

**MONROE COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2022**

TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management Discussion and Analysis	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20-21
Notes to Basic Financial Statements	22-54
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	55
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	56
Schedule of District's Proportionate Share of Net Pension Liability – Teachers' Retirement System	57
Schedule of District's Proportionate Share of Net Pension Liability – County Employees Retirement System	58
Schedule of Contributions to the Teachers Retirement System	59

TABLE OF CONTENTS (CONTINUED)

Schedule of Contributions to the County Employees Retirement System	60
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - CERS	61
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - TRS	62
Schedule of District's Proportionate Share of the Net OPEB Liability – Life Insurance - TRS	63
Schedule of Contributions to the Medical Insurance Plan - CERS	64
Schedule of Contributions to the Medical Insurance Plan - TRS	65
Schedule of Contributions to the Life Insurance Plan - TRS	66
Notes to Required Supplementary Information	67-72
Other Supplementary Information:	
Combining Statement – Non-Major Funds:	
Combining Balance Sheet – Non-Major Governmental Funds	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	74
Combining Statement of Revenues, Expenditures and Fund Balances – Agency Funds	75
Statement of Receipts, Disbursements and Fund Balance – High School Activity Fund	76
Schedule of Expenditures of Federal Awards	77
Notes to Schedule of Expenditures of Federal Awards	78
Schedule of Findings and Questioned Costs	79
Schedule of Prior Year Audit Findings	80
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	81-82
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required the Uniform Guidance	83-85
Management Letter Comments	86-88
Letter to Those Charged with Governance	89-91

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November 15, 2022

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Monroe County School District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2022, the District adopted new guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Monroe County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monroe County School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 55 through 58, and 61 through 63 be presented to

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of Monroe County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Monroe County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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

The discussion and analysis of Monroe County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$8,894,256. This reflects an increase in cash from 2021 of \$5,491,367.

- The general fund had an increase in fund balance of \$484,048 for the year. All governmental funds combined had an increase in fund balance of \$5,600,311 for the year after restatement of beginning balance for the implementation of GASB 84.

- The food service fund ended the school year with an increase in net position of \$65,599.

USING THIS ANNUAL REPORT

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 and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 11 - 12 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. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service operation. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 -21 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 22-54 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 exceeded liabilities and deferred inflows by \$5,750,936 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 outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Net Position for the periods ending June 30, 2022 and 2021
(Table 1)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	10,545,565	4,824,236	764,481	551,251	11,310,046	5,393,487
Capital Assets	<u>24,147,369</u>	<u>22,911,582</u>	<u>1,121,741</u>	<u>1,121,105</u>	<u>25,269,110</u>	<u>24,032,687</u>
Total Assets	<u>34,692,934</u>	<u>27,753,818</u>	<u>1,886,222</u>	<u>1,672,356</u>	<u>36,579,156</u>	<u>29,426,174</u>
Deferred Outflows	<u>3,702,486</u>	<u>3,296,626</u>	<u>668,936</u>	<u>616,712</u>	<u>4,371,422</u>	<u>3,913,338</u>
Current Liabilities	2,495,754	2,137,282	0	13,786	2,495,754	2,151,068
Non-Current Liabilities	<u>26,570,072</u>	<u>23,471,976</u>	<u>2,112,300</u>	<u>2,388,670</u>	<u>28,682,372</u>	<u>25,860,646</u>
Total Liabilities	<u>29,065,826</u>	<u>25,609,258</u>	<u>2,112,300</u>	<u>2,402,456</u>	<u>31,178,126</u>	<u>28,011,714</u>
Deferred Inflows	<u>3,478,538</u>	<u>1,465,262</u>	<u>543,251</u>	<u>146,102</u>	<u>4,021,789</u>	<u>1,611,364</u>
Net Position						
Investment in capital assets (net of debt)	8,100,603	11,834,439	1,121,741	1,121,105	9,222,344	12,955,544
Restricted	5,596,615	214,985	(1,222,134)	(1,380,595)	4,374,481	(1,165,610)
Unrestricted	<u>(7,846,162)</u>	<u>(8,073,500)</u>	<u> </u>	<u> </u>	<u>(7,846,162)</u>	<u>(8,073,500)</u>
Total Net Position	<u>5,851,056</u>	<u>3,975,924</u>	<u>(100,393)</u>	<u>(259,490)</u>	<u>5,750,663</u>	<u>3,716,434</u>

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2022, net of interfund transfers and capital lease proceeds, were \$31,006,755.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$5,960,831 more than budget or approximately 46.34%. It is noted that On-Behalf revenues were not a budgeted item. Actual On-Behalf revenue was \$5,482,229 for the General fund.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending total actual balance being \$1,533,717 more than budgeted or approximately 9.09%. It is noted that On-Behalf expenditures were not a budgeted item. Actual On-Behalf expenditures were \$5,482,229 for the General fund.

**Summary of Changes in Net Position for the periods ending June 30, 2022 and 2021
(Table 2)**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
REVENUES:	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Program revenues:						
Charges for Services	322,754	95,718	300,458	190,359	623,212	286,077
Operating grants and contributions	7,354,098	5,163,913	2,521,525	2,672,329	9,875,623	7,836,242
Capital grants and contributions	25,071	29,414			25,071	29,414
General revenues:						
Property taxes	3,102,589	2,875,389			3,102,589	2,875,389
Motor vehicle taxes	526,778	536,024			526,778	536,024
Utility taxes	1,168,110	1,102,270			1,168,110	1,102,270
Other taxes	197,833	161,450			197,833	161,450
General Revenue						
Investment earnings	73,861	57,272	7,603	3,372	81,464	60,644
State and formal grants	14,471,356	13,988,516			14,471,356	13,988,516
Loss Compensation						
Gain (loss) Sale of Assets	(12,069)	6,554			(12,069)	6,554
Transfers	176,192	161,437	(176,192)	(161,437)	0	0
Miscellaneous	946,788	658,569			946,788	658,569
Total Revenues	<u>28,353,361</u>	<u>24,836,526</u>	<u>2,653,394</u>	<u>2,704,623</u>	<u>31,006,755</u>	<u>27,541,149</u>
EXPENSES:						
Program Activities:						
Instruction	15,522,605	14,803,628			15,522,605	14,803,628
Student Support	978,047	937,134			978,047	937,134
Instructional staff support	1,604,860	1,237,505			1,604,860	1,237,505
District administrative support	652,634	518,070			652,634	518,070
School administrative support	1,867,236	1,807,112			1,867,236	1,807,112
Business support	898,656	934,809			898,656	934,809
Plant operation and maintenance	2,880,020	2,847,090			2,880,020	2,847,090
Student transportation	1,184,940	1,090,122			1,184,940	1,090,122
Facilities acquisition						
Community service activities	378,931	318,634			378,931	318,634
Daycare / Food Services	163,893	22,607			163,893	22,607
Interest cost	339,032	306,875			339,032	306,875
Business-type Activities:						
Daycare / Food Service			2,494,297	2,690,381	2,494,297	2,690,381
Total Expenses	<u>26,470,854</u>	<u>24,823,586</u>	<u>2,494,297</u>	<u>2,690,381</u>	<u>28,965,151</u>	<u>27,513,967</u>
Change in Net Position	<u>1,882,507</u>	<u>12,940</u>	<u>159,097</u>	<u>14,242</u>	<u>2,041,604</u>	<u>27,182</u>

Governmental Activities

Instruction comprises 59% of governmental program expenditures. Support services expense make up 38% of government expenses. Interest costs, community services, and other account for the remaining 3%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Cost of Governmental Activities
(Table 3)**

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
Instruction	15,522,605	14,803,628	9,858,427	10,348,793
Support Services	10,066,393	9,371,842	8,577,027	8,811,868
Other	542,824	341,241	19,516	96,419
Interest Costs	339,032	306,875	313,961	277,461
Total Expenses	26,470,854	24,823,586	18,768,931	19,534,541

Business-Type Activities

The business type activities at the District consist of Food Service and Day Care. Food Service had total revenues of \$2,594,376 and expenses of \$2,528,777 for fiscal year 2022. Day Care had total revenues of \$235,210 and expenses of \$141,712 for fiscal year 2022. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$38.3 million and expenditures and other financing uses of \$32.7 million.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. It is the District's practice to not include state on-behalf payments in the budget.

Capital Assets and Debt Administration
Capital Assets

At the end of fiscal year 2022 the School District had \$25,088,511 invested in land, buildings, equipment, and vehicles. Of this total, \$24.0 million were in governmental activities. Table 4 shows fiscal year 2022 and 2021 balances.

