

MAYFIELD INDEPENDENT SCHOOL DISTRICT

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

Year ended June 30, 2022

MAYFIELD INDEPENDENT SCHOOL DISTRICT
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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Mayfield Independent School District
Mayfield, 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 Mayfield Independent School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Mayfield Independent 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 Responsibility 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 Mayfield Independent 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 Mayfield Independent 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 8 and 51 through 62 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 Mayfield Independent 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 15, 2022, on my consideration of the Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 and is positioned above the typed name and date.

Benton, Kentucky
November 15, 2022

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

As management of the Mayfield Independent 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 beginning general fund balance for the District was \$6,956,083 and the ending balance was \$8,606,947.
- The District had a combined fund balance for all governmental funds on July 1, 2020 of \$16.310 million. The balance decreased to \$11.216 million by June 30, 2021 and increased to \$11.513 million by June 30, 2022. The general fund increased by \$1,650,864 in the current year. The net position of the proprietary fund increased from \$113,000 at July 1, 2020 to \$163,000 by June 30, 2021, then decreased to \$(396,000) by June 30, 2022. The overall decrease over the past few years were mainly due to the allocation of pension and OPEB expense, liability, and deferred outflows and inflows as the result of being required to apply GASB 68 and 75.
- The KETS technology match was made for \$35,707.
- The General Fund had \$17,168,466 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased by \$42,780 over the prior year. There was \$15,741,161 in General Fund expenditures. Expenditures decreased approximately \$698,000 from the prior year.
- CARES Act and ESSER funding continues to enable the District to purchase updated curriculum including textbooks. In addition, the State awarded the District \$10,723,610.56 which will be used to build an auxiliary gymnasium at the High School.
- The District had damages related to the December 10, 2021 tornado. Due to a loss in our tax base, we expect our revenues to be lower in the next few years. The State has allocated funds to assist in this income gap. Also, funds are available to fill the gap between insurance payouts and the cost of new buses and a new bus garage with a fueling station.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements 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, deferred outflows of resources, liabilities, deferred inflows of resources, and 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 9 and 10 of this report.

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 fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 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 20 through 50 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,808,105 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 is 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.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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	\$ 16,322,784	\$ 14,793,272
Noncurrent Assets	<u>31,807,439</u>	<u>30,052,258</u>
Total Assets	<u>\$ 48,130,223</u>	<u>\$ 44,845,530</u>
Deferred Loss from Refunding Bonds	\$ 75,590	\$ 113,384
Deferred Outflows Related to Pensions	1,601,081	1,912,144
Deferred Outflows Related to OPEBs	<u>2,561,665</u>	<u>2,079,401</u>
Total Deferred Outflows of Resources	<u>\$ 4,238,336</u>	<u>\$ 4,104,929</u>
Current Liabilities	\$ 5,123,656	\$ 3,455,777
Noncurrent Liabilities	<u>33,615,974</u>	<u>37,025,672</u>
Total Liabilities	<u>\$ 38,739,630</u>	<u>\$ 40,481,449</u>
Deferred Inflows Related to Pensions	\$ 1,590,631	\$ 398,622
Deferred Inflows Related to OPEBs	<u>3,230,193</u>	<u>2,051,061</u>
Total Deferred Inflows of Resources	<u>\$ 4,820,824</u>	<u>\$ 2,449,683</u>
Net investment in capital assets	\$ 10,875,933	\$ 8,195,221
Restricted	2,353,435	4,222,510
Unrestricted	<u>(4,421,263)</u>	<u>(6,398,404)</u>
Total Net Position	<u>\$ 8,808,105</u>	<u>\$ 6,019,327</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The General Fund’s total revenues for the fiscal year ended June 30, 2022 were \$17,168,466.
- General fund budget compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$435,772 more than budget. The categories with the largest difference from budgeted amounts were taxes (\$285,363 more than budget), indirect federal funds (\$57,317 more than budget) earnings on investments (\$45,117 more than budget), and other local funds (\$35,439 more than budget).
- The total cost of all General Fund programs and services was \$15,741,161.
- General fund budget exceeded actual expenditures for most line items with the total actual expenditures (excluding on behalf expenditures, which are not budgeted, and the contingency) being \$6,157,655 less than budgeted. The categories with the largest difference from budgeted amounts were for plant operations and maintenance (\$4,542,594 less than budget), student transportation (\$789,474 less than budget), district administration (\$374,988 less than budget), instructional staff support services (\$345,922 less than budget), and instruction (\$88,129 less than budget).
- One major difference in the budgeted revenues and expenditures when compared to actual amounts were the recording of payments made by the state of on behalf payments, such as matching teacher retirement and health insurance. These payments are not required to be budgeted; however, they are required to be recorded in order to comply with generally accepted accounting principles. The total payments made in the current year by the state on behalf of the district recorded in the general fund were \$4,498,067.

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

The following table presents a summary of governmental and business-type revenue and expense for the fiscal year ended June 30, 2022 as compared to the fiscal year ended June 30, 2021.

	June 30, 2022	June 30, 2021
Program Revenues:		
Charges for services – food services	\$ 70,558	\$ 35,286
Charges for services – governmental	137,911	150,408
Operating grants – food services	2,021,696	1,717,890
Operating grants – governmental	12,668,487	10,797,031
Capital grants – governmental	<u>1,372,504</u>	<u>1,322,508</u>
Total Program Revenues	<u>16,271,156</u>	<u>14,023,123</u>
General Revenues:		
Taxes	3,659,550	3,562,372
Earnings on investments	123,029	479,403
State and formula grants	8,981,049	8,135,123
Miscellaneous	133	0
Gain (loss) on disposal of fixed assets	<u>(64,752)</u>	<u>(13,121)</u>
Total General Revenues	<u>12,699,009</u>	<u>12,163,777</u>
Total Revenues	<u>28,970,165</u>	<u>26,186,900</u>
Expenses:		
Instruction	14,272,870	14,102,184
Student support services	798,315	785,610
Instructional support	1,891,565	2,084,302
District administration	939,846	735,090
School administration	1,024,656	1,087,256
Business support	430,212	391,096
Plant operations	2,846,643	2,149,495
Student transportation	945,736	787,821
Community services	288,510	270,299
Other non-instructional	83,976	52,047
Interest on long term debt	574,966	599,545
Food service operation	2,091,417	1,675,517
Other Debt service	<u>(7,325)</u>	<u>(7,061)</u>
Total Expenses	<u>26,181,387</u>	<u>24,713,201</u>
Change in Net Position	2,788,778	1,473,699
Beginning Net Position	<u>6,019,327</u>	<u>4,545,628</u>
Ending Net Position	<u>\$ 8,808,105</u>	<u>\$ 6,019,327</u>

General Fund Revenue

The majority of revenue was derived from state funding (\$13,533,652) making up 78.8% of total revenue and \$3,209,863 from local taxes (18.7%).

General Fund Expenditures

The largest category of expenditures was for instruction (64.5%), followed by plant operations and maintenance (8.7%), school administration support services (6.6%), instructional staff support services (5.5%), student transportation (4.8%) student support services (4.2%), district administration support services (3.0%), and business support services (2.7%).

**MAYFIELD INDEPENDENT PUBLIC SCHOOL DISTRICT – MAYFIELD, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the District had \$31,807,439 invested in land, buildings, and equipment. Of that amount, \$31,650,557 is in governmental activities. There was an increase in net capital assets during the fiscal year because of ongoing construction projects. Total additions to capital assets were \$1,951,284 in governmental activities, while depreciation expense was \$607,169 in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$20,773,000 in bonds and capital leases payable outstanding on June 30, 2022. A total of \$981,000 is due within one year. Bond principal payments during the year were \$956,000.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$2,922,765 in contingency in the general and food service funds (14.6%). The beginning general fund balance for beginning the fiscal year was \$6,956,083.

Mayfield Independent Public Schools received federal grants in the amount of \$6,250,278 and are awarded on an October 1 to September 30 period. They also received state grants in the amount of \$1,011,207 that are awarded on a July 1 through June 30 fiscal year period.

Questions regarding this report should be directed to the Superintendent Joe Henderson or by mail at 914 East College Street, Mayfield, KY 42066.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 9,942,031	\$ 697,702	\$ 10,639,733
Accounts receivable:			
Taxes - current	135,540	0	135,540
Taxes - delinquent	2,682	0	2,682
Accounts receivable	47,257	723	47,980
Interest receivable	3	0	3
Intergovernmental - state	149,851	0	149,851
Intergovernmental - indirect federal	5,103,417	141,863	5,245,280
Inventory	0	33,086	33,086
Prepaid expenses	68,629	0	68,629
Total current assets	<u>15,449,410</u>	<u>873,374</u>	<u>16,322,784</u>
Noncurrent Assets:			
Capital assets	47,233,115	915,616	48,148,731
Less: Accumulated depreciation	(15,582,558)	(758,734)	(16,341,292)
Total noncurrent assets	<u>31,650,557</u>	<u>156,882</u>	<u>31,807,439</u>
TOTAL ASSETS	<u>\$ 47,099,967</u>	<u>\$ 1,030,256</u>	<u>\$ 48,130,223</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 454,162	\$ 0	\$ 454,162
Less: Accumulated amortization	(378,572)	0	(378,572)
Deferred pension related outflows	1,392,408	208,673	1,601,081
Deferred OPEB related outflows	2,356,482	205,183	2,561,665
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,824,480</u>	<u>\$ 413,856</u>	<u>\$ 4,238,336</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 351,587	\$ 14,363	\$ 365,950
Advances from grantors	3,573,946	0	3,573,946
Current portion of bond obligations	981,000	0	981,000
Less: Current portion of unamortized bond premium (discount)	7,325	0	7,325
Current portion of accrued sick leave	11,052	1,601	12,653
Interest payable	182,782	0	182,782
Total current liabilities	<u>5,107,692</u>	<u>15,964</u>	<u>5,123,656</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	19,792,000	0	19,792,000
Less: Noncurrent portion of unamortized bond premium (discount)	226,771	0	226,771
Noncurrent portion of accrued sick leave	89,422	12,950	102,372
Net pension liability	7,310,690	1,095,590	8,406,280
Net OPEB liability	4,759,657	328,894	5,088,551
Total noncurrent liabilities	<u>32,178,540</u>	<u>1,437,434</u>	<u>33,615,974</u>
TOTAL LIABILITIES	<u>\$ 37,286,232</u>	<u>\$ 1,453,398</u>	<u>\$ 38,739,630</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension related inflows	\$ 1,383,325	\$ 207,306	1,590,631
Deferred OPEB related inflows	3,051,224	178,969	3,230,193
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 4,434,549</u>	<u>\$ 386,275</u>	<u>\$ 4,820,824</u>
NET POSITION:			
Net investment in capital assets	\$ 10,719,051	\$ 156,882	\$ 10,875,933
Restricted for:			
SFCC Escrow	656,487	0	656,487
Capital projects	1,982,696	0	1,982,696
Debt service	4,502	0	4,502
Food service	0	(552,443)	(552,443)
Other	262,193	0	262,193
Unrestricted	(4,421,263)	0	(4,421,263)
TOTAL NET POSITION	<u>\$ 9,203,666</u>	<u>\$ (395,561)</u>	<u>\$ 8,808,105</u>

