u>75,874</u>	<u>665,307</u>
13,487	201	4,478	110,712	1,551	194,424
(3,386)	(5,672)	(4,536)	(67,551)	0	(144,120)
<u>(3,386)</u>	<u>(5,672)</u>	<u>(4,536)</u>	<u>(67,551)</u>	<u>0</u>	<u>(144,120)</u>
10,101	(5,471)	(58)	43,161	1,551	50,304
15,231	35,933	47,996	239,051	73,381	475,903
<u>\$ 25,332</u>	<u>\$ 30,462</u>	<u>\$ 47,938</u>	<u>\$ 282,212</u>	<u>\$ 74,932</u>	<u>\$ 526,207</u>

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
 MARSHALL COUNTY HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2022

	Cash Balance	Receipts		Disbursements	
	July 1, 2021	Actual	Budget	Actual	Budget
Student Fees	\$ 2.00	\$ 4,539.40	\$ 30,000.00	\$ 4,541.40	\$ 36,800.00
Interest	43,143.38	2,810.53	16,339.31	1,525.67	36,200.00
MC Mason Benefit Fund	488.98	0.00	1,000.00	229.42	1,225.00
Student Activity	9,288.83	7,894.13	8,500.00	11,377.84	10,700.00
Student Benefit Fund	3,248.01	0.00	0.00	0.00	1,248.01
Student ID Fund	0.00	0.00	325.00	0.00	325.00
Book Fees	0.00	12.00	800.00	0.00	625.00
Parking	0.00	0.00	2,250.00	0.00	2,200.00
Academic	2,982.64	0.00	0.00	2,982.64	3,000.00
Administration/Staff	727.34	0.00	400.00	100.38	600.00
Beta/NHS Club	4,574.84	325.00	1,250.00	295.74	2,700.00
Marshall Café/Culinary	850.00	36,784.36	18,450.00	35,344.92	13,000.00
D & D Club	0.00	0.00	50.00	0.00	100.00
Drama Club	8,962.05	16,698.68	5,000.00	10,347.49	5,000.00
FCA	466.16	128.25	250.00	79.16	450.00
FBLA	18.34	3,230.00	2,300.00	3,085.63	2,100.00
Rise Student Trip/Awards	716.65	0.00	0.00	520.69	1,500.00
French Club	113.71	0.00	450.00	0.00	540.00
Gold Club	0.00	0.00	1,850.00	0.00	550.00
Interact/Jr Rotary	3,042.97	5,279.75	6,500.00	3,861.38	3,675.00
Marshall Girls	5,411.21	6,516.00	1,750.00	4,577.05	3,500.00
Marshals for Christ	128.25	0.00	0.00	128.25	128.25
Marshall Militia (Pep)	3,675.69	7,380.00	10,000.00	6,237.57	6,500.00
Media Arts	100.00	2,000.00	1,000.00	1,000.00	400.00
Robotics	2,966.49	1,050.00	0.00	2,047.58	2,200.00
Science Olympiad	396.76	0.00	100.00	0.00	175.00
Student Council	0.00	0.00	500.00	0.00	500.00
TSA	3,369.98	10.00	1,500.00	0.00	3,750.00
TSA Scholarship	585.85	0.00	0.00	0.00	250.00
Art II	0.00	30.00	2,500.00	30.00	2,800.00
Art I	0.00	213.00	2,000.00	213.00	3,470.00
NAHS	442.63	579.00	0.00	383.36	400.00
The Bass Fishing Team	0.00	0.00	0.00	0.00	425.00
Band	0.00	0.00	4,000.00	0.00	5,000.00
History/Govt. Trip	3,570.06	0.00	14,250.00	0.00	14,650.00
Improv Team	0.00	0.00	700.00	0.00	700.00
Kindness Club	250.00	0.00	0.00	0.00	50.00
Library Dept.	0.00	961.25	400.00	961.25	600.00
Leadership Dynamics	0.00	720.00	0.00	689.05	0.00
Speech Team	1,391.77	0.00	2,500.00	1,391.77	3,400.00
MC Jr. Historical Society	0.00	0.00	525.00	0.00	525.00
S.A.S.S.	0.00	500.00	0.00	114.00	0.00
Music/Choir	1,309.12	0.00	1,000.00	0.00	600.00
Mountain Biking Club	16.67	0.00	4,200.00	0.00	4,000.00
Rise	2,670.48	3,980.00	1,500.00	2,996.84	3,000.00
Trap Shooting Club	6,502.22	4,720.00	10,500.00	7,549.40	10,090.00
Real World Publishing	0.00	0.00	500.00	0.00	500.00
Marketing	0.00	210.40	0.00	210.40	0.00
Archery	546.00	0.00	1,000.00	0.00	1,000.00
Cheer Regional	2,977.76	0.00	0.00	0.00	0.00
Sub-total this page	114,936.84	106,571.75	156,139.31	102,821.88	191,151.26