Capital Assets at June 30, 2022 and 2021
Net of Depreciation
(Table 4)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land	538,690	531,690	0	0	538,690	531,690
Buildings and improvements	20,074,759	20,983,846	960,428	994,683	21,035,187	21,978,529
Technology	216,664	298,136	0	0	216,664	298,136
Vehicles	890,459	930,337	0	0	890,459	930,337
General equipment	178,796	167,573	161,313	126,422	340,109	293,995
Total	21,899,368	22,911,582	1,121,741	1,121,105	23,021,109	24,032,687
Construction in progress	2,067,402	0	0	0	2,067,402	0
Total	23,966,770	22,911,582	1,121,741	1,121,105	25,088,511	24,032,687

Changes in Capital Assets for the periods ended June 30, 2022 and 2021
(Table 5)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Beginning Balance	22,911,582	23,300,517	1,121,105	1,168,858	24,032,687	24,469,375
Additions	2,251,869	789,544	53,467	6,767	2,305,336	796,311
Retirements	(14,469)	0	0	0	(14,469)	0
Depreciation	(1,182,212)	(1,178,479)	(52,831)	(54,520)	(1,235,043)	(1,232,999)
Ending Balance	23,966,770	22,911,582	1,121,741	1,121,105	25,088,511	24,032,687

Debt

At June 30, 2022, the School District had \$14,993,435 in bonds outstanding; of this amount \$1,6207,453 is to be paid from the KSFCC funding provided by the State of Kentucky. Principal and interest totaling \$1,964,682 is due within one year.

District Challenges for the Future

Monroe County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. Also, the state administered employee pension plans continue to be underfunded. This has placed a large possible future liability on all Kentucky School Districts.

Monroe County Schools will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2022-2023 with a contingency greater than the required minimum of 2%.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Mitzy Cook, Finance Officer, 309 Emberton Street, Tompkinsville, Kentucky, 42167, (270) 487-5456.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	8,407,430	486,826	8,894,256
Accounts Receivable:			
Taxes - Current	241,712		241,712
Taxes - Delinquent	8,489		8,489
Intergovernmental - State	126,465		126,465
Intergovernmental - Federal	1,768,144	246,153	2,014,297
Internal Balances	(6,675)	6,675	0
Inventories for Consumption		24,827	24,827
Total Current Assets	10,545,565	764,481	11,310,046
Noncurrent Assets - Note F & R			
Right to Use Asset - Net of Amortization	180,599		180,599
Land	538,690		538,690
Construction in Progress	2,067,402		2,067,402
Buildings & Improvements	41,389,741		41,389,741
Furniture & Equipment	4,778,948	2,559,710	7,338,658
Less: Accumulated Depreciation	(24,808,011)	(1,437,969)	(26,245,980)
Total Noncurrent Assets	24,147,369	1,121,741	25,269,110
TOTAL ASSETS	34,692,934	1,886,222	36,579,156
Deferred Outflows Related to Pensions	1,458,163	347,501	1,805,664
Deferred Outflows Related to Other Post Employment Benefits	2,075,486	321,435	2,396,921
Deferred Outflows Related to Advanced Bond Refundings	168,837		168,837
TOTAL DEFERRED OUTFLOWS	3,702,486	668,936	4,371,422
TOTAL ASSETS AND DEFERRED OUTFLOWS	38,395,420	2,555,158	40,950,578
LIABILITIES:			
Current Liabilities:			
Accounts Payable	96,924		96,924
Accrued Salaries & Sick Leave - Note A	108,776		108,776
Advances from Grantors	271,400		271,400
Bond Obligations - Note D	1,669,574		1,669,574
Lease Obligation	65,355		65,355
Capital Lease Obligation - Note E	168,855		168,855
Accrued Interest Payable	114,870		114,870
Total Current Liabilities	2,495,754	0	2,495,754
Noncurrent Liabilities:			
Bond Obligations - Note D	13,306,933		13,306,933
Lease Obligation	123,781		123,781
Capital Lease Obligation - Note E	712,268		712,268
Net Pension Liability	7,007,554	1,603,644	8,611,198
Net Other Post Employment Benefits Liability	4,879,407	508,656	5,388,063
Accrued Sick Leave - Note A	540,129		540,129
Total Noncurrent Liabilities	26,570,072	2,112,300	28,682,372
TOTAL LIABILITIES	29,065,826	2,112,300	31,178,126
Deferred Inflows Related to Other Post Employment Benefits	2,208,250	244,914	2,453,164
Deferred Inflows Related to Pensions	1,270,288	298,337	1,568,625
TOTAL DEFERRED INFLOWS	3,478,538	543,251	4,021,789
TOTAL LIABILITIES AND DEFERRED INFLOWS	32,544,364	2,655,551	35,199,915
NET POSITION:			
Net Investment in Capital Assets	8,100,603	1,121,741	9,222,344
Restricted for:			
Capital Projects	5,210,235		5,210,235
School Activities	386,380		386,380
Food Service		(1,006,789)	(1,006,789)
Day Care		(215,345)	(215,345)
Unrestricted	(7,846,162)		(7,846,162)
TOTAL NET POSITION	5,851,056	(100,393)	5,750,663
TOTAL LIABILITIES AND NET POSITION	38,395,420	2,555,158	40,950,578

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

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

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	15,522,605	314,074	5,350,104		(9,858,427)		(9,858,427)
Support Services:							
Student Support Services	978,047		372,054		(605,993)		(605,993)
Staff Support Services	1,604,860		677,814		(927,046)		(927,046)
District Administration	652,634				(652,634)		(652,634)
School Administration	1,867,236				(1,867,236)		(1,867,236)
Business Support Services	898,656		35,638		(863,018)		(863,018)
Plant Operation & Maintenance	2,880,020		266,847		(2,613,173)		(2,613,173)
Student Transportation	1,184,940		137,013		(1,047,927)		(1,047,927)
Day Care Operations	163,893		180,825		16,932		16,932
Community Service Operations	378,931	8,680	333,803		(36,448)		(36,448)
Interest on Long-Term Debt	339,032			25,071	(313,961)		(313,961)
TOTAL GOVERNMENTAL ACTIVITIES	26,470,854	322,754	7,354,098	25,071	(18,768,931)		(18,768,931)
BUSINESS-TYPE ACTIVITIES:							
Day Care	141,712	212,464	22,543			93,295	93,295
Food Service	2,352,585	87,994	2,498,982			234,391	234,391
TOTAL BUSINESS-TYPE ACTIVITIES	2,494,297	300,458	2,521,525	0	0	327,686	327,686
TOTAL SCHOOL DISTRICT	28,965,151	623,212	9,875,623	25,071	(18,768,931)	327,686	(18,441,245)
GENERAL REVENUES:							
Taxes:							
Property					3,102,589		3,102,589
Motor Vehicle					526,778		526,778
Utility					1,168,110		1,168,110
Other					197,833		197,833
State Aid - Formula Grants					14,471,356		14,471,356
Investment Earnings					73,861	7,603	81,464
Miscellaneous					946,788		946,788
Funds Transfer (Expense)					176,192	(176,192)	0
Gain(Loss) Sale of Assets					(12,069)		(12,069)
TOTAL GENERAL REVENUES & TRANSFERS					20,651,438	(168,589)	20,482,849
CHANGE IN NET POSITION					1,882,507	159,097	2,041,604
NET POSITION - BEGINNING AS RESTATED - NOTE S					3,968,549	(259,490)	3,709,059
NET POSITION - ENDING					5,851,056	(100,393)	5,750,663

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

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

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	2,774,694		5,246,356	386,380	8,407,430
Accounts Receivable:					
Taxes - Current	241,712				241,712
Taxes - Delinquent	8,489				8,489
Interfund Receivable	1,589,625				1,589,625
Intergovernmental - State		126,465			126,465
Intergovernmental - Federal		1,768,144			1,768,144
TOTAL ASSETS	4,614,520	1,894,609	5,246,356	386,380	12,141,865
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	27,219	33,584	36,121		96,924
Interfund Payable	6,675	1,589,625			1,596,300
Advances from Grantors		271,400			271,400
Total Liabilities	33,894	1,894,609	36,121	0	1,964,624
Fund Balance:					
Restricted for:					
School Activities				386,380	386,380
Capital Projects			5,210,235		5,210,235
Committed For:					
Accrued Sick Leave	108,776				108,776
Unassigned	4,471,850				4,471,850
Total Fund Balance	4,580,626	0	5,210,235	386,380	10,177,241
TOTAL LIABILITIES AND FUND BALANCES	4,614,520	1,894,609	5,246,356	386,380	12,141,865