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges	Operating	Capital	Governmental	Business-	Total
		for	Grants &	Grants &			
	Services	Contributions	Contributions	Activities	Type		
Governmental Activities:							
Instruction	\$ 14,272,870	\$ 127,611	\$ 7,553,390	\$ 1,372,504	\$ (5,219,365)	\$ 0	\$ (5,219,365)
Support Services:							
Student	798,315	0	309,854	0	(488,461)	0	(488,461)
Instructional Staff	1,891,565	0	1,344,676	0	(546,889)	0	(546,889)
District Administration	939,846	0	593,387	0	(346,459)	0	(346,459)
School Administration	1,024,656	0	309,745	0	(714,911)	0	(714,911)
Business	430,212	0	177,801	0	(252,411)	0	(252,411)
Plant operations and maintenance	2,846,643	10,300	1,484,658	0	(1,351,685)	0	(1,351,685)
Student transportation	945,736	0	510,924	0	(434,812)	0	(434,812)
Food service	46,535	0	46,535	0	0	0	0
Community service activities	288,510	0	300,870	0	12,360	0	12,360
Other non-instruction	83,976	0	15,839	0	(68,137)	0	(68,137)
Interest on long-term debt	574,966	0	20,808	0	(554,158)	0	(554,158)
Loss on disposal of fixed assets	64,752	0	0	0	(64,752)	0	(64,752)
Other debt service	(7,325)	0	0	0	7,325	0	7,325
Total governmental activities	24,201,257	137,911	12,668,487	1,372,504	(10,022,355)	0	(10,022,355)
Business-Type Activities:							
Food service	2,044,882	70,558	2,021,696	0	0	47,372	47,372
Total business-type activities	2,044,882	70,558	2,021,696	0	0	47,372	47,372
Total primary government	\$ 26,246,139	\$ 208,469	\$ 14,690,183	\$ 1,372,504	(10,022,355)	47,372	(9,974,983)
General Revenues:							
Taxes:							
Property					2,693,301	0	2,693,301
Motor Vehicle					388,339	0	388,339
Utilities					527,109	0	527,109
In Lieu of					50,801	0	50,801
Earnings on Investments					116,259	6,770	123,029
State and formula grants					8,981,049	0	8,981,049
Miscellaneous					133	0	133
Transfers					613,020	(613,020)	0
Change in net position					3,347,656	(558,878)	2,788,778
Net position at July 1, 2021					5,856,010	163,317	6,019,327
Net position at June 30, 2022					\$ 9,203,666	\$ (395,561)	\$ 8,808,105

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 7,025,248	\$ 0	\$ 2,916,783	\$ 9,942,031
Accounts receivable:				
Taxes - current	135,540	0	0	135,540
Taxes - delinquent	2,682	0	0	2,682
Accounts receivable	8,145	35,042	4,070	47,257
Interest receivable	3	0	0	3
Intergovernmental - state	0	149,851	0	149,851
Intergovernmental - federal	7,450	5,095,967	0	5,103,417
Interfund receivable	1,608,391	0	0	1,608,391
Prepaid expenses	38,478	30,151	0	68,629
TOTAL ASSETS AND RESOURCES	\$ 8,825,937	\$ 5,311,011	\$ 2,920,853	\$ 17,057,801
 LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 207,938	\$ 130,380	\$ 13,269	\$ 351,587
Interfund payable	0	1,606,685	1,706	1,608,391
Advances from grantors	0	3,573,946	0	3,573,946
Current portion of accrued sick leave	11,052	0	0	11,052
TOTAL LIABILITIES	218,990	5,311,011	14,975	5,544,976
 FUND BALANCES:				
Nonspendable:				
Prepays	38,478	0	0	38,478
Restricted:				
Construction	0	0	1,982,696	1,982,696
Debt service	0	0	4,502	4,502
SFCC escrow	0	0	656,487	656,487
District activity funds	0	0	11,945	11,945
Student activity funds	0	0	250,248	250,248
Committed:				
Site-based carryforward	117,478	0	0	117,478
Assigned:				
Purchase obligations	44,188	0	0	44,188
Unassigned	8,406,803	0	0	8,406,803
TOTAL FUND BALANCES	8,606,947	0	2,905,878	11,512,825
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,825,937	\$ 5,311,011	\$ 2,920,853	\$ 17,057,801

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

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2022

Total fund balance per fund financial statements		\$11,512,825
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	\$ 47,233,115	
Accumulated depreciation	<u>(15,582,558)</u>	31,650,557
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	75,590	
Deferred pension related outflows	1,392,408	
Deferred OPEB related outflows	<u>2,356,482</u>	3,824,480
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	(1,383,325)	
Deferred OPEB related inflows	<u>(3,051,224)</u>	(4,434,549)
Certain liabilities are not reported in the fund financial statements because they are not due and payable, but they are presented in the statement of net position.		
Interest payable		(182,782)
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	(20,773,000)	
Unamortized bond premium	(234,096)	
Net pension liability	(7,310,690)	
Net OPEB liability	(4,759,657)	
Accrued sick leave payable	<u>(89,422)</u>	<u>(33,166,865)</u>
Net position for governmental activities		<u><u>\$ 9,203,666</u></u>

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

MAYFIELD INDEPENDENT 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	Other Governmental Funds	Total Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,291,495	\$ 0	\$ 401,806	\$ 2,693,301
Motor Vehicle	388,339	0	0	388,339
Utilities	527,109	0	0	527,109
In Lieu of	2,920	0	0	2,920
Tuition	5,000	0	0	5,000
Earnings on Investments	55,867	0	60,392	116,259
Other local revenues	59,239	685,478	518,051	1,262,768
Intergovernmental - State	13,533,652	1,011,207	1,393,312	15,938,171
Intergovernmental - indirect federal	304,845	6,250,278	0	6,555,123
TOTAL REVENUES	17,168,466	7,946,963	2,373,561	27,488,990
EXPENDITURES:				
Current:				
Instruction	10,153,266	4,206,147	353,991	14,713,404
Support Services:				
Student	651,318	124,706	5,745	781,769
Instructional Staff	865,736	1,100,377	815	1,966,928
District Administration	476,260	503,138	0	979,398
School Administration	1,040,397	0	0	1,040,397
Business	420,566	0	0	420,566
Plant operations and maintenance	1,872,289	1,226,633	237	3,099,159
Student transportation	760,058	316,600	0	1,076,658
Food service	0	46,535	0	46,535
Community service activities	0	300,870	0	300,870
Other non-instruction	0	15,839	68,137	83,976
Facilities acquisition and construction	0	0	1,798,686	1,798,686
Debt service	0	0	1,500,782	1,500,782
TOTAL EXPENDITURES	16,239,890	7,840,845	3,728,393	27,809,128
Excess (deficit) of revenues over expenditures	928,576	106,118	(1,354,832)	(320,138)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	3,150	0	0	3,150
Operating transfers in	754,845	35,707	1,438,546	2,229,098
Operating transfers out	(35,707)	(141,825)	(1,438,546)	(1,616,078)
TOTAL OTHER FINANCING SOURCES (USES)	722,288	(106,118)	0	616,170
Net change in fund balance	1,650,864	0	(1,354,832)	296,032
Fund Balance, July 1, 2021	6,956,083	0	4,260,710	11,216,793
Fund Balance, June 30, 2022	\$ 8,606,947	\$ 0	\$ 2,905,878	\$ 11,512,825

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

MAYFIELD INDEPENDENT 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 fund balances per fund financial statements \$ 296,032

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 exceeded depreciation expense for the year.

Depreciation expense	(607,169)	
Capital outlays	<u>2,474,887</u>	1,867,718

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	(3,150)	
Gain (loss) on the disposal of fixed assets	<u>(64,752)</u>	(67,902)

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.

Bond Principal paid		956,000
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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	(37,794)	
Amortization of bond discounts	<u>7,325</u>	(30,469)

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	7,610	
Pension and OPEB expense	275,561	
Accrued sick leave	<u>43,106</u>	<u>326,277</u>

Change in net position of governmental activities		<u><u>\$ 3,347,656</u></u>
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See independent auditor's report and accompanying notes to financial statements

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 697,702
Accounts receivable:	
Accounts receivable	723
Intergovernmental - indirect federal	141,863
Inventory	33,086
Total current assets	873,374
Noncurrent Assets	
Capital assets	915,616
Less: accumulated depreciation	(758,734)
Total noncurrent assets	156,882
TOTAL ASSETS	\$ 1,030,256
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred pension related outflows	\$ 208,673
Deferred OPEB related outflows	205,183
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 413,856
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 14,363
Current portion of accrued sick leave	1,601
Total current liabilities	15,964
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	12,950
Net pension liability	1,095,590
Net OPEB liability	328,894
Total noncurrent liabilities	1,437,434
TOTAL LIABILITIES	\$ 1,453,398
DEFERRED INFLOWS OF RESOURCES:	
Deferred pension related inflows	\$ 207,306
Deferred OPEB related inflows	178,969
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 386,275
Net Position	
Net investment in capital assets	\$ 156,882
Restricted for food service	(552,443)
TOTAL NET POSITION	\$ (395,561)

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	\$ 56,438
Other operating revenues	<u>14,120</u>
Total operating revenues	<u>70,558</u>
Operating Expenses:	
Salaries and benefits	1,117,960
Contract services	54,660
Materials and supplies	822,611
Depreciation	44,635
Expendable equipment	<u>5,026</u>
Total operating expenses	<u>2,044,892</u>
Operating income (loss)	<u>(1,974,334)</u>
Non-Operating Revenues (Expenses):	
Federal grants	1,648,711
Donated commodities	86,659
State grants	286,326
Interest income	6,770
Gain on disposal of fixed assets	<u>10</u>
Total non-operating revenues	<u>2,028,476</u>
Net income before transfers	54,142
Operating transfers out	<u>(613,020)</u>
Change in net position	(558,878)
Net Position, July 1, 2021	<u>163,317</u>
Net Position, June 30, 2022	<u>\$ (395,561)</u>