See independent auditor's report and accompanying notes to financial statements

	<u>Cash Balance</u> <u>June 30, 2022</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balances</u> <u>June 30, 2022</u>
Student Fees	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Interest	44,428.24	0.00	0.00	44,428.24
MC Mason Benefit Fund	259.56	0.00	0.00	259.56
Student Activity	5,805.12	0.00	0.00	5,805.12
Student Benefit Fund	3,248.01	0.00	0.00	3,248.01
Student ID Fund	0.00	0.00	0.00	0.00
Book Fees	12.00	0.00	0.00	12.00
Parking	0.00	0.00	0.00	0.00
Academic	0.00	0.00	0.00	0.00
Administration/Staff	626.96	0.00	0.00	626.96
Beta/NHS Club	4,604.10	0.00	0.00	4,604.10
Marshall Café/Culinary	2,289.44	0.00	0.00	2,289.44
D & D Club	0.00	0.00	0.00	0.00
Drama Club	15,313.24	0.00	0.00	15,313.24
FCA	515.25	0.00	0.00	515.25
FBLA	162.71	0.00	0.00	162.71
Rise Student Trip/Awards	195.96	0.00	0.00	195.96
French Club	113.71	0.00	0.00	113.71
Gold Club	0.00	0.00	0.00	0.00
Interact/Jr Rotary	4,461.34	0.00	0.00	4,461.34
Marshall Girls	7,350.16	0.00	0.00	7,350.16
Marshals for Christ	0.00	0.00	0.00	0.00
Marshall Militia (Pep)	4,818.12	0.00	0.00	4,818.12
Media Arts	1,100.00	0.00	0.00	1,100.00
Robotics	1,968.91	0.00	0.00	1,968.91
Science Olympiad	396.76	0.00	0.00	396.76
Student Council	0.00	0.00	0.00	0.00
TSA	3,379.98	0.00	0.00	3,379.98
TSA Scholarship	585.85	0.00	0.00	585.85
Art II	0.00	0.00	0.00	0.00
Art I	0.00	0.00	0.00	0.00
NAHS	638.27	0.00	0.00	638.27
The Bass Fishing Team	0.00	0.00	0.00	0.00
Band	0.00	0.00	0.00	0.00
History/Govt. Trip	3,570.06	0.00	0.00	3,570.06
Improv Team	0.00	0.00	0.00	0.00
Kindness Club	250.00	0.00	0.00	250.00
Library Dept.	0.00	0.00	0.00	0.00
Leadership Dynamics	30.95	0.00	0.00	30.95
Speech Team	0.00	0.00	0.00	0.00
MC Jr. Historical Society	0.00	0.00	0.00	0.00
S.A.S.S.	386.00	0.00	0.00	386.00
Music/Choir	1,309.12	0.00	0.00	1,309.12
Mountain Biking Club	16.67	0.00	0.00	16.67
Rise	3,653.64	0.00	0.00	3,653.64
Trap Shooting Club	3,672.82	0.00	0.00	3,672.82
Real World Publishing	0.00	0.00	0.00	0.00
Marketing	0.00	0.00	0.00	0.00
Archery	546.00	0.00	0.00	546.00
Cheer Regional	2,977.76	0.00	0.00	2,977.76
Sub-total this page	118,686.71	0.00	0.00	118,686.71