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

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

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

TOTAL GOVERNMENTAL FUND BALANCE		10,177,241
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	48,955,380	
Accumulated Depreciation	<u>(24,808,011)</u>	24,147,369
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		168,837
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		1,458,163
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		2,075,486
Long-term liabilities (including bonds payable) 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:		
Bonds Payable	(14,993,435)	
Unamortized Bond Premium	(25,645)	
Unamortized Bond Discount	42,573	
Lease Obligation	(189,136)	
Capital Lease Obligation	(881,123)	
Accrued Interest on Bonds	(114,870)	
Net Pension Liability	(7,007,554)	
Net Other Post Employment Benefits Liability	(4,879,407)	
Accrued Sick Leave	<u>(648,905)</u>	(28,697,502)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(2,208,250)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(1,270,288)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>5,851,056</u></u>

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

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

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	2,401,613			700,976	3,102,589
Motor Vehicle	526,778				526,778
Utility	1,168,110				1,168,110
Other	197,833				197,833
Earnings on Investments	44,265		25,383	4,213	73,861
Intergovernmental - State	13,359,907	980,779		1,136,520	15,477,206
Intergovernmental - Federal	69,600	6,303,719			6,373,319
Other Sources	33,077	469,445		767,020	1,269,542
TOTAL REVENUES	17,801,183	7,753,943	25,383	2,608,729	28,189,238
EXPENDITURES:					
Instructional	9,561,881	4,849,131		689,124	15,100,136
Support Services:					
Student Support Services	630,041	337,216			967,257
Staff Support Services	971,999	614,345			1,586,344
District Administration	645,911				645,911
School Administration	1,831,958				1,831,958
Business Support Services	832,613	32,301			864,914
Plant Operation & Maintenance	2,320,201	241,860		81,909	2,643,970
Student Transportation	1,012,447	124,183			1,136,630
Day Care Operations		163,893			163,893
Community Service Operations	11,957	302,546			314,503
Facilities Acquisition & Construction			2,067,401		2,067,401
Debt Service:					
Principal	18,079			1,673,117	1,691,196
Interest	1,385			223,261	224,646
TOTAL EXPENDITURES	17,838,472	6,665,475	2,067,401	2,667,411	29,238,759
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(37,289)	1,088,468	(2,042,018)	(58,682)	(1,049,521)
OTHER FINANCING SOURCES(USES):					
Proceeds from Sale of Assets	2,400				2,400
Proceeds from Sale of Bonds			6,330,000		6,330,000
Premium on Issuance of Bonds			26,190		26,190
Discount on Issuance of Bonds			(29,817)		(29,817)
Capital Lease Financing	144,867				144,867
Operating Transfers In - Note N	876,819	119,422	831,708	1,734,856	3,562,805
Operating Transfers Out - Note N	(502,749)	(1,207,890)		(1,675,974)	(3,386,613)
TOTAL OTHER FINANCING SOURCES	521,337	(1,088,468)	7,158,081	58,882	6,649,832
NET CHANGE IN FUND BALANCES	484,048	0	5,116,063	200	5,600,311
FUND BALANCES - BEGINNING	4,096,578	0	94,172	386,180	4,576,930
FUND BALANCES - ENDING	4,580,626	0	5,210,235	386,380	10,177,241

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

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

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

NET CHANGES - GOVERNMENTAL FUNDS		5,600,311
<p>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 exceeds depreciation expense for the year.</p>		
Depreciation Expense	(1,182,212)	
Capital Outlays	<u>2,251,868</u>	
		1,069,656
<p>Bond proceeds and capital leases 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.</p>		
Principal Paid	1,691,196	
Lease Obligation Paid	82,430	
Bond Proceeds	(6,326,373)	
Capital Lease Proceeds	<u>(144,867)</u>	
		(4,697,614)
<p>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.</p>		
Amortization -Deferred Outflows from Advanced Bond Refundings	(57,853)	
Amortization - Bond Premiums	546	
Amortization - Bond Discounts	(988)	
Amortization Right of Use Asset	(83,591)	
District Pension Contributions	619,977	
Cost of Benefits Earned Net of Employee Contributions	(901,141)	
Accrued Interest Payable	(45,557)	
District Other Post Employment Benefits Contributions	449,879	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(16,596)	
Accrued Sick Leave	<u>(40,053)</u>	
		(75,377)
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Gain (Loss) - Sale of Assets		<u>(14,469)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>1,882,507</u></u>

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

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	410,864	75,962	486,826
Accounts Receivables	246,153		246,153
Internal Balances	6,675		6,675
Inventories for Consumption	24,827		24,827
Total Current Assets	<u>688,519</u>	<u>75,962</u>	<u>764,481</u>
Noncurrent Assets:			
Capital Assets	2,559,710		2,559,710
Less: Accumulated Depreciation	(1,437,969)		(1,437,969)
Total Noncurrent Assets	<u>1,121,741</u>	<u>0</u>	<u>1,121,741</u>
TOTAL ASSETS	<u>1,810,260</u>	<u>75,962</u>	<u>1,886,222</u>
Deferred Outflows Related to Other Post Employment Benefits	273,673	47,762	321,435
Deferred Outflows Related to Pensions	285,121	62,380	347,501
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,369,054</u>	<u>186,104</u>	<u>2,555,158</u>
LIABILITIES:			
Current Liabilities:			
Internal Balances		0	0
Account Payable	0		0
Total Current Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	407,807	100,849	508,656
Net Pension Liability	1,383,953	219,691	1,603,644
Total Noncurrent Liabilities	<u>1,791,760</u>	<u>320,540</u>	<u>2,112,300</u>
TOTAL LIABILITIES	<u>1,791,760</u>	<u>320,540</u>	<u>2,112,300</u>
Deferred Inflows Related to Other Post Employment Benefits	210,359	34,555	244,914
Deferred Inflows Related to Pensions	251,983	46,354	298,337
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>2,254,102</u>	<u>401,449</u>	<u>2,655,551</u>
Net Position:			
Net Investment in Capital Assets	1,121,741	0	1,121,741
Restricted	(1,006,789)	(215,345)	(1,222,134)
Total Net Position	<u>114,952</u>	<u>(215,345)</u>	<u>(100,393)</u>
TOTAL LIABILITIES AND NET POSITION	<u>2,369,054</u>	<u>186,104</u>	<u>2,555,158</u>

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

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	63,874		63,874
Other Operating Revenues	24,120	212,464	236,584
TOTAL OPERATING REVENUES	<u>87,994</u>	<u>212,464</u>	<u>300,458</u>
OPERATING EXPENSES:			
Salaries & Benefits	1,229,589	134,150	1,363,739
Contract Services	32,355	1,697	34,052
Materials & Supplies	1,029,153	5,635	1,034,788
Depreciation - Note F	52,831		52,831
Other Operating Expenses	8,657	230	8,887
TOTAL OPERATING EXPENSES	<u>2,352,585</u>	<u>141,712</u>	<u>2,494,297</u>
OPERATING INCOME(LOSS)	(2,264,591)	70,752	(2,193,839)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	2,182,308		2,182,308
State Grants	210,656	22,543	233,199
Donated Commodities	106,018		106,018
Interest Income	7,400	203	7,603
Transfer Out to General Fund	(176,192)		(176,192)
TOTAL NONOPERATING REVENUE	<u>2,330,190</u>	<u>22,746</u>	<u>2,352,936</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	65,599	93,498	159,097
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	65,599	93,498	159,097
NET POSITION - BEGINNING	<u>49,353</u>	<u>(308,843)</u>	<u>(259,490)</u>
TOTAL NET POSITION - ENDING	<u><u>114,952</u></u>	<u><u>(215,345)</u></u>	<u><u>(100,393)</u></u>