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

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

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 56,438
Other operating revenues	14,857
Cash paid to/for:	
Employees	(747,532)
Contract services	(53,729)
Materials and supplies	(737,564)
Expendable equipment	(5,026)
Net cash provided by (used in) operating activities	(1,472,556)
Cash Flows from Non-Capital Financing Activities:	
Transfers from (to) other funds	(613,020)
Operating grants received	1,714,129
Net cash provided by (used in) non-capital financing activities	1,101,109
Cash Flows from Capital and Related Financing Activities:	
Proceeds of capital assets sold	10
Net cash provided by (used in) capital and related financing activities	10
Cash Flows from Investing Activities:	
Interest income received	6,770
Net cash provided by (used in) investing activities	6,770
Net increase (decrease) in cash and cash equivalents	(364,667)
Cash and cash equivalents, July 1, 2021	1,062,369
Cash and cash equivalents, June 30, 2022	\$ 697,702
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (1,974,334)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	44,635
Commodities used	86,659
On-behalf payments	273,024
Changes in assets and liabilities:	
Inventory	535
Accounts receivable	737
Deferred outflows of resources	10,021
Accounts payable	(1,216)
Accrued sick leave	(861)
Net OPEB liability	(50,885)
Net pension liability	(111,069)
Deferred inflows of resources	250,198
Net cash provided by (used in) operating activities	\$ (1,472,556)
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 86,659
On-behalf payments	273,024
Total Non-Cash Investing, Capital, and Financing Activities	\$ 359,683

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 June 30, 2022

	<u>Private Purpose Trust Funds Scholarships</u>	<u>Private Purpose Trust Funds Disaster Relief</u>	<u>Total Fiduciary Funds</u>
ASSETS:			
Cash and cash equivalents	<u>\$ 59,649</u>	<u>\$ 532,939</u>	<u>\$ 592,588</u>
Total Assets	<u><u>\$ 59,649</u></u>	<u><u>\$ 532,939</u></u>	<u><u>\$ 592,588</u></u>
LIABILITIES:			
Accounts payable	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 59,649</u></u>	<u><u>\$ 532,939</u></u>	<u><u>\$ 592,588</u></u>

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended June 30, 2022

	<u>Private Purpose Trust Funds Scholarships</u>	<u>Private Purpose Trust Funds Disaster Relief</u>	<u>Total Fiduciary Funds</u>
Additions:			
Interest income	\$ 497	\$ 1,894	\$ 2,391
Contributions received	<u>9,956</u>	<u>774,664</u>	<u>784,620</u>
Total Additions	<u>10,453</u>	<u>776,558</u>	<u>787,011</u>
 Deductions:			
Benefits paid	<u>10,750</u>	<u>243,619</u>	<u>254,369</u>
Total Deductions	<u>10,750</u>	<u>243,619</u>	<u>254,369</u>
Change in net position	(297)	532,939	532,642
Net position, July 1, 2021	<u>59,946</u>	<u>0</u>	<u>59,946</u>
Net position, June 30, 2022	<u><u>\$ 59,649</u></u>	<u><u>\$ 532,939</u></u>	<u><u>\$ 592,588</u></u>

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2022

NOTE A – REPORTING ENTITY

The Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 organization are included in the accompanying financial statements:

Mayfield Independent School District Finance Corporation – In 1991, the Mayfield Independent Board of Education resolved to authorize the establishment of the Mayfield Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Mayfield Independent Board of Education also comprise the Corporation’s Board of Directors.

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.

MAYFIELD INDEPENDENT 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 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.

MAYFIELD INDEPENDENT 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 70. 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.
- (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.

MAYFIELD INDEPENDENT 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 Fund)

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 \$86,659 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

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.

MAYFIELD INDEPENDENT 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 1 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 \$.721 per \$100 valuation for real property, \$.721 per \$100 valuation for business personal property and \$.689 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 District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

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 insurance premiums paid during the year with coverage dates that extend beyond June 30, 2022 and a down payment on playground equipment that has not been delivered.

Debt Costs

Unamortized premiums of \$269,384 net of unamortized discounts of \$(35,288) are included in the government-wide statements. Discounts are amortized over the lives of the related debt issues using the straight-line method.

MAYFIELD INDEPENDENT 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 18, 2012 meeting the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The guidelines established a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements (\$15,000) and leasehold improvements (\$50,000). Improvements to land and to buildings in excess of the above limits 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	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 accrued 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.

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.

MAYFIELD INDEPENDENT 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 - Continued

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.

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.

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.

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

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as 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.

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.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

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 County Employees Retirement System (CERS) and Teachers Retirement System of the State of Kentucky (TRS) and additions to/deductions from 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.

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.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 15, 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 total cash and cash equivalents was \$11,232,321. The bank balance was \$11,933,877. Of the bank balance, \$11,410,600 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 \$523,277 was uninsured and collateralized with securities held by the pledging bank's agent, in the District's name.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2022

Note E - Capital Assets

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

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>
Capital Assets:				
Land and improvements	\$ 1,637,814	\$ 12,000	\$ 0	\$ 1,649,814
Buildings and improvements	26,354,424	257,423	0	26,611,847
Technology equipment	1,376,006	57,004	655	1,432,355
Vehicles	2,086,501	149,698	522,948	1,713,251
General Equipment	1,197,781	69,229	0	1,267,010
Construction	12,629,305	2,480,856	551,323	14,558,838
Totals at historical cost	<u>45,281,831</u>	<u>3,026,210</u>	<u>1,074,926</u>	<u>47,233,115</u>
Less: Accumulated depreciation				
Land and improvements	643,369	7,185	0	650,554
Buildings and improvements	11,054,694	438,035	0	11,492,729
Technology equipment	1,360,107	27,382	1,429	1,386,060
Vehicles	1,406,526	76,399	454,272	1,028,653
General equipment	966,394	58,168	0	1,024,562
Total accumulated depreciation	<u>15,431,090</u>	<u>607,169</u>	<u>455,701</u>	<u>15,582,558</u>
Governmental Activities Capital Assets - Net	<u><u>\$ 29,850,741</u></u>	<u><u>\$ 2,419,041</u></u>	<u><u>\$ 619,225</u></u>	<u><u>\$ 31,650,557</u></u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 31,492	\$ 0	\$ 0	\$ 31,492
General Equipment	884,124	0	0	884,124
Totals at historical cost	<u>915,616</u>	<u>0</u>	<u>0</u>	<u>915,616</u>
Less: Accumulated depreciation				
Technology equipment	26,294	567	0	26,861
General Equipment	687,805	44,068	0	731,873
Total accumulated depreciation	<u>714,099</u>	<u>44,635</u>	<u>0</u>	<u>758,734</u>
Business-Type Activities Capital Assets - Net	<u><u>\$ 201,517</u></u>	<u><u>\$ (44,635)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 156,882</u></u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 313,280
Student support services	23,523
Instructional staff support services	3,373
District administration	13,401
School administration	240
Business	18,990
Plant operation and maintenance	190,470
Student transportation	43,751
Community services	141
Total depreciation expense	<u><u>\$ 607,169</u></u>

MAYFIELD INDEPENDENT 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 Mayfield Independent 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 Mayfield Independent 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 for 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>
March 20, 2012, refunding	March 1, 2024	0.600% - 2.300%	\$ 1,400,000
February 1, 2014	February 1, 2034	1.500% - 4.000%	388,000
June 1, 2016	June 1, 2036	1.000% - 3.000%	1,400,000
December 28, 2016	December 1, 2036	1.500% - 3.750%	910,000
December 28, 2016	December 1, 2036	1.000%	2,950,000
February 13, 2020	February 1, 2040	2.500% - 5.000%	13,725,000
			<u>\$ 20,773,000</u>

In 1997 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.

On March 20, 2012, the District issued bonds to currently refund all outstanding 2001 School Building Revenue Bonds and to advance refund on March 1, 2014 the outstanding 2004 School Building Revenue Bonds that were scheduled to mature on or after March 1, 2017. 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 issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$454,162. Amortization for the year was \$37,794 and is included as a component of interest expense.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE F – GENERAL LONG-TERM OBLIGATIONS (CONTINUED)

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	Mayfield Independent School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2022-2023	\$ 932,868	\$ 501,778	\$ 48,132	\$ 19,483	\$ 1,502,261
2023-2024	952,470	478,192	49,530	18,085	1,498,277
2024-2025	979,276	452,558	33,724	16,631	1,482,189
2025-2026	1,018,878	415,269	35,122	15,225	1,484,494
2026-2027	1,058,412	376,150	36,588	13,759	1,484,909
2027-2028	1,097,884	335,062	38,116	12,229	1,483,291
2028-2029	1,128,430	306,848	39,570	10,776	1,485,624
2029-2030	1,147,979	285,410	41,021	9,324	1,483,734
2030-2031	1,172,478	262,780	42,522	7,824	1,485,604
2031-2032	1,192,927	239,552	44,073	6,273	1,482,825
2032-2033	1,217,306	215,706	45,694	4,652	1,483,358
2033-2034	1,242,623	190,175	47,377	2,968	1,483,143
2034-2035	1,272,181	163,154	7,819	1,202	1,444,356
2035-2036	1,297,203	135,310	7,797	1,027	1,441,337
2036-2037	1,326,673	105,315	8,327	841	1,441,156
2037-2038	1,352,120	79,617	7,880	633	1,440,250
2038-2039	906,562	45,814	8,438	436	961,250
2039-2040	925,991	23,150	9,009	225	958,375
	<u>\$ 20,222,261</u>	<u>\$ 4,611,840</u>	<u>\$ 550,739</u>	<u>\$ 141,593</u>	<u>\$ 25,526,433</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2022 was \$574,966.

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

Type	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Governmental:					
Bonds payable	\$21,729,000	\$ 0	\$ 956,000	\$20,773,000	\$ 981,000
Bond premiums (discounts)	241,421	0	7,325	234,096	7,325
Sick leave - non-current	132,528	0	43,106	89,422	0
Sick leave - current	16,380	11,052	16,380	11,052	11,052
Net pension liability	8,606,770	0	1,296,080	7,310,690	0
Net OPEB liability	5,678,859	0	919,202	4,759,657	0
Totals	<u>\$36,404,958</u>	<u>\$ 11,052</u>	<u>\$3,238,093</u>	<u>\$33,177,917</u>	<u>\$ 999,377</u>
Business-Type:					
Sick leave	\$ 15,413	\$ 0	\$ 862	\$ 14,551	\$ 1,601
Net pension liability	1,206,659	0	111,069	1,095,590	0
Net OPEB liability	379,779	0	50,885	328,894	0
Totals	<u>\$ 1,601,851</u>	<u>\$ 0</u>	<u>\$ 162,816</u>	<u>\$ 1,439,035</u>	<u>\$ 1,601</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

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.