MARSHALL COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
MARSHALL COUNTY HIGH SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2022

	Cash Balance	Receipts		Disbursements	
	July 1, 2021	Actual	Budget	Actual	Budget
Bball District	\$ 5,997.46	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Athletics	22,598.99	153,960.46	139,700.00	142,378.76	86,100.00
Athletics-Tennis (A)	4,706.42	300.00	2,400.00	3,242.50	610.00
Athletics-Boys Basketball (A)	73.92	2,385.00	6,500.00	985.35	5,000.00
Athletics-Volleyball (A)	107.81	500.00	1,000.00	23.91	1,107.81
Athletics-Girls Basketball (A)	510.13	1,700.00	4,000.00	1,038.80	3,700.00
Athletics-Boys Golf (A)	135.12	745.00	600.00	808.20	700.00
Athletics-Football (A)	515.63	0.00	0.00	0.00	4,100.00
Athletics-Baseball (A)	3,274.55	2,043.18	0.00	2,269.07	1,600.00
Athletics - Girls Soccer (A)	2,459.28	31,258.07	8,500.00	15,001.24	9,755.60
Athletics-Boys Soccer (A)	482.35	12,955.00	3,000.00	450.00	3,500.00
Athletics-Track (A)	469.84	2,423.00	0.00	2,061.82	100.00
Athletics - Softball (A)	1,014.37	2,193.18	1,000.00	1,753.18	0.00
Athletics-Cross Country (A)	2,061.90	0.00	500.00	726.94	2,561.90
Athletics - Hoop Fest	14,933.30	70,795.00	67,650.00	65,931.83	46,450.00
Athletics-B/G District Soccer	13,822.49	7,237.89	2,900.00	4,849.74	2,900.00
Athletics-Soccer Subsectional	2,841.01	4,340.75	300.00	3,367.36	300.00
Athletics-Girls Golf (A)	596.91	4,763.00	2,200.00	4,883.06	2,200.00
Athletics-Swim Fund (A)	6.10	500.00	11,400.00	0.00	11,400.00
Athletics - Baseball (B)	0.00	3,300.00	10,700.00	1,989.46	10,700.00
Athletics-Girls Basketball (B)	577.83	6,000.00	19,950.00	6,001.05	19,950.00
Athletics-Boys Basketball (B)	0.00	9,000.00	1,000.00	6,956.84	1,000.00
Athletics-Football (B)	74.00	19,000.00	1,000.00	15,962.00	1,000.00
Athletics - Golf (B)	0.00	1,000.00	3,500.00	1,000.00	3,500.00
Athletics-Girls Golf (B)	0.00	1,000.00	3,500.00	1,000.00	3,500.00
Athletics - Boys Soccer (B)	62.00	3,533.00	2,200.00	3,415.39	2,200.00
Athletics - Girls Soccer (B)	0.00	4,350.00	400.00	4,350.00	400.00
Athletics - Softball (B)	125.00	2,238.00	700.00	2,195.97	700.00
Athletics - Swim Team (B)	61.00	650.00	2,400.00	391.00	2,400.00
Athletics - Tennis (B)	240.00	750.00	3,300.00	149.82	3,300.00
Athletics - Volleyball (B)	0.00	3,225.00	2,200.00	2,815.00	2,200.00
Athletics-Track (B)	0.48	2,138.82	14,000.00	2,139.30	10,700.00
Athletics - Cross Country (B)	605.00	1,500.00	10,140.00	2,105.00	10,140.00
Cheerleaders	5,296.08	6,342.69	2,000.00	10,831.29	3,000.00
Junior/Senior Class	16,896.11	10,764.00	13,000.00	6,127.85	13,675.00
Project Graduation	0.00	7,370.00	0.00	6,042.54	0.00
The Y Club	0.00	5,232.60	1,500.00	3,775.12	1,400.00
Young Americans/Freedom	594.00	0.00	0.00	233.86	0.00
Young Democrats	0.00	184.00	0.00	0.00	0.00
Annual	0.00	12,991.34	67,500.00	12,991.34	70,000.00
Guidance	3,784.75	0.00	0.00	1,560.02	0.00
Testing	2,550.81	4,129.74	18,707.40	4,880.29	18,707.40
Fine Arts Fund	15,154.66	0.00	0.00	13,154.66	0.00
Start Money	0.00	200.00	0.00	200.00	0.00
DAF Instruction	0.00	51,723.48	0.00	51,723.48	0.00
DAF Athletics	0.00	14,866.39	0.00	14,866.39	0.00
DAF Prof Development	0.00	0.00	0.00	0.00	0.00
DAF Library	0.00	961.25	0.00	961.25	0.00
DAF Bldg/Grounds Maint	0.00	0.00	0.00	0.00	0.00
Subtotal this page	<u>122,629.30</u>	<u>470,549.84</u>	<u>429,347.40</u>	<u>427,590.68</u>	<u>360,557.71</u>
Subtotal from previous page	<u>114,936.84</u>	<u>106,571.75</u>	<u>156,139.31</u>	<u>102,821.88</u>	<u>191,151.26</u>
Total Central Fund	<u>237,566.14</u>	<u>577,121.59</u>	<u>585,486.71</u>	<u>530,412.56</u>	<u>551,708.97</u>
Less: Interfund Transfers	<u>0.00</u>	<u>145,805.58</u>	<u>0.00</u>	<u>145,805.58</u>	<u>0.00</u>
Total	<u>\$ 237,566.14</u>	<u>\$ 431,316.01</u>	<u>\$ 585,486.71</u>	<u>\$ 384,606.98</u>	<u>\$ 551,708.97</u>

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balances June 30, 2022
Bball District	\$ 5,997.46	\$ 0.00	\$ 0.00	\$ 5,997.46
Athletics	34,180.69	878.39	2,941.06	32,118.02
Athletics-Tennis (A)	1,763.92	0.00	0.00	1,763.92
Athletics-Boys Basketball (A)	1,473.57	0.00	0.00	1,473.57
Athletics-Volleyball (A)	583.90	0.00	0.00	583.90
Athletics-Girls Basketball (A)	1,171.33	0.00	0.00	1,171.33
Athletics-Boys Golf (A)	71.92	0.00	0.00	71.92
Athletics-Football (A)	515.63	0.00	0.00	515.63
Athletics-Baseball (A)	3,048.66	0.00	0.00	3,048.66
Athletics - Girls Soccer (A)	18,716.11	0.00	0.00	18,716.11
Athletics-Boys Soccer (A)	12,987.35	0.00	0.00	12,987.35
Athletics-Track (A)	831.02	0.00	0.00	831.02
Athletics - Softball (A)	1,454.37	0.00	0.00	1,454.37
Athletics-Cross Country (A)	1,334.96	0.00	0.00	1,334.96
Athletics - Hoop Fest	19,796.47	0.00	0.00	19,796.47
Athletics-B/G District Soccer	16,210.64	0.00	0.00	16,210.64
Athletics-Soccer Subsectional	3,814.40	0.00	0.00	3,814.40
Athletics-Girls Golf (A)	476.85	0.00	0.00	476.85
Athletics-Swim Fund (A)	506.10	0.00	0.00	506.10
Athletics - Baseball (B)	1,310.54	0.00	0.00	1,310.54
Athletics-Girls Basketball (B)	576.78	0.00	0.00	576.78
Athletics-Boys Basketball (B)	2,043.16	0.00	0.00	2,043.16
Athletics-Football (B)	3,112.00	0.00	0.00	3,112.00
Athletics - Golf (B)	0.00	0.00	0.00	0.00
Athletics-Girls Golf (B)	0.00	0.00	0.00	0.00
Athletics - Boys Soccer (B)	179.61	0.00	0.00	179.61
Athletics - Girls Soccer (B)	0.00	0.00	0.00	0.00
Athletics - Softball (B)	167.03	0.00	0.00	167.03
Athletics - Swim Team (B)	320.00	0.00	0.00	320.00
Athletics - Tennis (B)	840.18	0.00	0.00	840.18
Athletics - Volleyball (B)	410.00	0.00	0.00	410.00
Athletics-Track (B)	0.00	0.00	0.00	0.00
Athletics - Cross Country (B)	0.00	0.00	0.00	0.00
Cheerleaders	807.48	0.00	0.00	807.48
Junior/Senior Class	21,532.26	0.00	0.00	21,532.26
Project Graduation	1,327.46	0.00	0.00	1,327.46
The Y Club	1,457.48	0.00	0.00	1,457.48
Young Americans/Freedom	360.14	0.00	0.00	360.14
Young Democrats	184.00	0.00	0.00	184.00
Annual	0.00	0.00	0.00	0.00
Guidance	2,224.73	0.00	0.00	2,224.73
Testing	1,800.26	0.00	0.00	1,800.26
Fine Arts Fund	2,000.00	0.00	0.00	2,000.00
Start Money	0.00	0.00	0.00	0.00
DAF Instruction	0.00	0.00	0.00	0.00
DAF Athletics	0.00	0.00	0.00	0.00
DAF Prof Development	0.00	0.00	0.00	0.00
DAF Library	0.00	0.00	0.00	0.00
DAF Bldg/Grounds Maint	0.00	0.00	0.00	0.00
Subtotal this page	<u>165,588.46</u>	<u>878.39</u>	<u>2,941.06</u>	<u>163,525.79</u>
Subtotal from previous page	<u>118,686.71</u>	<u>0.00</u>	<u>0.00</u>	<u>118,686.71</u>
Total Central Fund	284,275.17	878.39	2,941.06	282,212.50
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 284,275.17</u>	<u>\$ 878.39</u>	<u>\$ 2,941.06</u>	<u>\$ 282,212.50</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION--ALL PRIVATE PURPOSE TRUST FUNDS
 June 30, 2022

	Benton High Alumni	A & JD Bohannon	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	Gary & Lily Fields Memorial	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley
ASSETS:										
Cash and cash equivalents	\$ 4,135	\$ 3,186	\$ 68,047	\$ 31,039	\$ 2,087	\$ 802,910	\$ 24,520	\$ 660	\$ 34,023	\$ 2,000
TOTAL ASSETS	<u>\$ 4,135</u>	<u>\$ 3,186</u>	<u>\$ 68,047</u>	<u>\$ 31,039</u>	<u>\$ 2,087</u>	<u>\$ 802,910</u>	<u>\$ 24,520</u>	<u>\$ 660</u>	<u>\$ 34,023</u>	<u>\$ 2,000</u>
NET POSITION HELD IN TRUST	<u>\$ 4,135</u>	<u>\$ 3,186</u>	<u>\$ 68,047</u>	<u>\$ 31,039</u>	<u>\$ 2,087</u>	<u>\$ 802,910</u>	<u>\$ 24,520</u>	<u>\$ 660</u>	<u>\$ 34,023</u>	<u>\$ 2,000</u>

See independent auditor's report and accompanying notes to financial statements

<u>J. Burnett Holland</u>	<u>Holland Rose</u>	<u>W. & L. Holland Memorial</u>	<u>Landon Lovett Memorial</u>	<u>Steve Martin</u>	<u>Mary Alice Newton</u>	<u>Andy Riley</u>	<u>Charlie & Cora Walker</u>	<u>North Marshall Alumni</u>	<u>Buddy Poe Memorial</u>	<u>Dasha Roberts Memorial</u>	<u>Reed Vocational Technical</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 56,230</u>	<u>\$ 3,528</u>	<u>\$ 106,384</u>	<u>\$ 6,691</u>	<u>\$ 5,062</u>	<u>\$ 602</u>	<u>\$ 8,041</u>	<u>\$ 6,316</u>	<u>\$ 1,289</u>	<u>\$ 5,875</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 1,172,631</u>
<u>\$ 56,230</u>	<u>\$ 3,528</u>	<u>\$ 106,384</u>	<u>\$ 6,691</u>	<u>\$ 5,062</u>	<u>\$ 602</u>	<u>\$ 8,041</u>	<u>\$ 6,316</u>	<u>\$ 1,289</u>	<u>\$ 5,875</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 1,172,631</u>
<u>\$ 56,230</u>	<u>\$ 3,528</u>	<u>\$ 106,384</u>	<u>\$ 6,691</u>	<u>\$ 5,062</u>	<u>\$ 602</u>	<u>\$ 8,041</u>	<u>\$ 6,316</u>	<u>\$ 1,289</u>	<u>\$ 5,875</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 1,172,631</u>

MARSHALL COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2022