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

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

	<u>FOOD SERVICE</u>	<u>OTHER ENTERPRISE FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	63,874		63,874
Other Activities	24,120	212,464	236,584
Cash Paid to/for:			
Employees	(971,966)	(101,817)	(1,073,783)
Supplies	(938,783)	(5,635)	(944,418)
Other Activities	(41,012)	(1,927)	(42,939)
Net Cash Used by Operating Activities	<u>(1,863,767)</u>	<u>103,085</u>	<u>(1,760,682)</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(176,192)		(176,192)
Federal Grants	2,331,727		2,331,727
State Grants	11,798		11,798
Net Cash Provided by Non-Capital and Related Financing Activities	<u>2,167,333</u>	<u>-</u>	<u>2,167,333</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interfund Balance	(6,675)	(27,326)	(34,001)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,675)</u>	<u>(27,326)</u>	<u>(34,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(53,467)		(53,467)
Receipt of Interest Income	7,400	203	7,603
Net Cash Provided (Used) by Investing Activities	<u>(46,067)</u>	<u>203</u>	<u>(45,864)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	250,824	75,962	326,786
Balances, Beginning of Year	<u>160,040</u>	<u>-</u>	<u>160,040</u>
Balances, End of Year	<u>410,864</u>	<u>75,962</u>	<u>486,826</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(2,264,591)	70,752	(2,193,839)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	52,831	-	52,831
State On-Behalf Payments	198,858	22,543	221,401
Donated Commodities	106,018		106,018
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Accounts Payable	(13,786)		(13,786)
Deferred Outflows	(45,312)	(6,912)	(52,224)
Deferred Inflows	342,225	54,924	397,149
Net Pension Liability	(165,711)	(26,596)	(192,307)
Net Other Post Employment Benefits	(72,437)	(11,626)	(84,063)
Inventory	(2,135)		(2,135)
Net Cash Used by Operating Activities	<u>(1,864,040)</u>	<u>103,085</u>	<u>(1,760,955)</u>
Schedule of Non-Cash Transactions:			
Donated Commodities	106,018	-	106,018
State On-Behalf Payments	198,858	22,543	221,401

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

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	<u>PRIVATE PURPOSE TRUST FUND</u>
ASSETS:	
Cash and Cash Equivalents	21,129
TOTAL ASSETS	<u>21,129</u>
LIABILITIES:	
Scholarships Payable	0
TOTAL LIABILITIES	<u>0</u>
NET POSITION HELD IN TRUST	<u><u>21,129</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Donations	287
Earnings on Investments	<u>217</u>
TOTAL ADDITIONS	504
 DEDUCTIONS:	
Scholarships	<u>500</u>
TOTAL DEDUCTIONS	<u>500</u>
 Changes in Net Position	 4
 NET POSITION HELD IN TRUST - BEGINNING OF YEAR	 <u>21,125</u>
 NET POSITION HELD IN TRUST - END OF YEAR	 <u><u>21,129</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- D. Debt Service Funds are 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 generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Private Purpose Trust Funds)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

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

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Deferred Revenue – Deferred 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 deferred revenue.

Expenses/Expenditures – 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. Unused donated commodities are reported as deferred 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 costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$0.506 per \$100 valuation for real property, \$0.556 per \$100 valuation for business personal property, and \$0.562 per \$100 valuation for motor vehicles.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the 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 School District’s past experience of making termination payments.

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 are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability 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 a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	108,776	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

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

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

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

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

County Employees Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Changes in Accounting Principle

Effective July 1, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB 87 required retrospective application. Since the District only presents one year of financial information, the beginning net position was adjusted to reflect the retrospective application. See Note S for the impact of the adoption of this standard on beginning net position and fund balance.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$8,915,385. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Bank Balance	Book Balance
South Central Bank	10,936,738	8,915,385
Breakdown per financial statements:		
Governmental Funds		8,407,430
Proprietary Funds		<u>486,826</u>
Cash per Statement of Net Position		8,894,256
Fiduciary Fund		<u>21,129</u>
Total Cash		<u>8,915,385</u>

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Monroe County School District Finance Corporation in the original amount aggregating \$23,461,851.

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

2012 – Refunding	2,475,000	1.00% - 2.375%
2012B – Refunding	4,885,000	1.00% - 2.250%
2013 – Refunding	4,805,000	1.00% - 1.875%
2014 – KISTA	86,851	3.00%
2014 – Refunding Energy	1,055,000	2.00%
2016 – Refunding	2,225,000	1.00% - 2.00%
2020	1,600,000	2.00% - 2.75%
2022A	3,850,000	2.00%
2022B	2,480,000	3.00% - 3.375%

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

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

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 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2022-23	1,669,574	295,108	184,328	1,780,354
2023-24	1,519,861	292,195	166,473	1,645,582
2024-25	1,416,000	262,824	85,233	1,593,591
2025-26	1,171,000	231,421	84,234	1,318,187
2026-27	897,000	211,325	85,264	1,023,061
2027-28	912,000	192,115	84,264	1,019,851
2028-29	928,000	172,705	81,657	1,019,048
2029-30	528,000	158,425	67,340	619,085
2030-31	539,000	146,495	67,375	618,120
2031-32	555,000	134,280	68,411	620,869
2032-33	570,000	121,680	67,411	624,269
2033-34	576,000	108,105	67,447	616,658
2034-35	592,000	94,239	67,481	618,758
2035-36	608,000	79,956	68,516	619,441
2036-37	623,000	65,308	67,517	620,790
2037-38	639,000	49,740	67,711	621,030
2038-39	310,000	33,775	42,260	301,515
2039-40	320,000	25,550	42,681	302,869
2040-41	305,000	16,868	22,807	299,602
2041-42	315,000	8,568	22,805	300,764
	<u>14,993,435</u>	<u>2,700,684</u>	<u>1,511,215</u>	<u>16,182,904</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	10,187,730	6,330,000	1,524,295	14,993,435	1,669,574
Add: Bond Premium	0	26,190	545	25,645	1,310
Less: Bond Discount	(13,744)	(29,817)	(988)	(42,573)	(2,230)
Net Revenue Bond Payable	10,173,986	6,326,373	1,523,852	14,976,507	1,698,654
Capital Lease Obligations	903,157	144,867	166,901	881,123	168,855
Lease Obligations	271,566	0	82,430	189,136	65,355
Net Pension Liability	7,838,155	0	830,601	7,007,554	0
Net OPEB Liability	5,750,487	0	871,080	4,879,407	0
Accrued Sick Leave	608,852	175,517	135,464	648,905	108,776
Total Governmental					
Activities:	<u>25,546,203</u>	<u>6,646,757</u>	<u>3,610,328</u>	<u>28,582,632</u>	<u>2,041,640</u>
Proprietary Activities:					
Net OPEB Liability	592,719	1,010,925	0	1,603,644	0
Net Pension Liability	<u>1,795,951</u>	<u>0</u>	<u>1,287,290</u>	<u>508,656</u>	<u>0</u>
Total Long-Term					
Liabilities:	<u>27,934,873</u>	<u>7,657,682</u>	<u>4,897,623</u>	<u>30,694,932</u>	<u>2,041,640</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2032. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2022.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2022</u>
Buses	1,563,383
Sports Field Lighting	68,500
Mowers	38,845
Accumulated Amortization	<u>(760,395)</u>
	<u>910,333</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2023	189,235
2024	176,605
2025	135,137
2026	118,869
2027	105,905
2028-2032	<u>232,297</u>
Net minimum lease payments	958,048
Amount representing interest	<u>(76,925)</u>
Present value of net minimum lease payments	<u>881,123</u>

Interest rates on capitalized leases vary from 1.00% to 3.36%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	531,690	7,000		538,690
Construction in Progress	-	2,067,402		2,067,402
Depreciable Assets:				
Buildings & Building Improvements	41,389,741			41,389,741
Technology Equipment	1,929,744	500	20,982	1,909,262
Vehicles	2,487,166	121,022	351,372	2,256,816
General Equipment	582,925	55,945	26,000	612,870
TOTAL AT HISTORICAL COST	<u>46,921,266</u>	<u>2,251,869</u>	<u>398,354</u>	<u>48,774,781</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Buildings & Building Improvements	20,405,895	909,087		21,314,982
Technology Equipment	1,631,608	83,247	22,257	1,692,598
Vehicles	1,556,829	160,900	351,372	1,366,357
General Equipment	415,352	28,978	10,256	434,074
TOTAL ACCUMULATED DEPRECIATION	<u>24,009,684</u>	<u>1,182,212</u>	<u>383,885</u>	<u>24,808,011</u>
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u>22,911,582</u>	<u>1,069,657</u>	<u>(14,469)</u>	<u>23,966,770</u>
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Land	-			-
Buildings & Building Improvements	1,712,774			1,712,774
Technology Equipment	12,005		700	11,305
Vehicles	-			-
General Equipment	782,164	53,467		835,631
TOTALS AT HISTORICAL COST	<u>2,506,943</u>	<u>53,467</u>	<u>700</u>	<u>2,559,710</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Buildings & Building Improvements	718,091	34,255		752,346
Technology Equipment	12,005		700	11,305
Vehicles	-			-
General Equipment	655,742	18,576		674,318
TOTAL ACCUMULATED DEPRECIATION	<u>1,385,838</u>	<u>52,831</u>	<u>700</u>	<u>1,437,969</u>
PROPRIETARY ACTIVITIES CAPITAL NET	<u>1,121,105</u>	<u>636</u>	<u>-</u>	<u>1,121,741</u>
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				664,223
Student Support Service				160
District Administration				50
Business Support Services				23,401
Plant Operation & Maintenance				274,466
Student Transportation				155,740
Central Office				-
Community Service Operations				64,172
TOTAL				<u>1,182,212</u>

NOTE G – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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 http://www.TRS.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) 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.