The administrative entity comprising the office of counselors and professional staff that has traditionally been known as Kentucky Retirement Systems has changed its name to the Kentucky Public Pensions Authority (KPPA). The entity issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained on the KPPA website at www.kyret.ky.gov, 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 \$809,345. The insurance contributions for the fiscal year ended June 30, 2022 were \$220,973.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS - CONTINUED

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 \$8,406,280 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 .131847%.

As a result of its requirement to contribute to the CERS pension fund, the District recognized pension expense of \$903,653 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</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net differences between projected and actual earnings on pension plan investments	\$ 283,606	\$ 42,502	\$ 1,257,999	\$ 188,525
Differences between expected and actual experience	83,949	12,581	70,956	10,633
Changes of assumptions	98,118	14,704	0	0
Change in proportion and differences between employer contributions and proportionate share of plan contributions	222,876	33,400	54,370	8,148
District contributions subsequent to the measurement date	<u>703,859</u>	<u>105,486</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,392,408</u>	<u>\$ 208,673</u>	<u>\$ 1,383,325</u>	<u>\$ 207,306</u>

Deferred outflows of resources in governmental activities of \$703,859 and in business-type activities of \$105,486 related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2023	\$ (34,232)	\$ (5,130)
2024	(142,216)	(21,313)
2025	(213,196)	(31,950)
2026	(305,132)	(45,726)

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).

MAYFIELD INDEPENDENT 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)

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 as follows:

<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	<u>10.00%</u>	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.

MAYFIELD INDEPENDENT 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)

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 (5.25%)	Current Discount (6.25%)	1% Increase (7.25%)
District's proportionate share of net pension liability	\$10,781,453	\$8,406,280	\$6,440,881

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

Payables to the pension plan – At June 30, 2022, the financial statements include \$0 in payables to CERS for the pension and insurance funds.

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 \$2,523,551 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 .131816%.

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 \$356,069 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:

MAYFIELD INDEPENDENT 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) -

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Net differences between projected and actual earnings on OPEB plan investments	\$ 110,573	\$ 16,571	\$ 453,897	\$ 68,022
Differences between expected and actual experience	345,110	51,719	655,252	98,197
Changes of assumptions	581,845	87,196	2,041	306
Change in proportion and differences between employer contributions and proportionate share of plan contributions	139,445	20,897	83,034	12,444
District contributions subsequent to the measurement date	<u>192,173</u>	<u>28,800</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 1,369,146</u>	<u>\$ 205,183</u>	<u>\$ 1,194,224</u>	<u>\$ 178,969</u>

Deferred outflows of resources in governmental activities of \$192,173 and in business-type activities of \$28,800 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</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
2023	\$ 81,138	\$ 12,160
2024	28,919	4,334
2025	(2,045)	(306)
2026	(125,263)	(18,774)
2027	0	0
Thereafter	0	0

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).

MAYFIELD INDEPENDENT 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 - 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.

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 table on the following page:

MAYFIELD INDEPENDENT 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) -

<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	\$3,464,817	\$2,523,551	\$1,751,087

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	\$1,816,657	\$2,523,551	\$3,376,784

MAYFIELD INDEPENDENT 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 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 \$0 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.

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.

MAYFIELD INDEPENDENT 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)

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

For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined thereafter. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated 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 Fund 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 \$29,204,687.

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 .2244%.

For the year ended June 30, 2022, the District recognized pension expense of \$2,331,216 and revenue of \$2,331,216 for support provided by the Commonwealth.

MAYFIELD INDEPENDENT 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)

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>	

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.

MAYFIELD INDEPENDENT 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)

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 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 members who retired on or after July 1, 2010 who are in the non-Medicare eligible group.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical 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 reported a liability of \$2,565,000 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 .119520%.

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	\$ 2,565,000
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>2,083,000</u>
Total	<u>\$ 4,648,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$(114,000) and revenue of \$172,292 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	\$ 1,525,000	\$ 0
Changes of assumptions	671,000	0	0	0
Net differences between projected and actual earnings on OPEB plan investments	0	0	274,000	0
Change in proportion and differences between employer contributions and proportionate share of contributions	96,000	0	58,000	0
District contributions subsequent to the measurement date	<u>220,336</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 987,336</u>	<u>\$ 0</u>	<u>\$ 1,857,000</u>	<u>\$ 0</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$220,336 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	\$ (275,000)	\$ 0
2024	(276,000)	0
2025	(259,000)	0
2026	(241,000)	0
2027	(50,000)	0
Thereafter	11,000	0

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical Insurance Plan (Continued)

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

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
Ages 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>	

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Medical Insurance Plan (Continued)

Discount Rate - The discount rate used to measure the TOL 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	\$3,283,000	\$2,565,000	\$1,970,000

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	\$1,863,000	\$2,565,000	\$3,437,000

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.

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	28,000
Total	\$ 28,000

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Life Insurance Plan (Continued)

For the year ended June 30, 2022, the District recognized OPEB expense of \$0 and revenue of \$4,243 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	2.0%	-0.3%
Total	<u>100.0%</u>	

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.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE G – EMPLOYEE BENEFITS – CONTINUED

Life Insurance Plan (Continued)

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 – 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	\$ 2,507,751
Technology	87,946
SFCC Debt Service	67,616
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	2,175,394
Total	\$ 4,838,707

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	\$ 3,038,476
Support services:	
Student	185,148
Instructional staff	244,299
District administration	90,249
School administration	309,745
Business	177,801
Plant operations and maintenance	258,025
Student transportation	194,324
Debt service	67,616
Food service	273,024
Total	\$ 4,838,707

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE I – 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.

NOTE J - 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 K – INSURANCE AND RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. 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.

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

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

During the fiscal year ended June 30, 2019, the District began the preliminary phase of construction at Mayfield High School. Contracts and change orders total about \$16M. Of that amount, almost \$14M had been completed by June 30, 2022, leaving about \$2M to be completed in the subsequent year. Other items with contracts awarded but not completed by June 30, 2022 include MHS athletic facilities with contracts of about \$1.2M, with almost \$200,000 completed and paid by June 30, 2022.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

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, food service funds, and private purpose trust 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, 2021, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 1,606,685	\$ 0
School Activity Funds	1,706	0
Special Revenue Fund:		
General Fund	0	1,606,685
School Activity Funds:		
General Fund	0	1,706

NOTE N - 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. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 35,707
Operating	FSPK	Debt Service	Debt Service	1,433,166
Operating	Food Service	General	Indirect Costs	114,291
Operating	School Activity	District Activity	DAF transfer	5,380
Operating	Special Revenue	General	Volkswagen Settlement	141,825
Capital	Food Service	General	Capital Assets	498,729

NOTE O – 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.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2022

NOTE O – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

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

MAYFIELD INDEPENDENT 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	\$ 2,147,500	\$ 2,147,500	\$ 2,291,495	\$ 143,995
Motor Vehicle	230,000	230,000	388,339	158,339
Utilities	542,000	542,000	527,109	(14,891)
In Lieu of	5,000	5,000	2,920	(2,080)
Tuition	0	0	5,000	5,000
Earnings on Investments	10,750	10,750	55,867	45,117
Other local revenues	23,800	23,800	59,239	35,439
Intergovernmental - State	9,020,444	9,028,049	13,533,652	4,505,603
Intergovernmental - Indirect Federal	247,528	247,528	304,845	57,317
TOTAL REVENUES	<u>12,227,022</u>	<u>12,234,627</u>	<u>17,168,466</u>	<u>4,933,839</u>
EXPENDITURES:				
Current:				
Instruction	7,083,689	7,202,919	10,153,266	(2,950,347)
Support Services:				
Student	491,716	492,117	651,318	(159,201)
Instructional Staff	961,209	967,359	865,736	101,623
District Administration	803,702	760,999	476,260	284,739
School Administration	729,969	731,419	1,040,397	(308,978)
Business	232,599	232,599	420,566	(187,967)
Plant operations and maintenance	4,156,664	5,658,129	1,872,289	3,785,840
Student transportation	1,355,208	1,355,208	760,058	595,150
Contingency	2,189,261	2,189,261	0	2,189,261
TOTAL EXPENDITURES	<u>18,004,017</u>	<u>19,590,010</u>	<u>16,239,890</u>	<u>3,350,120</u>
Excess (deficit) of revenues over expenditures	<u>(5,776,995)</u>	<u>(7,355,383)</u>	<u>928,576</u>	<u>8,283,959</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	0	0	3,150	3,150
Operating transfers in	60,000	60,000	754,845	694,845
Operating transfers out	(35,315)	(35,315)	(35,707)	(392)
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,685</u>	<u>24,685</u>	<u>722,288</u>	<u>697,603</u>
Net change in fund balance	(5,752,310)	(7,330,698)	1,650,864	8,981,562
Fund Balance, July 1, 2021	<u>5,752,310</u>	<u>6,956,083</u>	<u>6,956,083</u>	<u>0</u>
Fund Balance, June 30, 2022	<u>\$ 0</u>	<u>\$ (374,615)</u>	<u>\$ 8,606,947</u>	<u>\$ 8,981,562</u>

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

NOTE: The on-behalf payments of \$4,498,067 from the state are included in both revenues and expenditures in the actual column; however, this amount was not required to be included in the budget.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From Local Sources:				
Other local revenues	\$ 0	\$ (1,459,492)	\$ 685,478	\$ 2,144,970
Intergovernmental - State	1,451,388	1,256,844	1,011,207	(245,637)
Intergovernmental - Indirect federal	13,372,121	16,177,472	6,250,278	(9,927,194)
TOTAL REVENUES	<u>14,823,509</u>	<u>15,974,824</u>	<u>7,946,963</u>	<u>(8,027,861)</u>
EXPENDITURES:				
Current:				
Instruction	7,941,578	8,618,735	4,206,147	4,412,588
Support Services:				
Student support	60,988	134,833	124,706	10,127
Instructional Staff	1,145,328	947,979	1,100,377	(152,398)
District administration	1,363,328	1,505,099	503,138	1,001,961
Plant operations and maintenance	3,707,512	3,335,100	1,226,633	2,108,467
Student transportation	0	(104,653)	316,600	(421,253)
Food service	0	(1,029)	46,535	(47,564)
Community service activities	640,090	265,474	300,870	(35,396)
Other non-instruction	0	5,000	15,839	(10,839)
TOTAL EXPENDITURES	<u>14,858,824</u>	<u>14,706,538</u>	<u>7,840,845</u>	<u>6,865,693</u>
Excess (deficit) of revenues over expenditures	<u>(35,315)</u>	<u>1,268,286</u>	<u>106,118</u>	<u>(1,162,168)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	35,315	35,315	35,707	392
Operating transfers out	0	141,825	(141,825)	(283,650)
TOTAL OTHER FINANCING SOURCES (USES)	<u>35,315</u>	<u>177,140</u>	<u>(106,118)</u>	<u>(283,258)</u>
Net change in fund balance	0	1,445,426	0	(1,445,426)
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>\$ 1,445,426</u>	<u>\$ 0</u>	<u>\$ (1,445,426)</u>

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

**MAYFIELD INDEPENDENT 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	0.131847%	0.127947%
District's proportionate share of the net pension liability	\$ 8,406,280	\$ 9,813,429
District's covered payroll	\$ 3,376,079	\$ 3,288,594
District's proportionate share of the net pension liability as a percentage of its covered payroll	249.00%	298.41%
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
0.125962%	0.136059%	0.119661%	0.121186%	0.119811%	0.108070%
\$ 8,858,964	\$ 8,286,408	\$ 7,004,126	\$ 5,966,723	\$ 5,151,289	\$ 3,506,205
\$ 3,191,514	\$ 3,052,374	\$ 2,704,113	\$ 2,897,377	\$ 2,802,413	\$ 2,506,148
277.58%	271.47%	259.02%	205.94%	183.82%	139.90%
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.

**MAYFIELD INDEPENDENT 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	\$ 809,345	\$ 651,583	\$ 634,617
Contributions in relation to the contractually required contribution	<u>809,345</u>	<u>651,583</u>	<u>634,617</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 3,823,072	\$ 3,376,079	\$ 3,288,594
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>
\$ 516,676	\$ 440,368	\$ 377,224	\$ 359,704	\$ 356,573	\$ 344,344
<u>516,676</u>	<u>440,368</u>	<u>377,224</u>	<u>359,704</u>	<u>356,573</u>	<u>344,344</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,191,514	\$ 3,052,374	\$ 2,704,113	\$ 2,897,377	\$ 2,802,413	\$ 2,506,148
16.19%	14.43%	13.95%	12.41%	12.72%	13.74%

**MAYFIELD INDEPENDENT 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	0.131816%
District's proportionate share of the net OPEB liability	\$ 2,523,551
District's covered payroll	\$ 3,376,079
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.75%
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
0.127910%	0.125930%	0.135720%	0.119661%
\$ 3,088,638	\$ 2,118,086	\$ 2,409,682	\$ 2,405,595
\$ 3,288,594	\$ 3,191,514	\$ 3,052,374	\$ 2,704,113
93.92%	66.37%	78.94%	88.96%
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.

**MAYFIELD INDEPENDENT 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	\$ 220,973	\$ 160,701
Contributions in relation to the contractually required contribution	<u>220,973</u>	<u>160,701</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 3,823,072	\$ 3,376,079
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>
\$ 156,517	\$ 167,553	\$ 142,937	\$ 127,905
<u>156,517</u>	<u>167,553</u>	<u>142,937</u>	<u>127,905</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 3,288,594	\$ 3,191,514	\$ 3,052,374	\$ 2,704,113
4.76%	5.25%	4.68%	4.73%

**MAYFIELD INDEPENDENT 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	0.224400%	0.219800%
Commonwealth's proportionate share of the net pension liability associated with the District	\$ 29,204,687	\$ 31,157,616
District's covered payroll	\$ 8,022,697	\$ 7,696,903
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered payroll	364.03%	404.81%
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
0.222600%	0.226300%	0.225800%	0.236100%	0.236600%	0.232500%
\$ 30,374,161	\$ 29,634,676	\$ 60,927,846	\$ 69,660,375	\$ 55,068,704	\$ 47,773,793
\$ 7,635,227	\$ 7,767,821	\$ 7,277,377	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
397.82%	381.51%	837.22%	892.03%	716.74%	654.28%
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%.

**MAYFIELD INDEPENDENT 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	\$ 2,534,415	\$ 2,407,948	\$ 2,409,805
District's contributions in relation to the contractually required contribution - federal programs	203,199	152,691	123,979
Commonwealth's contributions in relation to the contractually required contribution	<u>2,331,216</u>	<u>2,255,257</u>	<u>2,285,826</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 8,587,248	\$ 8,022,697	\$ 7,696,903
Contributions as a percentage of District's covered payroll	29.51%	30.01%	31.31%

* 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>
\$ 2,266,761	\$ 2,300,324	\$ 1,256,687	\$ 1,263,894	\$ 1,240,783	\$ 976,636
119,499	135,595	110,488	124,998	114,980	106,512
<u>2,147,262</u>	<u>2,164,729</u>	<u>1,146,199</u>	<u>1,138,896</u>	<u>1,125,803</u>	<u>870,124</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 7,635,227	\$ 7,767,821	\$ 7,277,377	\$ 7,809,190	\$ 7,683,219	\$ 7,301,694
29.69%	29.61%	17.27%	16.18%	16.15%	13.38%

**MAYFIELD INDEPENDENT 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	0.119520%
District's proportionate share of the collective net OPEB liability	\$ 2,565,000
Commonwealth's proportion of the collective net OPEB liability associated with the District	0.097066%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 2,083,000
District's covered payroll	\$ 8,022,697
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	31.97%
Commonwealth's proportionate share of the collective net OPEB liability as a percentage of the District's covered payroll	25.96%
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
0.117670%	0.118763%	0.116600%	0.118924%
\$ 2,970,000	\$ 3,476,000	\$ 4,046,000	\$ 4,241,000
0.094258%	0.095909%	0.100485%	0.097144%
\$ 2,379,000	\$ 2,807,000	\$ 3,487,000	\$ 3,464,000
\$ 7,696,903	\$ 7,635,227	\$ 7,767,821	\$ 7,277,377
38.59%	45.53%	52.09%	58.28%
30.91%	36.76%	44.89%	47.60%
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.

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

	2022
Contractually required contribution	\$ 392,628
District's contributions in relation to the contractually required contribution -	220,336
Commonwealth's contributions in relation to the contractually required contribution	172,292
Contribution deficiency (excess)	\$ 0
District's covered payroll	\$ 8,587,248
Contributions as a percentage of District's covered payroll	4.57%

* 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>
\$ 378,704	\$ 373,802	\$ 386,697	\$ 374,137
212,238	206,798	207,702	207,702
<u>166,466</u>	<u>167,004</u>	<u>178,995</u>	<u>166,435</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,022,697	\$ 7,696,903	\$ 7,635,227	\$ 7,767,821
4.72%	4.86%	5.06%	4.82%

**MAYFIELD INDEPENDENT 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	0.211741%
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	\$ 28,000
District's covered payroll	\$ 8,022,697
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	0.35%
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
0.207259%	0.209848%	0.212136%	0.211210%
\$ 72,000	\$ 65,000	\$ 60,000	\$ 46,000
\$ 7,696,903	\$ 7,635,227	\$ 7,767,821	\$ 7,277,377
0.00%	0.00%	0.00%	0.00%
0.94%	0.85%	0.77%	0.63%
71.57%	73.40%	74.97%	79.99%

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

	2022
Contractually required contribution	\$ 4,243
District's contributions in relation to the contractually required contribution -	0
Commonwealth's contributions in relation to the contractually required contribution	4,243
Contribution deficiency (excess)	\$ 0
District's covered payroll	\$ 8,587,248
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>
\$ 3,464	\$ 2,757	\$ 2,077	\$ 2,038
0	0	0	0
<u>3,464</u>	<u>2,757</u>	<u>2,077</u>	<u>2,038</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 8,022,697	\$ 7,696,903	\$ 7,635,227	\$ 7,767,821
0.04%	0.04%	0.03%	0.03%

OTHER SUPPLEMENTARY INFORMATION

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	FSPK Fund	SEEK Capital Outlay Fund	Construction Fund	Debt Service Fund	District Activity Fund	Student Activity Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:							
Cash and cash equivalents	\$ 579,812	\$ 771,017	\$ 1,295,442	\$ 4,502	\$ 12,599	\$ 253,411	\$ 2,916,783
Accounts receivable	0	0	0	0	0	4,070	4,070
TOTAL ASSETS AND RESOURCES	<u>\$ 579,812</u>	<u>\$ 771,017</u>	<u>\$ 1,295,442</u>	<u>\$ 4,502</u>	<u>\$ 12,599</u>	<u>\$ 257,481</u>	<u>\$ 2,920,853</u>
LIABILITIES AND FUND BALANCE:							
LIABILITIES:							
Accounts payable	\$ 0	\$ 0	\$ 7,088	\$ 0	\$ 654	\$ 5,527	\$ 13,269
Interfund payable	0	0	0	0	0	1,706	1,706
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>7,088</u>	<u>0</u>	<u>654</u>	<u>7,233</u>	<u>14,975</u>
EQUITY AND FUND BALANCES:							
Restricted:							
KSFCC Escrow	260,470	396,017	0	0	0	0	656,487
Construction	319,342	375,000	1,288,354	0	0	0	1,982,696
Debt service	0	0	0	4,502	0	0	4,502
Other	0	0	0	0	11,945	250,248	262,193
TOTAL FUND BALANCES	<u>579,812</u>	<u>771,017</u>	<u>1,288,354</u>	<u>4,502</u>	<u>11,945</u>	<u>250,248</u>	<u>2,905,878</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 579,812</u>	<u>\$ 771,017</u>	<u>\$ 1,295,442</u>	<u>\$ 4,502</u>	<u>\$ 12,599</u>	<u>\$ 257,481</u>	<u>\$ 2,920,853</u>

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

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

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>
REVENUES:			
From Local Sources:			
Taxes:			
Property	\$ 401,806	\$ 0	\$ 0
Earnings on Investments	0	0	58,028
Student activities	0	0	0
Intergovernmental - State	1,155,666	170,030	0
TOTAL REVENUES	<u>1,557,472</u>	<u>170,030</u>	<u>58,028</u>
EXPENDITURES:			
Current:			
Instruction	0	0	0
Student support services	0	0	0
Instructional staff support services	0	0	0
Plant operation and maintenance	0	0	0
Other non-instruction	0	0	0
Facilities acquisition and construction	38,751	0	1,759,935
Debt service	0	0	0
TOTAL EXPENDITURES	<u>38,751</u>	<u>0</u>	<u>1,759,935</u>
Excess (deficit) of revenues over expenditures	<u>1,518,721</u>	<u>170,030</u>	<u>(1,701,907)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	0	0	0
Operating transfers out	(1,433,166)	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,433,166)</u>	<u>0</u>	<u>0</u>
Net change in fund balance	85,555	170,030	(1,701,907)
Fund Balance, July 1, 2021	<u>494,257</u>	<u>600,987</u>	<u>2,990,261</u>
Fund Balance, June 30, 2022	<u>\$ 579,812</u>	<u>\$ 771,017</u>	<u>\$ 1,288,354</u>

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

Debt Service Fund	District Activity Fund	Student Activity Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 401,806
41	0	2,323	60,392
0	0	518,051	518,051
67,616	0	0	1,393,312
<u>67,657</u>	<u>0</u>	<u>520,374</u>	<u>2,373,561</u>
0	1,796	352,195	353,991
0	0	5,745	5,745
0	0	815	815
0	237	0	237
0	2,738	65,399	68,137
0	0	0	1,798,686
1,500,782	0	0	1,500,782
<u>1,500,782</u>	<u>4,771</u>	<u>424,154</u>	<u>3,728,393</u>
<u>(1,433,125)</u>	<u>(4,771)</u>	<u>96,220</u>	<u>(1,354,832)</u>
1,433,166	5,380	0	1,438,546
0	0	(5,380)	(1,438,546)
<u>1,433,166</u>	<u>5,380</u>	<u>(5,380)</u>	<u>0</u>
41	609	90,840	(1,354,832)
4,461	11,336	159,408	4,260,710
<u>\$ 4,502</u>	<u>\$ 11,945</u>	<u>\$ 250,248</u>	<u>\$ 2,905,878</u>

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

	<u>2012 BONDS FUND</u>
REVENUES:	
Earnings on investments	\$ 1
Intergovernmental - State	<u>17,269</u>
TOTAL REVENUES	<u>17,270</u>
EXPENDITURES:	
Debt Service:	
Principal	680,000
Interest	<u>45,790</u>
TOTAL EXPENDITURES	<u>725,790</u>
Excess (deficit) of revenues over expenditures	<u>(708,520)</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers in	<u>708,521</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>708,521</u>
Net change in fund balance	1
Fund balance July 1, 2021	<u>420</u>
Fund balance June 30, 2022	<u><u>\$ 421</u></u>

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

2014 BONDS FUND	2016A BONDS FUND	2016B BONDS FUND	2016Q BONDS FUND	2020 BONDS FUND	Totals Debt service Fund
\$ 2	\$ 32	\$ 2	\$ 0	\$ 4	\$ 41
41,691	0	0	0	8,656	67,616
<u>41,693</u>	<u>32</u>	<u>2</u>	<u>0</u>	<u>8,660</u>	<u>67,657</u>
26,000	85,000	45,000	10,000	110,000	956,000
15,691	37,975	30,982	29,550	384,794	544,782
<u>41,691</u>	<u>122,975</u>	<u>75,982</u>	<u>39,550</u>	<u>494,794</u>	<u>1,500,782</u>
<u>2</u>	<u>(122,943)</u>	<u>(75,980)</u>	<u>(39,550)</u>	<u>(486,134)</u>	<u>(1,433,125)</u>
<u>0</u>	<u>122,975</u>	<u>75,982</u>	<u>39,550</u>	<u>486,138</u>	<u>1,433,166</u>
<u>0</u>	<u>122,975</u>	<u>75,982</u>	<u>39,550</u>	<u>486,138</u>	<u>1,433,166</u>
2	32	2	0	4	41
1,596	181	82	0	2,182	4,461
<u>\$ 1,598</u>	<u>\$ 213</u>	<u>\$ 84</u>	<u>\$ 0</u>	<u>\$ 2,186</u>	<u>\$ 4,502</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - SCHOOL ACTIVITY FUNDS
 June 30, 2022

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum Only)
ASSETS:				
Cash and cash equivalents	\$ 16,054	\$ 79,648	\$ 157,709	\$ 253,411
Accounts Receivable	0	690	3,380	4,070
TOTAL ASSETS	<u>\$ 16,054</u>	<u>\$ 80,338</u>	<u>\$ 161,089</u>	<u>\$ 257,481</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts Payable	\$ 226	\$ 171	\$ 5,130	\$ 5,527
Interfund Payable	0	1,706	0	1,706
TOTAL LIABILITIES	<u>226</u>	<u>1,877</u>	<u>5,130</u>	<u>7,233</u>
FUND BALANCE:				
Restricted for Student Activities	<u>15,828</u>	<u>78,461</u>	<u>155,959</u>	<u>250,248</u>
TOTAL FUND BALANCES	<u>15,828</u>	<u>78,461</u>	<u>155,959</u>	<u>250,248</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 16,054</u>	<u>\$ 80,338</u>	<u>\$ 161,089</u>	<u>\$ 257,481</u>

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

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 SCHOOL ACTIVITY FUNDS**

For the Year Ended June 30, 2022

	Mayfield Elementary School	Mayfield Middle School	Mayfield High School	Totals (Memorandum only)
REVENUES:				
From local sources:				
Earnings on Investments	\$ 153	\$ 772	\$ 1,398	\$ 2,323
Student activities	32,219	101,119	384,713	518,051
Total Revenues	<u>32,372</u>	<u>101,891</u>	<u>386,111</u>	<u>520,374</u>
EXPENDITURES:				
Student Activities	31,958	90,012	302,184	424,154
Total Expenditures	<u>31,958</u>	<u>90,012</u>	<u>302,184</u>	<u>424,154</u>
Excess (deficit) of revenues over expenditures	<u>414</u>	<u>11,879</u>	<u>83,927</u>	<u>96,220</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out		(4,610)	(770)	(5,380)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(4,610)</u>	<u>(770)</u>	<u>(5,380)</u>
Net Change in Fund Balance	414	7,269	83,157	90,840
Fund Balance - Beginning of year	15,414	71,192	72,802	159,408
Fund Balance - End of year	<u>\$ 15,828</u>	<u>\$ 78,461</u>	<u>\$ 155,959</u>	<u>\$ 250,248</u>

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT - ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS & FUND BALANCES
Mayfield High School
For the Year Ended June 30, 2022

	Cash Balance	Receipts		Disbursements	
	July 1, 2021	Actual	Budget	Actual	Budget
General Fund	\$ 4,957.53	\$ 18,031.46	\$ 700.00	\$ 20,311.99	\$ 2,500.00
Parking Pass	0.00	750.00	300.00	750.00	340.00
This is Us	1,554.78	2,181.15	0.00	598.90	200.00
DAF Sweep Account Parking	0.00	770.00	0.00	770.00	0.00
Student Council	146.43	1,508.00	600.00	702.56	450.00
AP Science Club	786.82	0.00	0.00	0.00	300.00
Pep Club	55.98	360.00	0.00	116.51	0.00
Books	0.00	2,100.00	0.00	1,403.40	0.00
Drama	942.43	0.00	0.00	24.82	942.00
Teacher Fund	236.26	1,100.00	500.00	661.10	500.00
Pure Cardinals	1,574.36	795.00	600.00	688.10	1,100.00
Cultural Diversity	7,445.01	625.00	200.00	1,350.78	7,000.00
Beta Club	649.59	1,120.00	900.00	1,498.37	850.00
Foreign Language	281.60	588.00	200.00	560.79	200.00
Key Club	825.19	395.00	300.00	624.93	450.00
FCA	73.39	680.00	250.00	702.75	250.00
FCCLA	652.40	120.00	200.00	383.75	400.00
LEO Club	72.00	0.00	100.00	0.00	172.00
Band	5,266.07	0.00	3,000.00	4,535.75	7,000.00
Athletics	42,290.22	333,294.68	63,600.00	253,514.36	83,425.00
Prom	3,011.39	2,725.00	3,500.00	2,273.54	4,500.00
Guidance	3,317.40	5,468.00	6,200.00	6,149.20	8,000.00
WMCTV	353.42	0.00	200.00	98.43	300.00
Special Ed	1,401.79	2,040.13	0.00	2,810.59	1,000.00
Library Activities	0.00	24.00	150.00	0.00	300.00
AP History	1,414.98	0.00	2,000.00	0.00	3,000.00
Rotary Interact	238.80	0.00	100.00	98.64	200.00
Yearbook	3,796.86	8,605.00	6,000.00	7,419.56	10,055.00
Sportsman Club	1,504.90	380.00	500.00	756.80	800.00
Gaming Account	109.18	2,350.69	0.00	2,454.76	0.00
Subtotal	<u>82,958.78</u>	<u>386,011.11</u>	<u>90,100.00</u>	<u>311,260.38</u>	<u>134,234.00</u>
Less: Interfund Transfers	0.00	3,204.76	0.00	3,204.76	0.00
Total	<u><u>\$ 82,958.78</u></u>	<u><u>\$ 382,806.35</u></u>	<u><u>\$ 90,100.00</u></u>	<u><u>\$ 308,055.62</u></u>	<u><u>\$ 134,234.00</u></u>

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

	Cash Balance	Accounts	Accounts	Fund Balance
	June 30, 2022	Receivable	Payable	June 30, 2022
General Fund	\$ 2,677.00	\$ 0.00	\$ 279.93	\$ 2,397.07
Parking Pass	0.00	0.00	0.00	0.00
This is Us	3,137.03	0.00	0.00	3,137.03
DAF Sweep Account Parking	0.00	0.00	0.00	0.00
Student Council	951.87	0.00	0.00	951.87
AP Science Club	786.82	0.00	0.00	786.82
Pep Club	299.47	0.00	0.00	299.47
Books	696.60	0.00	0.00	696.60
Drama	917.61	0.00	0.00	917.61
Teacher Fund	675.16	0.00	40.00	635.16
Pure Cardinals	1,681.26	0.00	0.00	1,681.26
Cultural Diversity	6,719.23	0.00	0.00	6,719.23
Beta Club	271.22	0.00	0.00	271.22
Foreign Language	308.81	0.00	0.00	308.81
Key Club	595.26	0.00	0.00	595.26
FCA	50.64	0.00	0.00	50.64
FCCLA	388.65	0.00	0.00	388.65
LEO Club	72.00	0.00	0.00	72.00
Band	730.32	0.00	0.00	730.32
Athletics	122,070.54	3,377.51	4,810.46	120,637.59
Prom	3,462.85	0.00	0.00	3,462.85
Guidance	2,636.20	2.00	0.00	2,638.20
WMCTV	254.99	0.00	0.00	254.99
Special Ed	631.33	0.00	0.00	631.33
Library Activities	24.00	0.00	0.00	24.00
AP History	1,414.98	0.00	0.00	1,414.98
Rotary Interact	140.16	0.00	0.00	140.16
Yearbook	4,982.30	0.00	0.00	4,982.30
Sportsman Club	1,128.10	0.00	0.00	1,128.10
Gaming Account	5.11	0.00	0.00	5.11
Subtotal	<u>157,709.51</u>	<u>3,379.51</u>	<u>5,130.39</u>	<u>155,958.63</u>
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 157,709.51</u>	<u>\$ 3,379.51</u>	<u>\$ 5,130.39</u>	<u>\$ 155,958.63</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-PRIVATE PURPOSE TRUST FUNDS - SCHOLARSHIPS
 June 30, 2022

	<u>Don McNeilly</u>	<u>Scott Nall Golf</u>	<u>Mary Colby</u>	<u>Randle & Versa Watts</u>	<u>Trevor Williams/ McKenzie Stanley</u>	<u>Board Leadership Male</u>	<u>Board Leadership Female</u>	<u>James Steel Robbins Memorial</u>
ASSETS:								
Cash and cash equivalents	<u>\$ 16,267</u>	<u>\$ 2,017</u>	<u>\$ 2,779</u>	<u>\$ 619</u>	<u>\$ 2,751</u>	<u>\$ 5,542</u>	<u>\$ 6,557</u>	<u>\$ 2,210</u>
TOTAL ASSETS	<u><u>\$ 16,267</u></u>	<u><u>\$ 2,017</u></u>	<u><u>\$ 2,779</u></u>	<u><u>\$ 619</u></u>	<u><u>\$ 2,751</u></u>	<u><u>\$ 5,542</u></u>	<u><u>\$ 6,557</u></u>	<u><u>\$ 2,210</u></u>
NET POSITION HELD IN TRUST	<u><u>\$ 16,267</u></u>	<u><u>\$ 2,017</u></u>	<u><u>\$ 2,779</u></u>	<u><u>\$ 619</u></u>	<u><u>\$ 2,751</u></u>	<u><u>\$ 5,542</u></u>	<u><u>\$ 6,557</u></u>	<u><u>\$ 2,210</u></u>

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

<u>Roy & Maxine Heath</u>	<u>McKenzie Stanley Memorial</u>	<u>Nathan Sholar</u>	<u>Shelton Family</u>	<u>Thaddeus Hart</u>	<u>Vicki Boggess</u>	<u>Gardner Seay Golf</u>	<u>Olena Seay- Sloan</u>	<u>MHS Class of 1969</u>	<u>Higdon</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 1,711</u>	<u>\$ 1,341</u>	<u>\$ 2,746</u>	<u>\$ 6,873</u>	<u>\$ 1,393</u>	<u>\$ 46</u>	<u>\$ 1,015</u>	<u>\$ 537</u>	<u>\$ 9</u>	<u>\$5,236</u>	<u>\$ 59,649</u>
<u>\$ 1,711</u>	<u>\$ 1,341</u>	<u>\$ 2,746</u>	<u>\$ 6,873</u>	<u>\$ 1,393</u>	<u>\$ 46</u>	<u>\$ 1,015</u>	<u>\$ 537</u>	<u>\$ 9</u>	<u>\$5,236</u>	<u>\$ 59,649</u>
<u>\$ 1,711</u>	<u>\$ 1,341</u>	<u>\$ 2,746</u>	<u>\$ 6,873</u>	<u>\$ 1,393</u>	<u>\$ 46</u>	<u>\$ 1,015</u>	<u>\$ 537</u>	<u>\$ 9</u>	<u>\$5,236</u>	<u>\$ 59,649</u>

MAYFIELD INDEPENDENT SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION HELD IN TRUST**
PRIVATE PURPOSE TRUST FUNDS - SCHOLARSHIPS
For the Year Ended June 30, 2022

	Don McNeilly	Scott Nall Golf	Mary Colby	Randle & Versa Watts	Trevor Williams/ McKenzie Stanley	Board Leadership Male	Board Leadership Female	James Steel Robbins Memorial
REVENUES:								
From local sources:								
Donations	\$ 0	\$ 0	\$ 1,400	\$ 1,550	\$ 3,000	\$ 0	\$ 0	\$ 1,000
Earnings on Investments	148	18	22	10	13	47	57	14
Total Revenues	148	18	1,422	1,560	3,013	47	57	1,014
EXPENDITURES								
Benefits paid	1,000	0	500	3,000	1,500	0	500	1,000
Total expenditures	1,000	0	500	3,000	1,500	0	500	1,000
Change in net position held in trust	(852)	18	922	(1,440)	1,513	47	(443)	14
Net Position Held in Trust July 1, 2021	17,119	1,999	1,857	2,059	1,238	5,495	7,000	2,196
Net Position Held in Trust June 30, 2022	<u>\$ 16,267</u>	<u>\$ 2,017</u>	<u>\$ 2,779</u>	<u>\$ 619</u>	<u>\$ 2,751</u>	<u>\$ 5,542</u>	<u>\$ 6,557</u>	<u>\$ 2,210</u>

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

Roy & Maxine Heath	McKenzie Stanley Memorial	Nathan Sholar	Shelton Family	Thaddeus Hart	Vicki Boggess	Gardner Seay Golf	Olena Seay- Sloan	MHS Class of 1969	Higdon	Totals (Memorandum Only)
\$ 500 12	\$ 500 10	\$ 0 25	\$ 0 59	\$ 0 12	\$ 0 3	\$ 1,006 4	\$ 0 5	\$ 0 0	\$ 1,000 38	\$ 9,956 497
<u>512</u>	<u>510</u>	<u>25</u>	<u>59</u>	<u>12</u>	<u>3</u>	<u>1,010</u>	<u>5</u>	<u>0</u>	<u>1,038</u>	<u>10,453</u>
<u>0</u>	<u>250</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,750</u>
<u>0</u>	<u>250</u>	<u>1,000</u>	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,750</u>
512	260	(975)	59	12	(1,997)	1,010	5	0	1,038	(297)
<u>1,199</u>	<u>1,081</u>	<u>3,721</u>	<u>6,814</u>	<u>1,381</u>	<u>2,043</u>	<u>5</u>	<u>532</u>	<u>9</u>	<u>4,198</u>	<u>59,946</u>
<u>\$ 1,711</u>	<u>\$ 1,341</u>	<u>\$ 2,746</u>	<u>\$ 6,873</u>	<u>\$ 1,393</u>	<u>\$ 46</u>	<u>\$ 1,015</u>	<u>\$ 537</u>	<u>\$ 9</u>	<u>\$ 5,236</u>	<u>\$ 59,649</u>

MAYFIELD INDEPENDENT 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 Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Education:</u>				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027A	3810002-19, 20, 21 & 22	\$ 0	\$ 460,535
Special Education Preschool Grants	84.173A	3800002-20 & 21	0	30,126
Total Special Education Cluster			<u>0</u>	<u>490,661</u>
Title I Grants to Local Educational Agencies	84.010A	3100002-19, 20 & 21	0	1,043,808
English Language Acquisition State Grants	84.365A	3300002-19, 20 & 21	0	57,021
Student Support and Academic Enrichment Program	84.424A	3420002-20 & 21	0	74,421
Rural Education	84.358B	3140002-18 & 21	0	28,464
Migrant Education State Grant Program	84.011A	3110002-20 & 21	0	292,807
Twenty-First Century Community Learning Centers	84.287A	3400002-18, 19 & 20	0	255,114
Comprehensive Literacy Development	84.371	3220002-19 & 21	0	315,078
		4000002-20 & 21, 4000003-20,		
COVID-19 Education Stabilization Fund	84.425D	4200002-21, 4200003-21	0	1,984,733
COVID-19 Education Stabilization Fund	84.425U	4300002-21, 4300005-21	0	1,582,278
COVID-19 Education Stabilization Fund	84.425C	CARE-20	0	107,666
Adult Education - Basic Grants to States	84.002	371F	0	19,583
		3710006-19,		
Career and Technical Education Basic Grants to States	84.048	3710002-19, 20 & 21	0	1,212
Total Passed through Kentucky Department of Education			<u>0</u>	<u>6,252,846</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>0</u>	<u>6,252,846</u>
<u>U.S. Department of Health & Human Services:</u>				
Passed through Murray Board of Education:				
Head Start	93.600	04CH2692	0	183,114
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			<u>0</u>	<u>183,114</u>
<u>U.S. Department of Agriculture:</u>				
Passed Through Kentucky Department of Education:				
National School Lunch Program - cash	10.555	9980000-22 7750002-21 & 22, 7970000-21	0	974,265
National School Lunch Program - donated foods (Note B)	10.555	N/A	0	86,659
School Breakfast Program	10.553	7760005-21 & 22	0	368,385
Summer Food Service Program for Children	10.559	7690024-21 & 7740023-21	0	88,830
Total Child Nutrition Cluster			<u>0</u>	<u>1,518,139</u>
State Administrative Expenses for Child Nutrition	10.560	7700001-21	0	1,881
Pandemic EBT Administrative Costs	10.649	9990000-21 7980000-21,	0	3,063
Child and Adult Care Food Program	10.558	7790021-21/22 & 7800016-21/22	0	214,168
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>0</u>	<u>1,737,251</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 0</u>	<u>\$ 8,173,211</u>

See accompanying notes to schedule
of expenditures of federal awards

MAYFIELD INDEPENDENT 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 Mayfield Independent 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 Mayfield Independent School District, it is not intended to and does not present the financial position or changes in financial position of the Mayfield Independent 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 Mayfield Independent 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 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$	6,555,123
Total federal grants from page 16		1,648,711
Donated commodities from page 16		86,659
Reimbursements coded as negative expenditure		2,568
Food service funds coded to state revenue per KDE instructions		1,881
Less: Medicaid reimbursements included in indirect federal on page 13		<u>(121,731)</u>
Total on page 71	\$	<u>8,173,211</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

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**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
Mayfield Independent School District
Mayfield, 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 Mayfield Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Mayfield Independent School District's basic financial statements, and have issued my report thereon dated November 15, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Mayfield Independent 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 Mayfield Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Mayfield Independent 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that I consider to be material weaknesses.

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Mayfield Independent 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*.

Mayfield Independent School District's Response to Findings

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

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 and is positioned above the typed name and date.

Benton, Kentucky
November 15, 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
Mayfield Independent School District
Mayfield, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Mayfield Independent 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 Mayfield Independent School District's major federal programs for the year ended June 30, 2022. Mayfield Independent 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, Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 Mayfield Independent 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 15, 2022

**MAYFIELD INDEPENDENT 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 Mayfield Independent School District.
2. Two material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and were reported in the Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Mayfield Independent 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 Mayfield Independent 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>
Title I Grants to Local Educational Agencies	84.010A
COVID-19 Education Stabilization Fund (GEER)	84.425C
COVID-19 Education Stabilization Fund (ESSER and ESSER II)	84.425D
COVID-19 Education Stabilization Fund (ESSER III)	84.425U

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

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2022

II. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001. Bank reconciliations

Condition: Upon receiving the balance sheet prior to the beginning of the audit, the cash accounts in MUNIS were almost \$3M more than the final bank reconciliation report.

Criteria: In order to present accurate financial data to the board for decision-making purposes, it is essential that accounts be reconciled on a timely basis.

Cause and Effect: In reviewing bank reconciliation reports since the beginning of the fiscal year, cash was correct through September 2021. Small errors caused cash to be out of balance beginning in October 2021. The largest errors occurred in May 2022 and during the closing process. In May, cash was short by about \$185,000. The largest error was from the Volkswagen settlement proceeds not posted to cash when received, although other entries for transfers were made as detailed by KDE. Also, in May utility tax, Medicaid, and Sprint receipts that totaled over \$44,000 were not posted. During the closing process, amounts that should have been posted to accounts receivable in the general and food service funds were posted to cash. While this did not affect the overall balance sheet, cash was over by about \$220,000 and receivables were short by the same amount. In the special revenue fund, almost \$2,950,000 was posted to cash for amounts that were received during July 2022. This does affect the overall balance sheet since the special revenue fund closeout procedures already requires amounts be posted to receivables for funds spent in excess of expenditures for each grant; therefore, this should not have been recorded as either cash or as accounts receivable. Although bank reconciliation efforts were made for part of the year, there were several months where none were available to review. Also complicating the process was the outstanding check lists for both the accounts payable and payroll checks included checks that had already cleared the bank, so the list was not accurate and could not be relied upon.

Recommendation: Bank accounts should be reconciled on a timely basis. Someone should be designated with the responsibility to clear the checks and prepare the bank reconciliation who is not responsible for receiving or disbursing cash to create better internal controls. The reconciliation report could then be reviewed by either the treasurer or superintendent for approval.

Management's Response: Going forward, the corrective action plan will be followed. In summary, an administrative assistant will double check each month that all reconciliation items have been posted and/or accounted for. Reconciliation reports will then be verified by the Treasurer and provided to the Superintendent. This will be done each month no later than the set deadline for disbursing board reports.

MAYFIELD INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2022

2022-002. Adjusting Entries

Condition: During the course of the audit, we noted several errors and omissions that were material in nature.

Criteria: Although auditors are currently allowed to assist with entries to convert fund financial statements to government-wide financial statements, other entries should not be material.

Cause and Effect: The largest error was during the closing procedures for the Special Revenue (Grant) Funds. The process for this includes obtaining a printout showing revenues and expenditures for each project. For the projects with expenditures that are greater than revenues, accounts receivable (an asset) should be recorded. For projects with revenues greater than expenditures, unearned grant revenue (a liability) should be recorded since the funds will either be spent or returned to the grantor. During the closing process, entries were made in the opposite direction, with a receivable recorded when it should have been unearned revenue and vice versa. This caused the fund balance to be about \$500,000 less than it should have been.

Also, while examining bank statements, we noted one account that had over \$500,000 as of June 30, 2022. There were only two statements available to review (May and June). It was discovered this was an account established shortly after the December tornado in the name of the school district. Donors could deposit money into an account at the bank and an outside committee determines how those donations are to be used. This is similar to how some of the scholarship accounts are established and controlled; however, this account was not recorded in MUNIS until we inquired about it.

Recommendation: An individual who oversees the largest grant funds could be designated to review the printout for projects both prior to and after making the closeout entries to determine that amounts appear to be accurate and that entries have been made properly. All bank accounts where the district has been assigned check-signing responsibility and oversight of the account should be posted to MUNIS and included on all monthly reports.

Management's Response: Fund 2 end of year entries will be double checked by an upper level administrator before the final grant documentation is provided to the auditors. In regards to the tornado donation accounts, at the time, with a committee overseeing applications for funding, it did not occur to us that the accounts should have been set up similarly to a scholarship account. Going forward, if we are in doubt about the administration of an account, the auditor will be contacted for guidance.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

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

**MAYFIELD INDEPENDENT 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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Kentucky State Committee for School District Audits
and Members of the Board of Education of
Mayfield Independent School District
Mayfield, Kentucky

I have audited the financial statements of the Mayfield Independent School District for the year ended June 30, 2022 and have issued my report thereon dated November 15, 2022. In planning and performing my audit of the financial statements of Mayfield Independent 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 several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

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

Respectfully,



Benton, Kentucky
November 15, 2022

**MAYFIELD INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**
June 30, 2022

UNCORRECTED PRIOR YEAR COMMENTS

District Office

In the prior year, the number and dollar amount of audit adjustments were significant. In the current year, the adjustments were material, as noted in the Schedule of Findings and Questioned Costs as 2022-002. Recommendations and management's response are included in that schedule as well as a Corrective Action Plan at the end of the audit report.

Bank Reconciliations

In the prior year, bank reconciliations were not prepared for several months of the year and cash was not in balance by a significant amount. In the current year, most months had only minor adjustments; however, no reconciliations were prepared during the latter part of the year and cash was out of balance by a material amount, as noted in the Schedule of Findings and Questioned Costs as 2022-001. Recommendations and management's response are included in that schedule as well as a Corrective Action Plan at the end of the audit report.

CORRECTED PRIOR YEAR COMMENTS

Special Revenue Fund (Grants)

In the prior year, when expenditures were moved from the General Fund to the Special Revenue Fund after closeout entries had been made, there was no entry made to record a receivable for those expenditures. In the current year, the expenditures transferred were not material and proper entries were made.



MAYFIELD INDEPENDENT SCHOOLS

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Superintendent Joe S. Henderson

I. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001. Bank reconciliations

Condition: Upon receiving the balance sheet prior to the beginning of the audit, the cash accounts in MUNIS were almost \$3M more than the final bank reconciliation report.

Criteria: In order to present accurate financial data to the board for decision-making purposes, it is essential that accounts be reconciled on a timely basis.

Cause and Effect: In reviewing bank reconciliation reports since the beginning of the fiscal year, cash was correct through September 2021. Small errors caused cash to be out of balance beginning in October 2021. The largest errors occurred in May 2022 and during the closing process. In May, cash was short by about \$185,000. The largest error was from the Volkswagen settlement proceeds not posted to cash when received, although other entries for transfers were made as detailed by KDE. Also, in May utility tax, Medicaid, and Sprint receipts that totaled over \$44,000 were not posted. During the closing process, amounts that should have been posted to accounts receivable in the general and food service funds were posted to cash. While this did not affect the overall balance sheet, cash was over by about \$220,000 and receivables were short by the same amount. In the special revenue fund, almost \$2,950,000 was posted to cash for amounts that were received during July 2022. This does affect the overall balance sheet since the special revenue fund closeout procedures already requires amounts be posted to receivables for funds spent in excess of expenditures for each grant; therefore, this should not have been recorded as either cash or as accounts receivable. Although bank reconciliation efforts were made for part of the year, there were several months where none were available to review. Also complicating the process was the outstanding check lists for both the accounts payable and payroll checks included checks that had already cleared the bank, so the list was not accurate and could not be relied upon.

Recommendation: Bank accounts should be reconciled on a timely basis. Someone should be designated with the responsibility to clear the checks and prepare the bank reconciliation who is not responsible for receiving or disbursing cash to create better internal controls. The reconciliation report could then be reviewed by either the treasurer or superintendent for approval.

Management's Response: **Going forward, the corrective action plan will be followed. In summary, an administrative assistant will double check each month that all reconciliation items have been posted and/or accounted for. Reconciliation reports will then be verified by the Treasurer and provided to the Superintendent. This will be done each month no later than the set deadline for disbursing board reports.**



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Superintendent Joe S. Henderson

2022-002. Adjusting Entries

Condition: During the course of the audit, we noted several errors and omissions that were material in nature.

Criteria: Although auditors are currently allowed to assist with entries to convert fund financial statements to government-wide financial statements, other entries should not be material.

Cause and Effect: The largest error was during the closing procedures for the Special Revenue (Grant) Funds. The process for this includes obtaining a printout showing revenues and expenditures for each project. For the projects with expenditures that are greater than revenues, accounts receivable (an asset) should be recorded. For projects with revenues greater than expenditures, unearned grant revenue (a liability) should be recorded since the funds will either be spent or returned to the grantor. During the closing process, entries were made in the opposite direction, with a receivable recorded when it should have been unearned revenue and vice versa. This caused the fund balance to be about \$500,000 less than it should have been.

Also, while examining bank statements, we noted one account that had over \$500,000 as of June 30, 2022. There were only two statements available to review (May and June). It was discovered this was an account established shortly after the December tornado in the name of the school district. Donors could deposit money into an account at the bank and an outside committee determines how those donations are to be used. This is similar to how some of the scholarship accounts are established and controlled; however, this account was not recorded in MUNIS until we inquired about it.

Recommendation: An individual who oversees the largest grant funds could be designated to review the printout for projects both prior to and after making the closeout entries to determine that amounts appear to be accurate and that entries have been made properly. All bank accounts where the district has been assigned check-signing responsibility and oversight of the account should be posted to MUNIS and included on all monthly reports.

Management's Response: **Fund 2 end of year entries will be double checked by an upper level administrator before the final grant documentation is provided to the auditors.**

In regards to the tornado donation accounts, at the time, with a committee overseeing applications for funding, it did not occur to us that the accounts should have been set up similarly to a scholarship account. Going forward, if we are in doubt about the administration of an account, the auditor will be contacted for guidance.



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Superintendent Joe S. Henderson

Corrective Action Plan For audit findings

Going forward, each month's bank reconciliation will be performed by the Finance Officer. Before finalizing, an administrative assistant, who is not in charge of receiving cash or checks, will confirm each month that all reconciliation items--checks, deposits, and interest--have been posted and/or accounted for in Munis. If found, errors will be fixed and/or verified. After any items have been corrected, reconciliation reports will then be corroborated by the Treasurer and provided to the Superintendent. This will be done each month no later than the set deadline for disbursing board reports. If there is a situation where the balance cannot be determined or finalized at the Board level, the Superintendent will be informed and the auditor will be contacted for assistance and clarification.

So as not to delay audit records, Fund 2 end of year entries will be double-checked by an upper level administrator before the final grant documentation is provided to the auditors.

In regards to the tornado donation accounts, at the time, with a committee overseeing applications for funding, it did not occur to us that the accounts should have been set up similarly to a scholarship account. Going forward, if we are in doubt about the administration of an account, the auditor will be contacted for guidance.



Joe Henderson, Superintendent



Renee Koehler, Director of Finance