	Benton High Alumni	A & JD Bohannon	Don Buffington Memorial	Lola Collier	Coy Creason Memorial	Gary & Lily Fields Memorial	Genoa Filbeck	Robert Glick Memorial	William Heath	Charles Hensley
REVENUES:										
From local sources:										
Earnings on Investments	\$ 36	\$ 27	\$ 584	\$ 269	\$ 20	\$ 6,906	\$ 218	\$ 5	\$ 302	\$ 20
Contributions	0	0	100	0	0	0	0	0	0	0
Total Revenues	36	27	684	269	20	6,906	218	5	302	20
EXPENDITURES										
Benefits paid	0	0	1,200	0	500	19,000	1,496	0	2,000	1,000
Total expenditures	0	0	1,200	0	500	19,000	1,496	0	2,000	1,000
Net Change in Position Held in Trust	36	27	(516)	269	(480)	(12,094)	(1,278)	5	(1,698)	(980)
Net Position Held in Trust at July 1, 2021	4,099	3,159	68,563	30,770	2,567	815,004	25,798	655	35,721	2,980
Net Position Held in Trust at June 30, 2022	<u>\$ 4,135</u>	<u>\$ 3,186</u>	<u>\$ 68,047</u>	<u>\$ 31,039</u>	<u>\$ 2,087</u>	<u>\$ 802,910</u>	<u>\$ 24,520</u>	<u>\$ 660</u>	<u>\$ 34,023</u>	<u>\$ 2,000</u>

See independent auditor's report and accompanying notes to financial statements

J. Burnett Holland	Holland Rose	W. & L. Holland Memorial	Landon Lovett Memorial	Steve Martin	Mary Alice Newton	Andy Riley	Charlie & Cora Walker	North Marshall Alumni	Buddy Poe Memorial	Dasha Roberts Memorial	Reed Vocational Technical	Totals (Memorandum Only)
\$ 474 4,000	\$ 30 0	\$ 109 0	\$ 90 0	\$ 45 0	\$ 5 0	\$ 69 0	\$ 55 0	\$ 11 0	\$ 51 425	\$ 0 0	\$ 0 31,870	\$ 9,326 36,395
4,474	30	109	90	45	5	69	55	11	476	0	31,870	45,721
1,000	0	2,000	10,500	500	0	0	0	0	500	0	31,870	71,566
1,000	0	2,000	10,500	500	0	0	0	0	500	0	31,870	71,566
3,474	30	(1,891)	(10,410)	(455)	5	69	55	11	(24)	0	0	(25,845)
52,756	3,498	108,275	17,101	5,517	597	7,972	6,261	1,278	5,899	6	0	1,198,476
<u>\$ 56,230</u>	<u>\$ 3,528</u>	<u>\$106,384</u>	<u>\$ 6,691</u>	<u>\$ 5,062</u>	<u>\$ 602</u>	<u>\$ 8,041</u>	<u>\$ 6,316</u>	<u>\$ 1,289</u>	<u>\$ 5,875</u>	<u>\$ 6</u>	<u>\$ 0</u>	<u>\$ 1,172,631</u>

MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's /Project Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through State Dept. of Education:				
Special Education Grants to States	84.027A	3810002-19, 20 & 21	\$ 0	\$ 1,116,407
ARP Special Education Grants to States	84.027X	4910002-21	0	59,634
ARP Special Education Preschool Grants	84.173X	4900002-21	0	20,000
Special Education Preschool Grants	84.173A	3800002-20 & 21	0	61,413
Total Special Education Cluster			<u>0</u>	<u>1,257,454</u>
Title I Grants to Local Educational Agencies	84.010A	3100002-17, 20 & 21	0	955,045
Supporting Effective Instruction State Grants	84.367A	3230002-17, 20 & 21	0	158,603
COVID-19 Education Stabilization Fund (GEER)	84.425C	CARE-20	0	45,781
COVID-19 Education Stabilization Fund (ESSER)	84.425D	4200002-21, 4200003-21, 4000002-20, 4000003-20	0	1,259,770
ARP Education Stabilization Fund (ESSER)	84.425U	4300002-21, 4300005-21	0	2,305,538
ARP Education Stabilization Fund (Homeless Children and Youth)	84.425W	4980002-21	0	31,944
Career and Technical Education Basic Grants to States	84.048	3710002-20 & 21	0	67,262
Education for Homeless Children and Youth	84.196	3990002-21	0	39,275
Student Support and Academic Enrichment Program	84.424A	3420002-20 & 21	0	76,842
Total Passed through State			<u>0</u>	<u>6,197,514</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>0</u>	<u>6,197,514</u>
<u>U.S. Department of Justice:</u>				
Received Direct:				
Crime Victim Assistance	16.575	561F, 561G, & 561I	0	153,454
Total Direct			<u>0</u>	<u>153,454</u>
Passed Through KY Justice and Public Safety Cabinet:				
Antiterrorism Emergency Reserve	16.321	2020-V7-GX-0002	0	5,384
Total Passed through State			<u>0</u>	<u>5,384</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>0</u>	<u>158,838</u>
<u>U.S. Department of Health & Human Services:</u>				
Passed through Murray Board of Education:				
Head Start	93.600	655I	0	254,126
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>0</u>	<u>254,126</u>
<u>U.S. Department of Agriculture:</u>				
Passed through State Dept. of Education:				
National School Lunch Program - cash	10.555	7750002-21 & 22, 9980000-22, 7970000-21	0	2,506,126
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	228,527
School Breakfast Program	10.553	7760005-21 & 22	0	860,847
Summer Food Service Program for Children	10.559	7690024-21 & 7740023-21	0	4,728
Total Child Nutrition Cluster			<u>0</u>	<u>3,600,228</u>
Pandemic EBT Administrative Costs	10.649	9990000-21	0	3,063
Child Nutrition Discretionary Grants Limited Availability	10.579	7840027-19	0	2,950
State Administrative Expenses for Child Nutrition	10.560	7700001-21	0	3,036
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>0</u>	<u>3,609,277</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 0</u>	<u>\$ 10,219,755</u>

See accompanying notes to schedule
of expenditures of federal awards

MARSHALL COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Marshall County School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Marshall County School District, it is not intended to and does not present the financial position or changes in financial position of the Marshall County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.
- (2) The Marshall County School District did not elect to use the 10% *de minimus* indirect cost rate as allowed under the Uniform Guidance.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2022 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE D – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 14 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 17 of the audit report:

Total intergovernmental – indirect federal from page 14	\$	6,685,367
Total intergovernmental – direct federal from page 14		158,838
Total federal grants from page 17		3,374,765
Donated commodities from page 17		228,527
Federal reimbursement coded as a negative expenditure		957
Food service revenues coded to state funds per KDE instructions		5,986
Less: Amount of federal funds received as services, such as Medicaid/COVID		<u>(234,685)</u>
Total on page 73	\$	<u>10,219,755</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

MEMBER,
*American Institute
of CPA's*

◆
MEMBER,
*Kentucky Society
of CPA's*

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

I 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 *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Submission Instructions*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Marshall 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 Marshall County School District's basic financial statements, and have issued my report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marshall County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Marshall County School District in a separate letter dated November 14, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Kim Glavin". The signature is written in a cursive style with a large initial "K".

Benton, Kentucky
November 14, 2022

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

Kentucky State Committee for School District Audits
and Members of the Board of Education
Marshall County School District
Benton, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Marshall County School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Marshall County School District's major federal programs for the year ended June 30, 2022. Marshall 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 my opinion, Marshall County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Marshall County School District's compliance based on my 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 Marshall 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, I:

- 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 Marshall County School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Marshall 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 Marshall County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I identified during the audit.

Report on Internal Control Over Compliance

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

My 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 my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My 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 my 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.

A handwritten signature in black ink that reads "Kim Glavin". The signature is written in a cursive style and is positioned above the typed name and date.

Benton, Kentucky
November 14, 2022

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Marshall County School District.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marshall County School District were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Marshall County School District expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027A & X
Special Education Preschool Grants	84.173A & X
Education Stabilization Fund	84.425C, D, U, W

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Marshall County School District was determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**MARSHALL COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2022**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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KIM HAM
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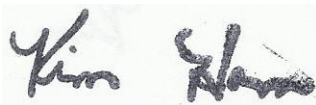
Kentucky State Committee for School District Audits
and Members of the Board of Education of
Marshall County School District
Benton, Kentucky

I have audited the financial statements of the Marshall County School District for the year ended June 30, 2022 and have issued my report thereon dated November 14, 2022. In planning and performing my audit of the financial statements of Marshall County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of a matter with an opportunity to strengthen internal controls or operating efficiency. This comment and recommendation have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve internal control, or result in other operational efficiencies. This comment is summarized on the following page.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 14, 2022

**MARSHALL COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2022**

UNCORRECTED PRIOR YEAR COMMENTS

There were no prior year comments that remained uncorrected in the current year.

CORRECTED PRIOR YEAR COMMENTS

Jonathan Elementary – In the prior year, we noted two disbursements where the purchase order was dated after the invoice date. In the current year, there were no significant exceptions.

South Marshall Elementary – In the prior year, we could not locate supporting documents for four disbursements. In the current year, supporting documentation was available for all disbursements tested.

North Marshall Middle – In the prior year, we noted two instances where the game officials did not sign the athletic voucher, four receipts from restaurants with no detail, three credit card charges where no invoices could be located, and credit card charges for motel rooms and meals for which no travel voucher was used. In the current year, all disbursements tested were supported by sufficient and appropriate documentation.

Also, in the prior year we noted five multiple receipt forms where the same person completed each line of the form instead of allowing the remitter of the funds to sign the form. In the current year, multiple receipt forms were properly completed.

South Marshall Middle – In the prior year, we noted four disbursements where the purchase order was dated after the invoice date. In the current year, there were no significant exceptions.

CURRENT YEAR COMMENTS

South Marshall Elementary

Cash Disbursements: In a test of cash disbursements, there were two disbursements in our tests where the purchase order was approved after the date of the invoice. One had an invoice date of April 29, 2022 and the purchase order was not signed and approved until May 11, 2022. The other was from the same vendor with an invoice date of April 28, 2022 and the purchase order was not signed and approved until May 13, 2022.

Management's Response: With both of these purchases, money was collected from staff members to pay for T-shirts. In the future, even if school funds will not be used to pay for an order, anytime a school purchase order is used to obligate a purchase, both the purchase order and signature date will be the same date or prior to the invoice date.