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 8,611,198
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>31,856,322</u>
	<u>\$ 40,467,520</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.135061% percent.

For the year ended June 30, 2022, the District recognized pension expense of \$1,106,642 related to CERS and \$2,542,878 related to TRS. The District also recognized revenue of \$2,542,878 for TRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 98,883	\$ 83,577
Changes of assumptions	115,573	-
Net difference between projected and actual earnings on pension plan investments	334,057	1,481,785
Changes in proportion and differences between District contributions and proportionate share of contributions	493,992	3,261
District contributions subsequent to the measurement date	<u>763,519</u>	<u>-</u>
Total	<u>\$ 1,806,024</u>	<u>\$ 1,568,623</u>

\$763,519 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2023	122,182
2024	(46,464)
2025	(242,428)
2026	(359,408)
2027	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Teachers' Retirement System (TRS)

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

Valuation Date	June 30, 2020
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.50%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. 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.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.1%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.0%
Private Equity	7.00%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

Discount rate - For TRS, The discount rate used to measure the TPL as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

County Employees' Retirement System (CERS)

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

Discount rate—For CERS, projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	11,044,270	8,611,198	6,597,888
TRS	6.50%	7.50%	8.50%
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 financial reports of both CERS and TRS.

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 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>.

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

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) 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. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2022, the Monroe County District reported a liability of \$2,803,000 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 .2335 percent, compared to .2330 percent at June 30, 2020.

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

District’s proportionate share of the net OPEB liability	\$ 2,803,000
State’s proportionate share of the net OPEB liability associated with the District	<u>2,276,000</u>
Total	<u>\$ 5,079,000</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$22,245 and revenue of \$188,314 for support provided by the State. 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>
Differences between expected and actual experience	\$ -	\$ 919,984
Changes of assumptions	404,528	-
Net difference between projected and actual earnings on pension plan investments	-	165,012
Changes in proportion and differences between District contributions and proportionate share of contributions	29,802	45,255
District contributions subsequent to the measurement date	<u>280,608</u>	<u>-</u>
Total	<u><u>714,938</u></u>	<u><u>1,130,251</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$280,608 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Year ended June 30:	
2023	\$ (172,739)
2024	(173,290)
2025	(161,701)
2026	(150,111)
2027	(39,735)
Thereafter	1,655

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

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust 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	5.00% for FY 2022* 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
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

**Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.*

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2020 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

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

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

Discount rate (SEIR)- The discount rate used to measure the TOL at June 30, 2021 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020.

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

	1% Decrease	Current Discount Rate	1% Increase
TRS	6.1%	7.1%	8.1%
District's proportionate share of net OPEB liability	3,589,000	2,803,000	2,154,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	2,036,000	2,803,000	3,757,000

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

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

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

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

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB liability associated with the District	<u>30,000</u>
Total	<u>\$ 30,000</u>

Actuarial assumptions – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
	100.00%	

Discount rate (SEIR) - 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 75. The projection’s basis was an actuarial valuation performed as of June 30, 2020.

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

County Employees’ Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>

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

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Monroe County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, four and seventy-six one hundredths percent (5.78%) of the gross annual payroll of members is contributed for the year ended June 30, 2022 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2022, the Monroe County District reported a liability of \$2,585,063 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 .135029 percent, compared to .125573 percent at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

District's proportionate share of the net OPEB liability	\$ 2,585,063
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 2,585,063</u>

For the year ended June 30, 2022, the District recognized OPEB expense of \$224,956. 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>
Differences between expected and actual experience	\$ 406,502	\$ 771,814
Changes of assumptions	685,349	2,404
Net difference between projected and actual earnings on pension plan investments	130,243	534,640
Changes in proportion and differences between District contributions and proportionate share of contributions	166,358	14,055
District contributions subsequent to the measurement date	<u>293,521</u>	<u>-</u>
Total	<u><u>1,681,973</u></u>	<u><u>1,322,913</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$293,521 resulting from District contributions of \$208,462 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$85,059, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2023	\$ 108,219
2024	46,698
2025	31,700
2026	(121,078)
2027	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Valuation Date	June 30, 2020
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 6.30% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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 returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Discount rate - The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan 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 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, for the CERS plans.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.2%	5.2%	6.2%
District's proportionate share of net OPEB liability	3,549,272	2,585,063	1,793,769

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	1,860,938	2,585,063	3,459,093

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

NOTE I – 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 based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – INSURANCE AND RELATED ACTIVITIES

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 related including Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Liberty Mutual Insurance Company.

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 – DEFICIT OPERATING BALANCES

The Day Care Fund had a deficit fund balance in the amount of \$215,345 at June 30, 2022. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

General	37,289
Construction	2,042,018
Debt Service	1,734,856

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	30,000
Operating	Special Revenue	General	Indirect Costs	328,884
Operating	Building	General	Operations	5,372
Operating	Capital Outlay	General	Operations	150,447
Operating	Building	General	Debt Service	154,115
Operating	Capital Outlay	General	Debt Service	14,511
Operating	Special Revenue	General	Debt Service	47,298
Operating	General	Debt Service	Debt Service	383,327
Operating	Special Revenue	Construction	Construction	831,708
Operating	General	Special Revenue	Operations	89,422
Operating	Building Fund	Debt Service	Debt Service	<u>1,351,529</u>
		Subtotal Governmental Funds Transferred		3,386,613
Operating	Food Service	General Fund	Indirect Costs	<u>176,192</u>
		Total Transferred Funds		<u>3,562,805</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$1,589,625
Food Service	General Fund	\$6,675

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 15, 2022, the date the financial statements were available for release. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2022, \$5,703,631 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$2,542,878
Teachers Retirement System (GASB 75)	192,952
Health Insurance	2,890,663
Life Insurance	4,147
Administrative Fee	33,124
HRA/Dental/Vision	114,796
Federal Reimbursement	(378,420)
Technology	141,969
SFCC Debt Service Payments	<u>161,522</u>
Total	<u>\$5,703,631</u>

NOTE R – COMMITMENTS

The District is committed under a noncancellable operating leases for copiers and technology equipment with an annual payment amount of \$68,349. The total lease liability measured at present value is \$395,472. The ending balance at June 30, 2022 is \$189,136. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the assets at the end of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

Year	Principal	Interest
2023	65,355	7,097
2024	64,090	4,259
2025	55,855	1,420
2026	<u>3,836</u>	<u>14</u>
Total	<u>189,136</u>	<u>12,790</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following assets and amortization have been recognized.

Intangible Right of Use Assets – Copiers and Technology Equipment	\$395,472
Accumulated Amortization	<u>(214,873)</u>
Net Ending Balance	<u>180,599</u>

NOTE S – NET POSITION AND FUND BALANCE, AS RESTATED

The beginning net position of the Governmental Activities was decreased by \$7,375 due to the implementation of GASB 87. Below are the details of the restatement:

	Government
	<u>Activities</u>
Net Position June 30, 2021	\$ 3,975,924
Implementation of GASB 87:	
Right of Use Asset-Net of Amortization	264,192
Lease Liability	<u>(271,567)</u>
Beginning Net Position, As Restated	<u>\$ 3,968,549</u>

REQUIRED SUPPLEMENTARY
INFORMATION

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	3,974,383	3,974,383	4,294,334	319,951
Other Local Sources	78,600	78,600	77,342	(1,258)
State Sources	8,020,571	8,020,571	13,359,907	5,339,336
Federal Sources	43,000	43,000	69,600	26,600
Other Sources	747,884	747,884	1,024,086	276,202
TOTAL REVENUES	12,864,438	12,864,438	18,825,269	5,960,831
EXPENDITURES:				
Instructional	6,633,909	6,633,909	9,561,881	(2,927,972)
Student Support Services	543,192	543,192	630,041	(86,849)
Staff Support Services	740,129	740,129	971,999	(231,870)
District Administration	696,820	696,820	645,911	50,909
School Administration	1,245,369	1,245,369	1,831,958	(586,589)
Business Support Services	1,134,678	1,134,678	832,613	302,065
Plant Operation & Maintenance	2,315,786	2,315,786	2,320,201	(4,415)
Student Transportation	948,452	948,452	1,012,447	(63,995)
Community Service Operations	20,000	20,000	11,957	8,043
Debt Service:				
Principal	0	0	18,079	(18,079)
Interest	0	0	1,385	(1,385)
Other	2,529,169	2,529,169	502,749	2,026,420
TOTAL EXPENDITURES	16,807,504	16,807,504	18,341,221	(1,533,717)
NET CHANGE IN FUND BALANCE	(3,943,066)	(3,943,066)	484,048	4,427,114
FUND BALANCES - BEGINNING	3,943,066	3,943,066	4,096,578	153,512
FUND BALANCES - ENDING	0	0	4,580,626	4,580,626

On-behalf payments totaling \$5,482,229 are not budgeted by the Monroe County School District.

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

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Other Local Sources	58,176	58,176	469,445	411,269
State Sources	1,038,020	1,038,020	980,779	(57,241)
Federal Sources	3,036,061	3,036,061	6,303,719	3,267,658
Other Sources	<u>0</u>	<u>0</u>	<u>119,422</u>	<u>119,422</u>
TOTAL REVENUES	<u>4,132,257</u>	<u>4,132,257</u>	<u>7,873,365</u>	<u>3,741,108</u>
EXPENDITURES:				
Instructional	3,206,000	3,206,000	4,849,131	(1,643,131)
Student Support Services	129,288	129,288	337,216	(207,928)
Staff Support Services	274,241	274,241	614,345	(340,104)
Business Support Services	7	7	32,301	(32,294)
Plant Operation & Maintenance	49,028	49,028	241,860	(192,832)
Student Transportation	42,113	42,113	124,183	(82,070)
Day Care Operations	1,078	1,078	163,893	(162,815)
Community Service Operations	517,051	517,051	302,546	214,505
Other	<u>0</u>	<u>0</u>	<u>1,207,890</u>	<u>(1,207,890)</u>
TOTAL EXPENDITURES	<u>4,218,806</u>	<u>4,218,806</u>	<u>7,873,365</u>	<u>(3,654,559)</u>
NET CHANGE IN FUND BALANCE	(86,549)	(86,549)	0	86,549
FUND BALANCES - BEGINNING	<u>86,549</u>	<u>86,549</u>	<u>0</u>	<u>(86,549)</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>56,674,920</u>	<u>57,678,003</u>	<u>74,631,733</u>	<u>67,268,791</u>	<u>32,731,049</u>	<u>33,770,565</u>	<u>79,068,544</u>	<u>31,856,322</u>
TOTAL	<u>\$ 56,674,920</u>	<u>\$ 57,678,003</u>	<u>\$ 74,631,733</u>	<u>67,268,791</u>	<u>32,731,049</u>	<u>33,770,565</u>	<u>79,068,544</u>	<u>31,856,322</u>
District's covered-employee payroll	\$ 8,466,286	8,641,190	8,536,460	\$ 8,216,156	\$ 8,703,432	\$ 8,691,240	\$ 8,966,967	\$ 9,353,587
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.27%	65.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net pension liability	0.122975%	0.122000%	0.115240%	0.120596%	0.125548%	0.124682%	0.125609%	0.135061%
District's proportionate share of the net pension liability	\$ 3,990,000	5,245,438	5,673,734	7,058,269	7,646,256	8,768,941	9,634,106	8,611,198
State of Kentucky's share of the net pension liability associated with the district	\$ -	-	-	-	-	-	-	-
TOTAL	<u><u>3,990,000</u></u>	<u><u>5,245,438</u></u>	<u><u>5,673,734</u></u>	<u><u>7,058,269</u></u>	<u><u>7,646,256</u></u>	<u><u>8,768,941</u></u>	<u><u>9,634,106</u></u>	<u><u>8,611,198</u></u>
District's covered-employee payroll	\$ 2,848,529	2,749,758	2,936,556	3,119,291	3,160,043	3,237,887	3,484,157	3,606,606
District's proportionate share of the net pension liability as a percentage of its covered-payroll	140.07%	190.76%	193.21%	226.28%	214.97%	270.82%	276.51%	238.76%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,466,286	8,641,190	8,536,460	\$ 8,216,156	\$ 8,703,432	\$ 8,691,240	\$ 8,966,967	\$ 9,353,587
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 363,187	\$ 341,520	\$ 409,650	\$ 451,673	\$ 512,559	\$ 624,912	\$ 672,442	\$ 763,519
Contributions in relation to the actuarially determined contributions	<u>363,187</u>	<u>341,520</u>	<u>409,650</u>	<u>451,673</u>	<u>512,559</u>	<u>624,912</u>	<u>672,442</u>	<u>763,519</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,848,529	\$ 2,749,758	\$ 2,936,556	\$ 3,119,291	\$ 3,160,043	\$ 3,237,887	\$ 3,484,157	\$ 3,606,606
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.120586%	0.125544%	0.124650%	0.125573%	0.135029%
District's proportionate share of the net OPEB liability	2,424,191	2,229,009	2,096,557	3,032,206	2,585,063
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u><u>2,424,191</u></u>	<u><u>2,229,009</u></u>	<u><u>2,096,557</u></u>	<u><u>3,032,206</u></u>	<u><u>2,585,063</u></u>
District's covered-employee payroll	3,119,291	3,160,043	3,237,887	3,484,157	3,606,606
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	77.70%	70.54%	64.75%	87.03%	71.68%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.1324%	0.1309%	0.1325%	0.2330%	0.2335%
District's proportionate share of the net OPEB liability	4,720,000	4,507,000	3,879,000	3,311,000	2,803,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>3,856,000</u>	<u>3,884,000</u>	<u>3,133,000</u>	<u>2,652,000</u>	<u>2,276,000</u>
TOTAL	<u><u>8,576,000</u></u>	<u><u>8,391,000</u></u>	<u><u>7,012,000</u></u>	<u><u>5,963,000</u></u>	<u><u>5,079,000</u></u>
District's covered-employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.45%	51.78%	44.60%	36.92%	29.97%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>52,000</u>	<u>67,000</u>	<u>73,000</u>	<u>80,000</u>	<u>30,000</u>
TOTAL	<u>52,000</u>	<u>67,000</u>	<u>73,000</u>	<u>80,000</u>	<u>30,000</u>
District's covered-employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 146,607	\$ 166,218	\$ 154,123	\$ 165,846	\$ 208,462
Contributions in relation to the actuarially determined contributions	<u>146,607</u>	<u>166,218</u>	<u>154,123</u>	<u>165,846</u>	<u>208,462</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,119,291	\$ 3,160,043	\$ 3,237,887	\$ 3,484,157	\$ 3,606,606
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 246,485	\$ 261,103	\$ 260,737	\$ 269,009	\$ 280,608
Contributions in relation to the actuarially determined contributions	<u>246,485</u>	<u>261,103</u>	<u>260,737</u>	<u>269,009</u>	<u>280,608</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. • In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

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 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer 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:

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

MONROE COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2019
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-11.50 percent, varies by service
Investment Rate of Return	6.25 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS non-hazardous pensions.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

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 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability 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 long-term healthcare costs.

MONROE COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer 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 ending June 30, 2021:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30%-10.30%, varies by service
Investment Rate of Return	6.25 %
Mortality	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
Healthcare cost trend rates	
Pre - 65	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. The 2020 premiums were known at the time of valuation and were incorporated into the liability measurement.
Post - 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. The 2020 premiums were known at the time of valuation and were incorporated into the liability measurement.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS, non-hazardous OPEB.

OTHER SUPPLEMENTARY
INFORMATION

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

	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>SCHOOL ACTIVITY FUND</u>	<u>BUILDING FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENT FUNDS</u>
ASSETS:					
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>386,380</u>	<u>0</u>	<u>386,380</u>
TOTAL ASSETS	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
Restricted for:					
School Activities			386,380		386,380
Capital Projects		0			0
Total Fund Balances	<u>0</u>	<u>0</u>	<u>386,380</u>	<u>0</u>	<u>386,380</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>

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

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	SCHOOL ACTIVITY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes:					
Property				700,976	700,976
Earnings on Investments			4,213		4,213
Intergovernmental - State	164,958	161,522		810,040	1,136,520
Other Sources			767,020		767,020
TOTAL REVENUES	<u>164,958</u>	<u>161,522</u>	<u>771,233</u>	<u>1,511,016</u>	<u>2,608,729</u>
EXPENDITURES:					
Instructional			689,124		689,124
Plant Operation & Maintenance			81,909		81,909
Debt Service:					
Principal		1,673,117			1,673,117
Interest		223,261			223,261
TOTAL EXPENDITURES	<u>0</u>	<u>1,896,378</u>	<u>771,033</u>	<u>0</u>	<u>2,667,411</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	164,958	(1,734,856)	200	1,511,016	(58,682)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In		1,734,856			1,734,856
Operating Transfers Out	(164,958)			(1,511,016)	(1,675,974)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(164,958)</u>	<u>1,734,856</u>	<u>0</u>	<u>(1,511,016)</u>	<u>58,882</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>0</u>	<u>200</u>	<u>0</u>	<u>200</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>386,180</u>	<u>0</u>	<u>386,180</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>	<u><u>0</u></u>	<u><u>386,380</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	FUND BALANCE JULY 1, 2021	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2022
Monroe County High School	125,762	279,067	302,571	102,258
Monroe County Middle School	84,922	207,254	180,877	111,299
Thomkinsville Elementary	62,036	88,380	105,603	44,813
J.H. Cater Elementary	61,973	101,316	81,909	81,380
Gamaliel Elementary	50,754	94,825	99,582	45,997
Community Resource Center	733	391	491	633
	<hr/>	<hr/>	<hr/>	<hr/>
Total Activity Funds (Due to Student Groups)	<u>386,180</u>	<u>771,233</u>	<u>771,033</u>	<u>386,380</u>

See independent accountant's report and accompanying notes to financial statements.

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	CASH			CASH	ACCOUNTS	ACCOUNTS	FUND
	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	RECEIVABLE	PAYABLE	BALANCE
	<u>JULY 1, 2021</u>			<u>JUNE 30, 2022</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2022</u>	<u>JUNE 30, 2022</u>
Sweep - General	25		25	0	0	0	0
Sweep - Technology Fee	8,340		8,340	0	0	0	0
Academic Team	1,918		448	1,470	0	0	1,470
Ag Achiever Grant	1,993	2,000	1,016	2,977	0	0	2,977
Annual Staff	0	15,423	15,423	0	0	0	0
Art Club	46	121	116	51	0	0	51
Athletic Department	7,767	21,939	26,588	3,118	0	0	3,118
Band	3,902	1,287	4,595	594	0	0	594
Art Department	614		323	291	0	0	291
Baseball	4,200	16,192	20,893	(501)	0	0	(501)
Beta Club	762	4,106	4,157	711	0	0	711
Boys Basketball	8,864	11,992	15,913	4,943	0	0	4,943
Cheerleaders	4,958	21,338	24,206	2,090	0	0	2,090
Cola - Lounge	108	162	93	177	0	0	177
Athletic Dept. Donations	0	900	0	900	0	0	900
Cross Country	1,111	500	340	1,271	0	0	1,271
Drama Club	842	274	754	362	0	0	362
English Dept.	203	0	0	203	0	0	203
ESPORTS	1,090	500	349	1,241	0	0	1,241
FCA	183	120	109	194	0	0	194
FCCLA	2,999	3,934	4,044	2,889	0	0	2,889
FFA	1,575	5,720	5,122	2,173	0	0	2,173
FFA Greenhouse	4,165	10,254	13,752	667	0	0	667
Fishing Team	1,077	700	206	1,571	0	0	1,571
FMD Department	2,555	15,367	17,329	593	0	0	593
Football	0	15,577	15,577	0	0	0	0
General	108	7,357	7,098	367	0	0	367
Girls Basketball	2,047	39,724	26,332	15,439	0	0	15,439
Golf - Girls	2,341	1,976	3,323	994	0	0	994
Guidance Department	1,267	489	774	982	0	0	982
Interest Account	1,238	1,164	2,283	119	0	0	119
International Club	397	431	207	621	0	0	621
Library	3,737	18,114	17,453	4,398	0	0	4,398
Pep Club	0	1,121	986	135	0	0	135
Republican Club	1,448	275	113	1,610	0	0	1,610
Snack Cart	823	2,277	3,100	0	0	0	0
Soccer - Girls	4,802	15,790	16,923	3,669	0	0	3,669
Softball	4,665	16,249	15,404	5,510	0	0	5,510
STLP	66	20	14	72	0	0	72
Tennis	5,355	1,400	6,142	613	0	0	613

Track	2,456	2,072	1,286	3,242	0	0	3,242
Volleyball	8,927	4,916	6,218	7,625	0	0	7,625
Soccer - Boys	5,065	1,136	3,065	3,136	0	0	3,136
Yclub	434	1,599	1,914	119	0	0	119
Graphics	49		49	0	0	0	0
Media Class	2,774	1,188	526	3,436	0	0	3,436
Swim	5,655	4,178	6,893	2,940	0	0	2,940
Golf - Boys	5,720	5,272	2,887	8,105	0	0	8,105
Little League - Boys Bask	704		208	496	0	0	496
Special - Softball	1,068		1,068	0	0	0	0
2022 Seniors	2,326	20,426	21,140	1,612	0	0	1,612
2023 Seniors	2,993	4,122	1,435	5,680	0	0	5,680
2024 Seniors	0	861	152	709	0	0	709
2025 Seniors	0	7,300	4,656	2,644	0	0	2,644
Total All Funds	<u>125,762</u>	<u>307,863</u>	<u>331,367</u>	<u>102,258</u>	<u>0</u>	<u>0</u>	<u>102,258</u>
Interfund Transfers		(28,796)	(28,796)				0
	<u>125,762</u>	<u>279,067</u>	<u>302,571</u>	<u>102,258</u>	<u>0</u>	<u>0</u>	<u>102,258</u>
Total	<u><u>125,762</u></u>	<u><u>279,067</u></u>	<u><u>302,571</u></u>	<u><u>102,258</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>102,258</u></u>

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

<u>FEDERAL GRANTOR/ PASS-THROUGH</u> <u>GRANTOR/ PROGRAM TITLE</u>	<u>CFDA</u> <u>NUMBER</u>	<u>PASS</u> <u>THROUGH</u> <u>NUMBER</u> <u>(if applicable)</u>	<u>MUNIS</u> <u>PROJECT</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Parent Involvement	84.010	3100002	310FM	812
Title I - Grants to Local Educational Agencies	84.010	3100002	310G	235,066
Title I - Parent Involvement	84.010	3100002	310GM	7,073
Title I - Grants to Local Educational Agencies	84.010	3100002	310I	829,167
Title I - Parent Involvement	84.010	3100002	310IM	3,743
Title I Grants to Local Educational Agencies Total				1,075,861
Migrant Education - State Grant Program	84.011	3110002	311G	11,840
Migrant Education - State Grant Program	84.011	3110002	311I	76,315
Migrant Education Total				88,155
Title IV - Rural and Low Income Schools	84.358	3140002	350G	5,993
Title IV - Rural and Low Income Schools	84.358	3140002	350I	21,307
Title IV - Rural and Low Income Schools Total				27,300
Supporting Effective Instruction State Grants	84.367	3230002	401G	16,031
Supporting Effective Instruction State Grants	84.367	3230002	401I	80,311
Supporting Effective Instruction State Grants Total				96,342
Perkins Voc.	84.048	3710002	348GA	2,031
Perkins Voc.	84.048	3710002	348I	10,822
Perkins Voc. - Total				12,853
Title III - English Language Acquisition State Grants	84.365	3960002	345G	546
Title III - English Language Acquisition State Grants	84.365	3960002	345I	5,828
Title III - English Language Acquisition State Grants Total				6,374
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552ES	522
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552EW	4,429
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552FS	14,207
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552FT	2,909
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552FW	11,162
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552GS	34,250
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552GT	2,894
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552GW	11,500
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IS	16,830
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IT	1,407
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IW	12,793
Title IV. Part A. - Total				112,903
21st Century Learning Center	84.287	3400002	550FC	60,254
21st Century Learning Center	84.287	3400002	550GC	418,005
21st Century Learning Center Total				478,259
Striving Readers Comprehensive Literacy Program	84.371C	466F	466F	43,024
Striving Readers Comprehensive Literacy Program	84.371C	466IA	466IA	79,752
Striving Readers Comprehensive Literacy Program Total				122,776
Adult Education - Basic Grants To States	84.002	365F	365I	9,075
Adult Education - Basic Grants To States	84.002	373F	373I	14,838
Adult Education - Basic Grants To States Total				23,913
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300002	473G	1,017,324
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300005	473GK	2,349
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300005	473GL	226,282
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4000002	476IC	815
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200002	554G	163,124
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200002	554GD	1,765,634
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	554GL	2,155
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	554GS	11,182
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	554GV	29,000
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	613FD	2,428
COVID-19 - Governor's Emergency Education Relief Funds	84.425C	GEER-20	564GF	71,169
				3,291,462 *

IDEA - Special Education - Grants to State	84.027	3810002	337F	9,133
IDEA - Special Education - Grants to State	84.027	3810002	337G	182,710
IDEA - Special Education - Grants to State	84.027	3810002	337I	211,315
IDEA - Special Education - Preschool Grants	84.173	3800002	343G	18,938
IDEA - Special Education - Preschool Grants	84.173	3800002	343I	16,975
COVID-19 - IDEA Special Education - Grants to State	84.027X	4910002	478I	20,862
COVID-19 - IDEA Special Education - Preschool Grants Special Education Cluster	84.173X	4910002	488I	5,697
				<u>465,630</u>
Total U.S. Department of Education				<u>5,801,828</u>
<u>U.S. Department of Justice</u>				
Passed through Kentucky Department of Education Public Safety Partnership and Community Policing Grants	16.710	437GS	437GS	350,483 *
<u>U.S. Department of Health and Human Services</u>				
COVID-19 - Child Care and Development Block Grant	93.575	Direct	658FP	2,269
COVID-19 - Child Care and Development Block Grant	93.575	Direct	672G	68,040
COVID-19 - Child Care and Development Block Grant	93.575	Direct	576I	91,528
COVID-19 Child Care and Development Block Grant Total				<u>161,837</u>
<u>U.S. Department of Health and Human Services</u>				
Passed-Through Kentucky Department of Education COVID-19 Preschool Partnership Grant	93.575	562IP	562IP	75,000
Total U S Department of Health and Human Services				<u>236,837</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
School Breakfast Program	10.553	7760005-21	7760005-21	105,952
School Breakfast Program	10.553	7760005-22	7760005-22	442,954
National School Lunchroom	10.555	7750002-21	7750002-21	198,586
National School Lunchroom	10.555	7750002-22	7750002-22	812,017
National School Lunchroom	10.555	9980000-22	9980000-22	48,726
Summer Food Service Program	10.559	7690024-21	7690024-21	44,153
Summer Food Service Program	10.559	7740023-21	7740023-21	430,869
PEBT Administrative Funds Child Nutrition Cluster	10.649	9990000-21	9990000-21	9,000
				<u>2,092,257 *</u>
Fresh Fruits and Vegetables Program	10.582	7720012-21	7720012-21	702
Fresh Fruits and Vegetables Program Fresh Fruits and Vegetables Program	10.582	7720012-22	7720012-22	45,960
				<u>46,662</u>
Child & Adult Care Food Program	10.558	7790021-21	7790021-21	36,517
Child & Adult Care Food Program	10.558	7790021-22	7790021-20	123,778
Child & Adult Care Food Program	10.558	7980000-21	7980000-21	17,082
Child & Adult Care Food Program	10.558	7800016-21	7800016-21	2,582
Child & Adult Care Food Program	10.558	7800016-21	7800016-20	8,793
Child & Adult Care Food Program Total				<u>188,752</u>
State Administrative Expense Funds	10.560	7700001-20	7700001-20	4,330
Pass-Through State Department of Agriculture Food Distribution	10.565	057502-10	057502-10	106,018
Total U.S. Department of Agriculture				<u>2,438,019</u>
Total Federal Financial Assistance				<u><u>8,827,167</u></u>

* Tested as major program

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

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Monroe County School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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 Monroe County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Monroe County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are present where available.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

MONROE COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C/84.425D/84.425U 10.553/10.555/10.559/10.649 16.710	Covid-19 Education Stabilization Fund Child Nutrition Cluster Public Safety Partnership and Community Policing Grants

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2022

There were no prior year audit findings.

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November 15, 2022

**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**

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Monroe County School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 15, 2022

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

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.

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November 15, 2022

MANAGEMENT LETTER

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

In planning and performing our audit of the financial statements of Monroe County School District for the year ended June 30, 2022, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendations - District:

None.

Prior Year Recommendations – School Activity Funds:

2019-5 – Prior Year Recommendation:

During the 2019 audit, eight instances were noted at Monroe County High School, six instances at Monroe County Middle School, three instances at Tompkinsville Elementary School, and one instance at Joe Harrison Carter Elementary of multiple receipt forms being completed incorrectly. Errors that occurred include teachers/sponsors filling in student names and amounts remitted who are above the 3rd grade level, totals only being listed with no detail of funds received, and in some cases a multiple receipt form was not present.

During the 2020 audit, two instances were noted at Monroe County High School and one instance at Gamaliel Elementary of multiple receipt forms being completed incorrectly. When completing a multiple receipt form, a detailed accounting should be recorded of the individuals and the remitted funds that relate to the deposit being made. This did not occur for the three instances noted above. We recommend that management address Redbook forms and how to properly use them with all staff and sponsors.

During the 2021 audit, one instance was noted at Monroe County High School of the multiple receipt form being completed incorrectly. When completing a multiple receipt form, a detailed accounting should be recorded of the individuals and the remitted funds that relate to the deposit being made. This did not occur for the instance noted above. We recommend that management address Redbook forms and how to properly use them with all staff and sponsors.

Current Year Status:

No such instances were found during current year testing.

2021-1 – Prior Year Recommendation:

During the 2021 audit, one instance was noted at Monroe County Middle School and one instance at Joe Harrison Carter Elementary where an invoice was paid but the purchase order was prepared and approved subsequent to the obligation and payment of funds. We recommend that all purchases have an approved purchase order prior to the obligation of funds.

Current Year Status:

No such instances were found during current year testing.

2021-2 – Prior Year Recommendation:

During the 2021 audit, two instance were noted at Monroe County High School where the invoice amount exceeded the amount approved on the purchase order. We recommend that all purchases made be within the amount approved on the purchase order and should there be a need for additional items exceeding the approved amount and second purchase order be prepared and approved prior to making the additional purchase.

Current Year Status:

No such instances were found during current year testing.

2021-3 – Prior Year Recommendation:

During the 2021 audit, two instance were noted at Monroe County High School where invoices were approved and paid without a properly approved purchase order. We recommend that all purchases have a properly approved purchase order prior to obligation and payment of funds.

Current Year Status and Recommendation:

During 2022 testing, one instance was found where a purchase order was not completed for a disbursement. The invoice was subsequently approved. However, a properly approved purchase order should have been obtained prior to the teacher or sponsor obligating funds. We recommend that all purchases have a properly completed and approved purchase order prior to the obligation of funds.

Management Response:

We will stress to all school staff and sponsors, that prior to the obligation of funds, a purchase order must be completed and approved.

Current Year Recommendations – School Activity Funds:

No additional comments were noted. See 2021-3 above.

Current Year Recommendations – District:

2022-1: Current Year Recommendation:

During current year payroll testing, there was one type of additional pay not noted on the salary schedule nor was their evidence of approval within the board minutes. It was determined through inquiry and review that the pay had been approved. However, the form of additional pay was not properly documented in the minutes or on the salary schedule. We recommend that all forms of additional pay be properly documented as approved by the board in the minutes or on the salary schedule.

Management Response:

We will ensure that all forms of additional pay are documented within the minutes or on the salary schedule going forward.

2022-2: Current Year Recommendation:

During current year testing, one instance was noted where a purchase order was completed subsequent to the invoice date for goods. We recommend that purchases orders be properly completed and approved prior to the obligation of District funds.

Management Response:

We will remind all staff of the importance of having a properly completed and approved purchase order prior to the obligation of District funds.

2022-3: Current Year Recommendation:

During current year testing, one instance was noted where a disbursement exceeded the approved purchase order by \$1,955. A standard invoice or additional purchase order for the overage was not created. We recommend that a standard invoice or additional purchase order be created for *significant* overages when invoice costs exceed purchase order amounts. A description of why the overage occurred should also be present on the documentation.

Management Response:

We will insist that an additional purchase order or standard invoice be completed and approved with explanation for an overage when significant overages between purchase orders and invoices are present.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
219 South Proctor Knott Avenue
Lebanon, Kentucky 40033
(270) 692-2102
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Charles M. White, CPA
Joseph A. Montgomery, CPA
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November 15, 2022

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Monroe County School District are described in Note A to the financial statements. As described in Note A to the financial statements, the District changed policies related to leases by adopting Statement of Governmental Accounting Standards No. 87, Leases, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. No other new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by Monroe County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Monroe County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Monroe County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 55 and 56, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 57-58 and 61-63, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 59-60 and 64-66,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Monroe County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants