



Muhlenberg County School District

FINANCIAL STATEMENTS

June 30, 2022



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REPORT





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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment made by a reasonable user based on the financial statements.

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 5 through 12 and 78 through 90 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 11, 2022 on our consideration of Muhlenberg 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 11, 2022



FINANCIAL STATEMENTS



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

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022 are as follows:

- In total, net position increased \$6,379,593. Net position of governmental activities increased \$5,496,295 from fiscal year 2021. Net position of the business-type activity, which represents food service, increased \$883,298 from fiscal year 2021.
- General revenues accounted for \$51.94M in revenue or 71.4 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$20.82M or 28.6 percent of total revenues of \$72.75M. General revenues were down by \$10,539 which was primarily in State Aid. Program specific revenues increased by \$2.87M.
- Total revenue was \$72.75M, an increase of \$2.86M from FY 2021, which were in the areas of Operating Grants and Contributions Capital Grants and Contributions.
- The Board had \$65.93M in total governmental expenses. Compared to last year governmental expenses were \$54.69M in FY2021.
- Investment income was \$341K, which is a decrease from last year due to the rampant inflation the nation is facing.
- SEEK net general funding was \$19.07M, which was an increase of \$412K when compared to the prior year. The state used FY19 ADA figures for FY22 but will begin to use actual ADA for FY23. This is important to note as there will be a significant decrease in SEEK funding moving forward despite the increase in the SEEK base funding formula.
- Total salary and benefit costs increased 7.5% (\$3.36M) from 2020-21, at \$48.16M. This includes the state contributions to health insurance and state retirement matches. These increases are mainly in ESSER funded positions that will be eliminated after FY23 as well as sharp increases in on-behalf payments.
- Total general fund current operating expenses were \$45.14M which is a \$5.21M increase over 2020-21, primarily due to operations returning to pre-pandemic levels. The district saw increases in the areas of Instruction, Plant Operations and Maintenance and Student Transportation.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONT’D)
FOR THE YEAR ENDED JUNE 30, 2022**

- The General Fund ending balance was \$26.5M compared to \$27.99M the prior year, a \$1.49M decrease. This variance is attributed to several factors including the addition of ESSER funded teachers, the return of transportation expenses, and the reduction of TVA funds. Contingency fund was \$9.4M which is 16.8%.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Muhlenberg County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management’s discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District’s basic financial statements comprise three components: (1) district-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.

District-Wide Financial Statements

The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District’s finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District’s major funds with all other non-major funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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. Notes to the financial statements can be found on pages 30 to 77.

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statement of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole, and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting considers all the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in those positions. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky's SEEK funding formula and its adjustments, the School District's property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The School District's food service is reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$51,961,667 as of June 30, 2022. This was an increase of \$6.38M over the previous year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$54,025,390 (an increase of \$2.16M over the previous year). 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.

The government-wide financial statements can be found on pages 13 to 16.

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary fund and fiduciary fund. Fiduciary funds are assets that belong to others. The school's activity funds are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Muhlenberg County School District are the general fund and special revenue (grants) fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund - Proprietary fund uses the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

Fiduciary Funds – The Lyle Cleaborn Baugh Scholarship is the District's only fiduciary fund. The fiduciary fund cash balances at year-end totaled \$39,000 (a decrease of \$2,000 from the previous year).

The fund financial statements are on page 17 to 29.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

DISTRICT WIDE FINANCIAL ANALYSIS

The perspective of the statement of net position is of the District as a whole. The following table provides a summary of the District's net position for 2022 compared to 2021:

	2022	2021
Current assets	\$ 34,848,567	\$ 32,174,372
Noncurrent assets	<u>\$ 81,657,384</u>	<u>\$ 82,382,934</u>
Total Assets	\$ 116,505,951	\$ 114,557,306
Deferred outflow of resources	<u>\$ 9,096,596</u>	<u>\$ 9,614,125</u>
Current liabilities	\$ 1,421,863	\$ 1,262,469
Noncurrent liabilities	<u>\$ 59,907,364</u>	<u>\$ 71,309,785</u>
Total liabilities	\$ 61,329,227	\$ 72,572,254
Deferred inflow of resources	\$ 12,311,653	\$ 6,017,103
Net position		
Net investment in capital assets	\$ 54,025,390	\$ 51,860,544
Restricted	\$ 4,727,470	\$ 1,408,925
Unrestricted fund balance	<u>\$ (6,791,193)</u>	<u>\$ (7,687,395)</u>
Total net position	<u><u>\$ 51,961,667</u></u>	<u><u>\$ 45,582,074</u></u>

Total net position increased \$6,379,593. Net position of the District's governmental activities increased \$5,496,295. The net position of the District's business-type activity increased \$883,298.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

DISTRICT WIDE FINANCIAL ANALYSIS (CONT'D)

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2022 and 2021.

	2022	2021
Revenues:		
Program Revenues		
Charges for Services	\$ 761,047	\$ 353,465
Operating Grants and Contributions	\$ 17,050,485	\$ 14,778,408
Capital Grants and Contributions	\$ 3,003,548	\$ 2,815,348
General Revenue		
Taxes	\$ 10,067,426	\$ 9,337,330
Other local government units (TVA)	\$ 6,363,728	\$ 7,362,572
Other taxes	\$ 147,309	\$ 137,417
State Aid	\$ 31,841,786	\$ 32,735,208
Investment Earnings	\$ 341,320	\$ 386,628
Other Revenue	\$ 3,175,222	\$ 1,988,175
Transfers	\$ -	\$ -
Total Revenue	\$ 51,936,791	\$ 69,894,551
Expenses:		
Instructional	\$ 41,285,105	\$ 37,435,741
Student Support	\$ 1,465,207	\$ 1,845,930
Instructional Support	\$ 1,512,580	\$ 1,669,748
District Administration	\$ 1,599,091	\$ 1,551,909
School Administration	\$ 3,032,691	\$ 3,332,198
Business Support	\$ 1,908,958	\$ 1,756,747
Plant Operations and Maintenance	\$ 6,692,775	\$ 6,617,796
Student Transportation	\$ 4,060,593	\$ 3,698,191
Other	\$ 874,566	\$ 1,017,024
Debt Services	\$ 936,007	\$ 960,895
Food Services-Govt.	\$ 44,750	\$ 73,616
Food Services	\$ 2,531,487	\$ 2,947,498
Day Care	\$ 428,468	\$ 271,379
Community Education	\$ -	\$ -
Bond Issuance Cost	\$ -	\$ -
Loss on Disposal of Assets	\$ -	\$ -
Total Expenses	\$ 66,372,278	\$ 63,178,672
Excess/Loss of revenue over expenditures	\$ 6,379,593	\$ 6,715,879

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

BUSINESS-TYPE ACTIVITY

The major business-type activity of the District is the food service operation. This program had revenues of \$3.04M and expenses of \$2.53M for fiscal year 2022. The food service operation is mainly self-operating with minimal assistance from the General Fund.

THE DISTRICT'S FUNDS

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$67.61M and expenditures and other financing uses of \$65.93M. The governmental funds increased \$1.68M. This was primarily due to the increase in federal funds.

GENERAL FUND BUDGETING HIGHLIGHTS

The 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. In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e. some federal, operate on a different fiscal calendar but are reflected in the overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$8.7M in contingency (13.8% percent). The beginning fund balance for the fiscal year was \$27,987,095. The most significant budgeted fund is the General Fund.

During fiscal year 2022, the District amended its General Fund budget as needed. The District uses a centralized budget. The budgeting system is designed to control budgets but allow flexibility for management.

For the General Fund, actual revenues and other financing sources, including state contribution (on-behalf) payments were \$48.14M. Budgeted revenues were \$43.40M. The increase revenue can be attributed to an increase in on-behalf payments (non-cash item) and a larger than expected franchise tax payment.

Original general fund budget expenditures were \$63.35M, including on-behalf payments made by the State of Kentucky. Actual expenditures were \$45.14M (includes contingency funds).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets for governmental activities ended at \$81.56M and capital assets in business-type activities ended at approximately \$88K.

Debt

At June 30, 2022, the District had \$33.15M (principal and interest) in outstanding bonds. Bond payments are primarily paid from the Capital Outlay and Building funds. The district paid \$3.06M (including federal rebate) for bond payments for FY 2022. However, this includes \$1.39M from the state for on-behalf paid through the SFCC.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2022**

CURRENT ISSUES

The local environment of the community can significantly impact the finances of the District. Total local generated property taxes decreased slightly by \$67K to \$9.18M from FY 2021 to FY 2022. This is due to a difference in franchise taxes. Other revenue sources, such as SEEK are impacted by the average daily attendance in the District's schools. In FY 2022, the FY19 numbers are being used. The District must maintain a view that continues to look to the future.

The District remains committed to remaining competitive in the educational environment. The beginning teacher salary is \$38,287 while the top end of the 185-day salary schedule for teachers is \$62,667. Employee contracts remain at 185 days for FY2022. Muhlenberg County School District staff salaries are higher in comparison to other Western Kentucky school districts. Attrition and staffing levels will continue to be scrutinized during the coming fiscal years to create a financial environment in which students continue to receive the necessary resources for success; and an environment in which salaries elevated at a responsible rate. State revenue projections continue to require that the budget be closely monitored, and new initiatives will be closely reviewed. The district will not have a significant bonding capacity in until approximately 3 years. Therefore, the district must continue to take the stance that a higher cash balance reserve is continued to be necessary to cover the expenses that may occur. The district is always reviewing for cost savings in transportation, administration, facility maintenance and energy. Debt refinancing is continually monitored as some bond issues mature. The District will closely monitor additional ways to save money over the next fiscal years to maintain the general fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Mr. Eric Bletzinger, Treasurer, at 270-338-2871, or by mail at 510 W. Main St., Powderly, KY 42367.

Muhlenberg County School District
Statement of Net Position

<i>June 30, 2022</i>	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 22,799,048	\$ 2,730,199	\$ 25,529,247
Investments	7,138,660	-	7,138,660
Accounts receivable:			
Taxes	118,264	-	118,264
Accounts	1,851	-	1,851
Intergovernmental	1,496,145	217,259	1,713,404
Inventory	313,201	33,940	347,141
Nondepreciable capital assets	3,634,863	-	3,634,863
Depreciable capital assets	140,633,676	1,534,576	142,168,252
Less: accumulated depreciation	(62,699,393)	(1,446,338)	(64,145,731)
Total assets	113,436,315	3,069,636	116,505,951
Deferred Outflows of Resources			
Deferred loss on debt refundings	377,614	-	377,614
OPEB related	5,342,830	402,221	5,745,051
Pension related	2,591,181	382,750	2,973,931
Total deferred outflows of resources	8,311,625	784,971	9,096,596
Liabilities			
Accounts payable	813,517	1,911	815,428
Accrued liabilities	145,713	-	145,713
Unearned revenue	245,970	-	245,970
Accrued interest	214,752	-	214,752
Long-term obligations:			
Due within one year:			
Outstanding bonds	3,130,000	-	3,130,000
Compensated absences	544,633	25,563	570,196
Due beyond one year:			
Outstanding bonds	24,879,608	-	24,879,608
Compensated absences	1,118,013	12,165	1,130,178
Net OPEB liability	11,438,980	697,781	12,136,761
Net pension liability	15,736,219	2,324,402	18,060,621
Total liabilities	58,267,405	3,061,822	61,329,227

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Net Position

<i>June 30, 2022</i>	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
OPEB related	7,973,542	392,251	8,365,793
Pension related	3,438,028	507,832	3,945,860
Total deferred inflows of resources	11,411,570	900,083	12,311,653
Net Position (Deficit)			
Net investment in capital assets	53,937,152	88,238	54,025,390
Restricted for:			
Capital projects	3,208,124	-	3,208,124
Student activities	921,449	-	921,449
Greenville Library	597,897	-	597,897
Unrestricted (deficit)	(6,595,657)	(195,536)	(6,791,193)
Total net position (deficit)	\$ 52,068,965	\$ (107,298)	\$ 51,961,667

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Activities

<i>For the year ended June 30, 2022</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 41,285,105	\$ 134	\$ 12,104,602	\$ 163,947	\$ (29,016,422)	\$ -	\$ (29,016,422)
Support services:							
Student	1,465,207	-	7,141	-	(1,458,066)	-	(1,458,066)
Instructional staff	1,512,580	-	28,289	-	(1,484,291)	-	(1,484,291)
District administration	1,599,091	-	-	-	(1,599,091)	-	(1,599,091)
School administration	3,032,691	-	-	-	(3,032,691)	-	(3,032,691)
Business	1,908,958	-	356,762	-	(1,552,196)	-	(1,552,196)
Plant operations and maintenance	6,692,775	7,952	370,540	-	(6,314,283)	-	(6,314,283)
Student transportation	4,060,593	-	654,120	-	(3,406,473)	-	(3,406,473)
Other	874,566	-	438,739	-	(435,827)	-	(435,827)
Food service operation	44,750	-	-	-	(44,750)	-	(44,750)
Interest on long-term debt	936,007	-	-	2,839,601	1,903,594	-	1,903,594
Total governmental activities	63,412,323	8,086	13,960,193	3,003,548	(46,440,496)	-	(46,440,496)
Business-Type Activities:							
Food services	2,531,487	78,688	3,038,834	-	-	586,035	586,035
Day care	428,468	674,273	51,458	-	-	297,263	297,263
Total business-type activities	2,959,955	752,961	3,090,292	-	-	883,298	883,298
Total school district	\$ 66,372,278	\$ 761,047	\$ 17,050,485	\$ 3,003,548	(46,440,496)	883,298	(45,557,198)

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Activities

<i>For the year ended June 30, 2022</i>	Governmental Activities	Business- Type Activities	Total
General Revenues			
Taxes:			
Property	6,378,749	-	6,378,749
Motor vehicle	1,279,923	-	1,279,923
Franchise tax	2,408,754	-	2,408,754
Revenue in lieu of taxes	6,363,728	-	6,363,728
Other	147,309	-	147,309
State aid	31,841,786	-	31,841,786
Investment earnings	341,320	-	341,320
Other	3,175,222	-	3,175,222
Total general revenues and transfers	51,936,791	-	51,936,791
Change in net position	5,496,295	883,298	6,379,593
Net position (deficit) - beginning of year	46,572,670	(990,596)	45,582,074
Net position (deficit) - end of year	\$ 52,068,965	\$ (107,298)	\$ 51,961,667

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Balance Sheet
Governmental Funds

<i>June 30, 2022</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 18,201,302	\$ -	\$ 3,622,083	\$ 975,663	\$ 22,799,048
Investments	7,138,660	-	-	-	7,138,660
Accounts receivable:					
Taxes	118,264	-	-	-	118,264
Accounts	910	-	-	941	1,851
Intergovernmental	-	1,496,145	-	-	1,496,145
Due from other funds	1,212,352	-	-	-	1,212,352
Inventory	313,201	-	-	-	313,201
Total assets	\$ 26,984,689	\$ 1,496,145	\$ 3,622,083	\$ 976,604	\$ 33,079,521

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Balance Sheet
Governmental Funds

<i>June 30, 2022</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 337,405	\$ 37,823	\$ 413,959	\$ 24,330	\$ 813,517
Accrued liabilities	145,713	-	-	-	145,713
Due to other funds	-	1,212,352	-	-	1,212,352
Unearned revenue	-	245,970	-	-	245,970
Total liabilities	483,118	1,496,145	413,959	24,330	2,417,552
Fund Balances					
Nonspendable	313,201	-	-	-	313,201
Restricted	597,897	-	3,208,124	921,449	4,727,470
Committed	3,860,174	-	-	-	3,860,174
Assigned	2,313,886	-	-	30,825	2,344,711
Unassigned	19,416,413	-	-	-	19,416,413
Total fund balances	26,501,571	-	3,208,124	952,274	30,661,969
Total liabilities and fund balances	\$ 26,984,689	\$ 1,496,145	\$ 3,622,083	\$ 976,604	\$ 33,079,521

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position

<u>June 30,</u>	<u>2022</u>
Total fund balances - governmental funds	\$ 30,661,969
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$144,268,539 and the accumulated depreciation is \$62,699,393.	81,569,146
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	377,614
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	(846,847)
Deferred outflows and inflows or resources related to OPEBs are applicable to future periods, therefore, are not reported in the funds statements.	(2,630,712)
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 consists of:	
Bonds payable	(28,009,608)
Accrued interest on outstanding bonds	(214,752)
Net pension liability	(15,736,219)
Net OPEB liability	(11,438,980)
Compensated absences	(1,662,646)
Total net position - governmental activities	\$ 52,068,965

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2022</i>	General Fund	Special Revenue Fund	Contraction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 5,493,711	\$ -	\$ -	\$ 885,038	\$ 6,378,749
Motor vehicle	1,279,923	-	-	-	1,279,923
Franchise tax	2,408,754	-	-	-	2,408,754
Revenue in lieu of taxes	6,363,728	-	-	-	6,363,728
Other	147,309	-	-	-	147,309
Earnings on investments	341,320	-	-	-	341,320
Other local revenue	1,326,801	-	-	1,624,663	2,951,464
Intergovernmental - state	30,547,992	1,777,272	-	2,839,601	35,164,865
Direct federal	231,844	59,254	-	-	291,098
Intergovernmental - federal	-	12,287,614	-	-	12,287,614
Total revenues	48,141,382	14,124,140	-	5,349,302	67,614,824
Expenditures					
Current:					
Instruction	26,348,945	12,356,345	-	1,437,479	40,142,769
Support services:					
Student	1,447,949	7,141	-	-	1,455,090
Instructional staff	1,512,744	28,289	-	-	1,541,033
District administration	1,468,611	-	-	-	1,468,611
School administration	3,041,039	-	-	-	3,041,039

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2022</i>	General Fund	Special Revenue Fund	Contruction Fund	Other Governmental Funds	Total Governmental Funds
Business	1,408,722	356,762	-	-	1,765,484
Plant operations and maintenance	5,994,783	370,540	-	-	6,365,323
Student transportation	3,530,011	654,120	-	-	4,184,131
Other	313,577	438,739	-	-	752,316
Food service operation	38,019	-	-	-	38,019
Debt service:					
Principal	-	-	-	3,060,000	3,060,000
Interest	-	-	-	837,326	837,326
Building improvements	35,228	-	1,243,666	-	1,278,894
Total expenditures	45,139,628	14,211,936	1,243,666	5,334,805	65,930,035
Excess (deficiency) of revenues over expenditures	3,001,754	(87,796)	(1,243,666)	14,497	1,684,789
Other Financing Sources (Uses)					
Operating transfers in	-	87,796	4,226,795	2,505,540	6,820,131
Operating transfers out	(4,487,278)	-	-	(2,332,853)	(6,820,131)
Total other financing sources (uses)	(4,487,278)	87,796	4,226,795	172,687	-
Net change in fund balances	(1,485,524)	-	2,983,129	187,184	1,684,789
Fund balances - beginning of year	27,987,095	-	224,995	765,090	28,977,180
Fund balances - end of year	\$ 26,501,571	\$ -	\$ 3,208,124	\$ 952,274	\$ 30,661,969

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities

<i>For the year ended June 30,</i>	2022
Total net change in fund balances - governmental funds	\$ 1,684,789
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$3,267,852) exceeds capital outlay (\$2,575,117) in the period.	(692,735)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	3,060,000
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	1,557,487
Cost of benefits earned net of employee contributions	(1,461,429)
Governmental funds report district OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	964,847
Cost of benefits earned net of employee contributions	(103,842)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	487,178
Change in net position - govermental activities	\$ 5,496,295

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Net Position
Proprietary Funds

<i>June 30, 2022</i>	Enterprise Fund Food Service	Day Care	Total
Assets			
Current Assets			
Cash	\$ 2,191,936	\$ 538,263	\$ 2,730,199
Accounts receivable:			
Intergovernmental	217,259	-	217,259
Inventory	33,940	-	33,940
Total current assets	2,443,135	538,263	2,981,398
Non-Current Assets			
Fixed assets - net	88,238	-	88,238
Total assets	2,531,373	538,263	3,069,636
Deferred Outflows of Resources			
OPEB related	336,903	65,318	402,221
Pension related	320,581	62,169	382,750
Total deferred outflows of resources	657,484	127,487	784,971
Liabilities			
Current Liabilities			
Accounts payable	1,748	163	1,911
Compensated absences	25,563	-	25,563
Total current liabilities	27,311	163	27,474
Long-Term Liabilities			
Compensated absences	12,165	-	12,165
Net OPEB liability	584,466	113,315	697,781
Net pension liability	1,946,935	377,467	2,324,402
Total long-term liabilities	2,543,566	490,782	3,034,348

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Net Position
Proprietary Funds

<i>June 30, 2022</i>	Enterprise Fund Food Service	Day Care	Total
Deferred Inflows of Resources			
OPEB related	328,552	63,699	392,251
Pension related	425,364	82,468	507,832
Total deferred inflows of resources	753,916	146,167	900,083
Net Position (Deficit)			
Net investment in capital assets	88,238	-	88,238
Unrestricted (deficit)	(224,174)	28,638	(195,536)
Total net position (deficit)	\$ (135,936)	\$ 28,638	\$ (107,298)

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

<i>For the year ended June 30, 2022</i>	Enterprise Fund		
	Food Service	Day Care	Total
Operating Revenues			
Lunchroom sales	\$ 78,688	\$ -	\$ 78,688
Tuition and fees	-	674,273	674,273
Total operating revenues	78,688	674,273	752,961
Operating Expenses			
Salaries and wages	1,263,020	397,983	1,661,003
Contract services	16,498	-	16,498
Materials and supplies	1,214,167	30,485	1,244,652
Other operating expenses	4,987	-	4,987
Depreciation expense	32,815	-	32,815
Total operating expenses	2,531,487	428,468	2,959,955
Operating (loss) income	(2,452,799)	245,805	(2,206,994)
Non-Operating Revenues (Expenses)			
State operating grants	244,362	51,458	295,820
Federal operating grants	2,561,972	-	2,561,972
Donated commodities	232,500	-	232,500
Total non-operating revenues	3,038,834	51,458	3,090,292
Change in net position	586,035	297,263	883,298
Net position (deficit) - beginning of year	(721,971)	(268,625)	(990,596)
Net position (deficit) - end of year	\$ (135,936)	\$ 28,638	\$ (107,298)

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2022</i>	Enterprise Fund Food Service	Day Care	Total
Operating Activities			
Cash received from user charges	\$ 78,688	\$ 674,273	\$ 752,961
Cash payments to employees for services	(1,259,360)	(286,780)	(1,546,140)
Cash payments for contract services	(16,498)	-	(16,498)
Cash payments to suppliers for goods and services	(985,726)	(30,967)	(1,016,693)
Cash payments for other operating expenses	(4,987)	-	(4,987)
Net cash (used in) provided by operating activities	(2,187,883)	356,526	(1,831,357)
Noncapital Financing Activities			
Nonoperating grants received	2,580,501	-	2,580,501
Net cash provided by noncapital financing activities	2,580,501	-	2,580,501
Net increase in cash	392,618	356,526	749,144
Cash - beginning of year	1,799,318	181,737	1,981,055
Cash - end of year	\$ 2,191,936	\$ 538,263	\$ 2,730,199

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2022</i>	Enterprise Fund		
	Food Service	Day Care	Total
Reconciliation of Operating (Loss) Income to Net Cash (Used In) Provided By Operating Activities			
Operating (loss) income	\$ (2,452,799)	\$ 245,805	\$ (2,206,994)
Adjustments To Reconcile Operating (Loss) Income To			
Net Cash (Used In) Provided By Operating Activities			
Depreciation	32,815	-	32,815
On-behalf payments	220,429	51,458	271,887
Commodities used	232,500	-	232,500
Pension contributions in excess of pension expense	(167,883)	45,525	(122,358)
OPEB contributions in excess of pension expense	(38,033)	14,220	(23,813)
Changes in assets and liabilities:			
Inventories	50,322	-	50,322
Accounts payable	(54,381)	(482)	(54,863)
Accrued benefits	(10,853)	-	(10,853)
Net cash (used in) provided by operating activities	\$ (2,187,883)	\$ 356,526	\$ (1,831,357)

Noncash Activities

- The food service fund received \$232,500 of donated commodities from the federal government.
- The District received on-behalf payments of \$220,429 relating to insurance benefits for the food service fund.
- The District received on-behalf payments of \$51,458 relating to insurance benefits for the day care fund.
- The District reclassified \$230,063 related to pension expense to deferred outflows of resources.
- The District reclassified \$62,637 related to OPEB expense to deferred outflows of resources.

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Fiduciary Net Position
Fiduciary Fund

<i>June 30, 2022</i>	Private Purpose Trust Fund	
Assets		
Cash and investments	\$	39,000
Total assets	\$	39,000
Net Position		
Held in trust for scholarships	\$	39,000
Net position	\$	39,000

The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund

<i>For the year ended June 30, 2022</i>	Private Purpose Trust Fund
<hr/>	
Deductions	
Scholarships	\$ 2,000
<hr/>	
Total deductions	2,000
<hr/>	
Change in net position	(2,000)
<hr/>	
Net position - beginning of year	41,000
<hr/>	
Net position - end of year	\$ 39,000
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The accompanying notes are an integral part of these financial statements.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

The Muhlenberg County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Muhlenberg County School District (the "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*, as 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 relevant to the operation of the Muhlenberg County School District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc., except for the funds administered as custodial funds.

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

Blended Component Unit

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, 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's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

The *Facility Support Program of Kentucky (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds are restricted for use in financing projects identified in the District's facility plan.

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The construction fund is a major fund.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Proprietary Fund Types

Enterprise Funds

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 contributions of commodities from the USDA. The food service fund is a major fund.

The *Day Care Fund* is used to account for day care services offered to the general public. The day care fund is a major fund.

Fiduciary Fund Types (includes custodial and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

Private Purpose Trust Fund

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as expenditure when paid.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

Estimates

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

Investments

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits, including nonparticipating/nonnegotiable certificates of deposit, are reported at cost.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds and transportation supplies in the General Fund, which record inventory at the lower of cost, determined by first-in first-out (“FIFO”) method, or net realizable value.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computer workstations and laptops for which there is a \$1,000 threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets 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	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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in the financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – Pension Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost-sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – OPEB Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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. Note 9 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and KTRS plans.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Nonexchange Transactions (continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

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 as nonoperating revenues/expenses in proprietary funds.

Interfund Balances

On fund financial statements, receivables and payables 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service and fees collected for daycare services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 11, 2022, which was the date the financial statements were made available.

Recent Issued and Adopted Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (as modified by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*). The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Issued and Adopted Accounting Pronouncements (continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans— an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The District has implemented the new requirements of this statement for the fiscal year ended June 30, 2022, which resulted in no impact on the beginning net position and fund balance of the District.

Recent Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The District is evaluating the requirements of this Statement.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 3: CASH AND INVESTMENTS

Deposits

At June 30, 2022, the carrying amounts of the District's cash and investments in deposits were \$32,109,072 and the bank balances were \$26,464,852, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follow:

<i>June 30,</i>	<i>2022</i>
Govenmental funds	\$ 29,339,873
Proprietary funds	2,730,199
Fiduciary funds	39,000
	\$ 32,109,072

Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2022, \$68,926 of the District's bank balance of \$26,464,852 was exposed to custodial credit risk.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principal. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2022:

- Publicly traded stocks of \$597,834 are valued using quoted market prices (Level 1 inputs)

<i>June 30, 2022</i>			
Investment	Rating	Maturities	Fair Value
Chevron Corp Stock	N/A	-	\$ 196,611
Exxon Mobile Corp	N/A	-	401,223
			\$ 597,834

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

The District is the beneficiary of the donated stock, which is restricted for the use of the Greenville Library.

<i>June 30, 2022</i>			
Investment	Rating	Maturities	Cost
Certificate of deposit (1)	N/A	7/23/2022	\$ 4,408,306
Certificate of deposit (1)	N/A	7/23/2022	2,132,519
			<u>\$ 6,540,825</u>

(1) Nonparticipating/nonnegotiable certificate of deposit

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. No more than five percent of the District's investments are in any one issuer, excluding nonparticipating/nonnegotiable certificates of deposit.

Risks and Uncertainties

The District holds investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2022 consist of the following:

<i>June 30, 2022</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 1,212,352

The amount represents interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

NOTE 5: CAPITAL ASSETS

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

<i>June 30, 2022</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 2,391,197	\$ -	\$ -	\$ 2,391,197
Construction in progress	10,588,908	1,495,704	10,840,946	1,243,666
Total non-depreciable historical cost	12,980,105	1,495,704	10,840,946	3,634,863
Capital assets that are depreciated:				
Land improvements	2,491,699	7,240	-	2,498,939
Buildings and improvements	110,512,079	10,841,506	-	121,353,585
Technology equipment	3,581,829	-	-	3,581,829
Vehicles	8,728,901	884,976	-	9,613,877
General	3,398,809	186,637	-	3,585,446
Total depreciable historical cost	128,713,317	11,920,359	-	140,633,676
Less accumulated depreciation for:				
Land improvements	1,931,441	112,374	-	2,043,815
Buildings and improvements	43,546,742	2,772,741	-	46,319,483
Technology equipment	3,565,243	54	-	3,565,297
Vehicles	7,496,975	297,422	-	7,794,397
General	2,891,140	85,261	-	2,976,401
Total accumulated depreciation	59,431,541	3,267,852	-	62,699,393
Total depreciable historical cost, net	69,281,776	8,652,507	-	77,934,283
Governmental activities, capital assets, net	\$ 82,261,881	\$ 10,148,211	\$ 10,840,946	\$ 81,569,146

Muhlenberg County School District
Notes to the Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

<i>June 30, 2022</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Business-Type Activities:				
Capital assets that are depreciated:				
Buildings and improvements	\$ 24,186	\$ -	\$ -	\$ 24,186
Technology equipment	2,166	-	-	2,166
General	1,508,224	-	-	1,508,224
Total depreciable historical cost	1,534,576	-	-	1,534,576
Less accumulated depreciation for:				
Buildings and improvements	24,186	-	-	24,186
Technology equipment	2,130	-	-	2,130
General	1,387,207	32,815	-	1,420,022
Total accumulated depreciation	1,413,523	32,815	-	1,446,338
Business-type activities, capital assets, net	\$ 121,053	\$ (32,815)	\$ -	\$ 88,238

Depreciation expense was charged to governmental functions as follows:

<i>For the year ended June 30,</i>	<i>2022</i>
Instruction	\$ 2,763,016
Support services:	
Student support	1,118
District administration	8,039
School administration	1,985
Business support	198
Facilities operations	192,672
Student transportation	293,306
Other	7,518
Total depreciation expense	\$ 3,267,852

Muhlenberg County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2011R Bond	\$ 6,560,000	1.25%-2.125%
2012R Bond	8,775,000	2.00%
2012 Bond	1,100,000	0.90%-2.125%
2013 Bond	6,000,000	1.00%-3.00%
2014 Bond	1,100,000	1.00%-4.00%
2014(2) Bond	3,325,000	3.00%-3.375%
2016R Bond	12,890,000	2.00%-2.25%
2019 Bond	7,125,000	3.00%-3.125%

The District, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Muhlenberg 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.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Year	Muhlenberg County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2022-2023	\$ 1,903,018	\$ 533,183	\$ 1,226,982	\$ 164,804	\$ 3,827,987
2023-2024	1,964,534	492,777	1,230,466	139,318	3,827,095
2024-2025	1,707,969	454,199	427,031	114,031	2,703,230
2025-2026	1,632,703	414,117	437,297	103,763	2,587,880
2026-2027	1,682,253	375,592	447,747	93,315	2,598,907
2027-2028	1,662,424	336,387	387,576	83,170	2,469,557
2028-2029	1,712,623	296,128	397,377	73,369	2,479,497
2029-2030	1,771,358	252,322	413,642	62,870	2,500,192
2030-2031	1,835,538	205,835	384,462	51,980	2,477,815
2031-2032	1,112,337	165,470	242,663	42,630	1,563,100
2032-2033	1,169,357	131,068	250,643	34,650	1,585,718
2033-2034	683,028	94,788	186,972	26,331	991,119
2034-2035	717,597	84,497	192,403	22,972	1,017,469
2035-2036	408,103	55,450	121,897	15,550	601,000
2036-2037	438,998	43,207	126,002	11,893	620,100
2037-2038	474,767	30,037	130,233	8,113	643,150
2038-2039	505,410	15,794	134,590	4,206	660,000
	<u>\$ 21,382,017</u>	<u>\$ 3,980,851</u>	<u>\$ 6,737,983</u>	<u>\$ 1,052,965</u>	<u>\$ 33,153,816</u>

Muhlenberg County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

<i>June 30, 2022</i>	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 31,180,000	\$ -	\$ (3,060,000)	\$ 28,120,000	\$ 3,130,000
Less (discounts)/premiums - net	(121,579)	-	11,187	(110,392)	-
Total bonds and notes payable	31,058,421	-	(3,048,813)	28,009,608	3,130,000
Other liabilities:					
Compensated absences	2,248,505	-	(585,859)	1,662,646	544,633
Total other liabilities	2,248,505	-	(585,859)	1,662,646	544,633
Total long-term liabilities	\$ 33,306,926	\$ -	\$ (3,634,672)	\$ 29,672,254	\$ 3,674,633
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 48,581	\$ -	\$ (10,853)	\$ 37,728	\$ 25,563
Total long-term liabilities	\$ 48,581	\$ -	\$ (10,853)	\$ 37,728	\$ 25,563

NOTE 7: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2022, the District had \$313,201 nonspendable in the general fund related to inventory.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2022, the District had \$597,897 restricted in the general fund for Greenville Library, \$921,449 restricted in the student activity fund for student activities and \$3,208,124 restricted in the construction fund for future construction projects.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 7: FUND BALANCES (CONTINUED)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2022: \$650,174 for compensated absences and \$3,210,000 for future construction.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The District has assigned \$1,345,009 for site-base carryforward and \$968,877 for encumbrances and other in the general fund and the special revenue district activity fund had assigned \$30,825 for operating costs of District's schools at June 30, 2022. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022 in the governmental funds balance sheet.

NOTE 8: PENSION PLANS

Pensions

Muhlenberg County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), a blended component unit of the Commonwealth of Kentucky and the County Employees' Retirement System (CERS), a component unit of the Commonwealth of Kentucky. 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 KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and 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.

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following two categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retires with 10 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 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete five years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

Cost of living increases are 1.5% 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. KTRS members are required to contribute 12.855% of their salaries to the KTRS effective July 1, 2015. For members employed by local school districts, the State, as a non-employer contributing entity, contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined thereafter.

Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts.

Pension Liabilities and Pension Expense

At June 30, 2022, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		75,720,612
Total	\$	<u>75,720,612</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures.

For the year ended June 30, 2022, the District recognized pension expense of \$11,796,025 and revenue of \$11,796,025 for support provided by the State in the government wide financial statements.

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age
Actuarial Assumptions:	
Investment rate of return	7.10% net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Municipal bond index rate	2.13%
Single equivalent interest rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. Equity	37.4%	4.20%
Small cap U.S. Equity	2.6%	4.70%
Developed International Equity	16.5%	5.30%
Emerging Markets Equity	5.5%	5.40%
Fixed Income	15.0%	-0.01%
High Yield Bonds	2.0%	1.70%
Other Additional Categories	5.0%	2.20%
Real Estate	7.0%	4.00%
Private Equity	7.0%	6.90%
Cash	2.0%	-0.30%
Total	100.0%	

Discount Rate

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

Pension Plan Fiduciary Net Position

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

NOTE 8: PENSION PLANS (CONTINUED)

General Information About the CERS Pension Plan

Plan Description

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

Tier 1 - Non-Hazardous Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute a total of 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420).

These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

Tier 3 - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Non-hazardous members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Non-hazardous Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation.

Contributions

Employers participating in the CERS were required to contribute at an actuarially determined rate, per Kentucky Revised Statute Section 78.545(33). The KRS Board of Trustees establishes the employer contribution rate based on KRS Section 78.545(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. For the fiscal year ended June 30, 2022 participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2022 was 21.17%.

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

At June 30, 2022, the District reported a liability of \$18,060,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2021 contributions to the pension plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .283269%.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,474,789. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 207,391	\$ 175,291
Net difference between projected and actual investment earnings on pension plan investments	700,633	3,107,810
Change of assumptions	242,395	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35,963	662,759
District contributions subsequent to the measurement date	1,787,549	-
Total	\$ 2,973,931	\$ 3,945,860

\$1,787,549 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 8: PENSION PLANS (CONTINUED)

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

Year ended June 30,	
2022	\$ (635,500)
2023	(814,041)
2024	(556,133)
2025	(753,804)
Thereafter	-

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2020. The actuarial assumptions are:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for non-disabled retired members was 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. The mortality table used for the disabled members was 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.

Long-Term Expected Rate of Return

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 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 are summarized in the table below.

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	68.50%	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special 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%
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		2.30%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease (5.25%)</u>	<u>Current Discount Rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
District's proportionate share of the net pension liability	\$ 23,163,603	\$ 18,060,621	\$ 13,838,023

NOTE 8: PENSION PLANS (CONTINUED)

Pension Plan Fiduciary Net Position

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

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans will omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

District employees, in positions requiring a four-year degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 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 on the TRS website.

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 Health Insurance Trust and Life Insurance Plans. The following information is about the TRS plans:

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Health Insurance Trust

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 Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions. 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 and a required amount of service credit. The TRS medical plan offers coverage to members under the age of 65 and not eligible for Medicare through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

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

At June 30, 2022, the District reported a liability of \$6,715,000 for its proportionate share of 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 of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.312965%.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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	\$ 6,715,000
State's proportionate share of the net OPEB liability associated with the District	5,454,000
Total	\$ 12,169,000

For the year ended June 30, 2021, the District recognized OPEB expense of (\$341,000), which included (\$36,000) related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,993,000
Changes of assumptions	1,756,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	716,000
Changes in proportion and differences between District contributions and proportionate share of contributions	323,000	609,000
District contributions subsequent to measurement date	540,797	-
Total	\$ 2,619,797	\$ 5,318,000

Of the total amount reported as deferred outflows of resources related to OPEB, \$540,797 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Muhlenberg County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

<i>Year ended June 30,</i>	
2022	\$ (761,000)
2023	(765,000)
2024	(723,000)
2025	(687,000)
2026	(245,000)
Thereafter	(58,000)

Actuarial Assumptions

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

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation
Discount Rate	7.10%
Healthcare Cost Trends:	
KEHP group	7.00% for FYE 2021 decreasing to an ultimate rate of 4.50% by FYE 2031
MEHP group	5.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2024
Medicare Part B Premiums	4.40% for FYE 2021 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees and active members.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

The demographic actuarial assumptions for retirement disability, incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. 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 healthcare cost trend rate assumption was updated for the June 30, 2020 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

The long-term expected rate of return on OPEB 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 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 Categories: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	-0.30%
Total	100.00%	

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

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

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

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 a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the collective net OPEB liability	\$ 8,597,000	\$ 6,715,000	\$ 5,159,000

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends Rates

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 4,879,000	\$ 6,715,000	\$ 9,001,000

OPEB Plan Fiduciary Net Position

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

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The TRS Life Insurance Trust 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 \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

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

At June 30, 2022, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the 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 net OPEB liability, the related Commonwealth of Kentucky (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	\$	-
State's proportionate share of the net OPEB liability associated with the District		73,000
Total	\$	<u>73,000</u>

Actuarial Assumptions

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation
Discount Rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results for the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

The long-term expected rate of return on OPEB 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 are summarized in the following table:

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The KRS Insurance Fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2022, the required contribution was 5.78% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2022, were \$486,687. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

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

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

At June 30, 2022, the District reported a liability of \$5,421,761 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on the District's share of 2021 contributions to the OPEB plan relative to the 2021 contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.283202%.

For the year ended June 30, 2021, the District recognized OPEB expense of \$641,126.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 852,573	\$ 1,618,757
Net difference between projected and actual investment earnings on OPEB plan investments	273,164	1,121,323
Change of assumptions	1,437,412	5,041
Changes in proportion and differences between employer contributions and proportionate share of contributions	75,418	302,672
District contributions subsequent to the measurement date	486,687	-
Total	<u>\$ 3,125,254</u>	<u>\$ 3,047,793</u>

For the year ended June 30, 2022, \$486,687 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30,</i>	
2022	\$ 76,572
2023	(52,217)
2024	(77,191)
2025	(356,390)
2026	-
Thereafter	-

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2021, using generally accepted actuarial principles. The plan adopted new actuarial assumptions since June 30, 2020, which were used to determine the total OPEB liability as follows:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.25%
Healthcare 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.
Healthcare Trend Rates (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, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
Mortality (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.
Mortality (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.

Long-Term Expected Rate of Return

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 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 are summarized in the tables below.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	68.50%	
US Equity	21.75%	5.70%
Non US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special 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%
Real Return	10.00%	4.55%
Expected Real Return	<u>100.00%</u>	5.00%
Long Term Inflation Assumption		2.30%

Discount Rate

Single discount rates of 5.20% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate (continued)

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. This includes the phase-in provisions from House Bill 362 (passed during the 2018 legislative session) which limits the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2022, calculated using the discount rate of 5.20%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease (4.20%)</u>	<u>Current Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
District's proportionate share of the collective net OPEB liability	\$ 7,444,036	\$ 5,421,761	\$ 3,762,148

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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ 3,903,023	\$ 5,421,761	\$ 7,254,900

OPEB Plan Fiduciary Net Position

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the 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.

NOTE 11: CONCENTRATIONS

For the year ended June 30, 2022, the District received \$6,363,728 from the Tennessee Valley Authority (TVA) as payment in-lieu-of-tax, which represented 13.2% of the total general fund revenues.

NOTE 12: RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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 13: LITIGATION

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 14: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has one fund with a deficit net position, Food service (\$135,936). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>For the year ended June 30, 2022</i>	
Fund	Amount
General Fund	\$ 1,485,524

NOTE 15: FUND TRANSFERS

Fund transfers for the year ended June 30, 2022 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General Fund	Special Revenue Fund	Matching	\$ 87,796
Operating	General Fund	Construction Fund	Construction	4,226,795
Operating	General Fund	Debt Service	Debt Service	172,687
Operating	SEEK	Debt Service	Debt Service	418,074
Operating	FSPK	Debt Service	Debt Service	1,914,779

Muhlenberg County School District
Notes to the Financial Statements

NOTE 16: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2022, was \$13,057,913. These payments were recorded in the funds as follows:

<i>Year ended June 30, 2022</i>	
Fund	Amount
General Fund	\$ 11,394,240
Debt Service Fund	1,391,786
Food Service Fund	220,429
Day Care Fund	51,458
Total	\$ 13,057,913
<i>Year ended June 30, 2022</i>	
Technology	\$ 117,461
Health Insurance less Federal Reimbursements	4,685,007
Life Insurance	8,489
Administrative Fees	67,771
HRA/Dental/Vision Insurance	280,864
SFCC Debt Service	1,391,786
KTRS	6,506,535
Total	\$ 13,057,913

Muhlenberg County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2022</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 12,881,042	\$ 12,692,943	\$ 17,361,546	\$ 4,668,603
State programs	30,509,514	30,509,514	30,547,992	38,478
Federal programs	200,000	200,000	231,844	31,844
<hr/>				
Total revenues	43,590,556	43,402,457	48,141,382	4,738,925
<hr/>				
Expenditures				
Current:				
Instruction	31,223,907	31,562,014	26,348,945	5,213,069
Support services:				
Student	1,511,353	1,503,049	1,447,949	55,100
Instructional staff	947,374	976,668	1,512,744	(536,076)
District administration	2,135,826	2,193,645	1,468,611	725,034
School administration	2,888,050	2,901,852	3,041,039	(139,187)
Business	1,268,349	1,288,349	1,408,722	(120,373)
Plant operations and maintenance	6,992,030	7,753,373	5,994,783	1,758,590
Student transportation	4,504,140	4,504,140	3,530,011	974,129
Other	341,735	332,087	313,577	18,510
Food service operations	47,945	47,945	38,019	9,926
Building improvements	-	1,582,314	35,228	1,547,086
Contingency	8,995,536	8,700,887	-	8,700,887
<hr/>				
Total expenditures	60,856,245	63,346,323	45,139,628	18,206,695

Muhlenberg County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2022</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Excess (deficiency) of revenues over expenditures	(17,265,689)	(19,943,866)	3,001,754	22,945,620
Other Financing Sources (Uses)				
Operating transfers - net	-	-	(4,487,278)	(4,487,278)
Total other financing sources (uses)	-	-	(4,487,278)	(4,487,278)
Net change in fund balance	(17,265,689)	(19,943,866)	(1,485,524)	18,458,342
Fund balance-beginning of year	17,265,689	19,802,986	27,987,095	8,184,109
Fund balance- end of year	\$ -	\$ (140,880)	\$ 26,501,571	\$ 26,642,451

Muhlenberg County School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2022</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
State programs	\$ 2,763,279	\$ 2,941,574	\$ 1,777,272	\$ (1,164,302)
Federal programs	12,441,367	22,550,985	12,346,868	(10,204,117)
Total revenues	15,204,646	25,492,559	14,124,140	(11,368,419)
Expenditures				
Current:				
Instruction	13,607,529	22,625,517	12,356,345	10,269,172
Support services:				
Student	130,752	99,977	7,141	92,836
Instructional staff	114,636	181,592	28,289	153,303
District administration	-	627,000	-	627,000
School administration	94,887	201,631	-	201,631
Business	58,287	58,287	356,762	(298,475)
Plant operations and maintenance	-	500,000	370,540	129,460
Student transportation	760,090	760,090	654,120	105,970
Other	438,465	438,465	438,739	(274)
Total expenditures	15,204,646	25,492,559	14,211,936	11,280,623
Excess (deficiency) of revenues over expenditures	-	-	(87,796)	(87,796)

Muhlenberg County School District
 Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2022</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
Other Financing Sources (Uses)					
Operating transfers - net	-	-	87,796	87,796	
Total other financing sources (uses)	-	-	87,796	87,796	
Net change in fund balance	-	-	-	-	
Fund balance-beginning of year	-	-	-	-	
Fund balance-end of year	\$ -	\$ -	\$ -	\$ -	

Muhlenberg County School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 Kentucky Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS									
<i>As of June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 75,720,612	\$ 87,036,809	\$ 84,510,868	\$ 79,773,478	\$ 163,528,921	\$ 175,851,028	\$ 191,991,858	\$ 170,334,850	
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	\$ 21,425,484	\$ 24,579,636	
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%	

Schedule of the District's Contributions-KTRS									
<i>For the Year Ended June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015	
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	\$ 21,425,484	
Contributions as a percentage of covered payroll	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%

Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System

Changes of Benefit Terms

None noted.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

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

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

Muhlenberg County School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 County Employees Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS

<i>As of June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.283269%	0.293371%	0.304180%	0.299454%	0.290814%	0.284910%	0.337830%	0.346506%
District's proportionate share of the net pension liability	\$ 18,060,621	\$ 22,501,313	\$ 21,393,115	\$ 18,237,661	\$ 17,022,238	\$ 14,027,874	\$ 14,524,918	\$ 11,242,000
District's covered payroll	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293	\$ 7,945,412	\$ 7,893,250
District's proportionate share of the net pension liability as a percentage of its covered payroll	233.82%	296.87%	278.94%	245.52%	241.58%	207.41%	182.81%	142.43%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Schedule of the District's Contributions-CERS

<i>For the Year Ended June 30,</i>	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001	\$ 1,013,040
Contributions in relation to the contractually required contribution	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001	\$ 1,013,040
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293	\$ 7,945,412
Contributions as a percentage of covered payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
County Employees Retirement System

Changes of Benefit Terms

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

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

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

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
County Employees Retirement System

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

**Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System – Medical Insurance Fund**

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS					
<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.312965%	0.331674%	0.331938%	0.315874%	0.320675%
District's proportionate share of the collective net OPEB liability	\$ 6,715,000	\$ 8,371,000	\$ 9,715,000	\$ 10,960,000	\$ 11,435,000
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	32.41%	40.15%	46.12%	53.52%	57.11%
Plan fiduciary net position as a percentage of the total OEPB liability	51.74%	39.05%	32.58%	25.50%	21.18%
Schedule of the District's Contributions - KTRS					
<i>For the year ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ 540,797	\$ 535,205	\$ 655,424	\$ 660,257	\$ 643,153
Contributions in relation to the contractually required contribution	540,797	535,205	655,424	660,257	643,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428
Contributions as percentage of covered payroll	2.41%	2.58%	3.14%	3.13%	3.14%

Changes of Benefit Terms

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 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.

**Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System – Life Insurance Fund**

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS					
<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151
District's proportionate share of the collective 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 OEPB liability	89.15%	71.57%	73.40%	75.00%	79.99%

Schedule of the District's Contributions - KTRS					
<i>For the year ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 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.

**Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
County Employees Retirement System**

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

<i>As of June 30,</i>	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.283202%	0.293286%	0.304098%	0.299442%	0.290814%
District's proportionate share of the net OPEB liability	\$ 5,421,761	\$ 7,081,965	\$ 5,114,791	\$ 5,316,533	\$ 5,846,356
District's covered payroll	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	70.19%	93.44%	66.69%	71.57%	82.97%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%

Schedule of District Contributions - CERS

<i>For the years ended June 30,</i>	2022	2021	2020	2019	2018
Contractually required contribution	\$ 486,687	\$ 368,048	\$ 361,150	\$ 403,676	\$ 349,034
Contributions in relation to the contractually required contribution	486,687	368,048	361,150	403,676	349,034
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143
Contributions as a percentage of covered payroll	5.78%	4.76%	4.76%	5.26%	4.70%

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

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions
County Employees Retirement System

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

Muhlenberg County School District
Combining Balance Sheet
Nonmajor Governmental Funds

<i>June 30, 2022</i>	SEEK Capital Outlay Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Assets						
Cash	\$ -	\$ -	\$ 30,825	\$ 944,838	\$ -	\$ 975,663
Accounts receivable:						
Accounts	-	-	-	941	-	941
Total assets	\$ -	\$ -	\$ 30,825	\$ 945,779	\$ -	\$ 976,604
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 24,330	\$ -	\$ 24,330
Total liabilities	-	-	-	24,330	-	24,330
Fund Balances						
Restricted	-	-	-	921,449	-	921,449
Assigned	-	-	30,825	-	-	30,825
Total fund balances	-	-	30,825	921,449	-	952,274
Total liabilities and fund balances	\$ -	\$ -	\$ 30,825	\$ 945,779	\$ -	\$ 976,604

Muhlenberg County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended June 30, 2021</i>	SEEK Capital Outlay Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$ -	\$ 885,038	\$ -	\$ -	\$ -	\$ 885,038
Other local revenue	-	-	28,766	1,595,897	-	1,624,663
Intergovernmental - state	418,074	1,029,741	-	-	1,391,786	2,839,601
Total revenues	418,074	1,914,779	28,766	1,595,897	1,391,786	5,349,302
Expenditures						
Current:						
Instruction	-	-	16,868	1,420,611	-	1,437,479
Debt service:						
Principal	-	-	-	-	3,060,000	3,060,000
Interest	-	-	-	-	837,326	837,326
Total expenditures	-	-	16,868	1,420,611	3,897,326	5,334,805
Excess (deficiency) of revenues over expenditures	418,074	1,914,779	11,898	175,286	(2,505,540)	14,497
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	-	2,505,540	2,505,540
Operating transfers out	(418,074)	(1,914,779)	-	-	-	(2,332,853)
Total other financing sources (uses)	(418,074)	(1,914,779)	-	-	2,505,540	172,687
Net change in fund balances	-	-	11,898	175,286	-	187,184
Fund balances - beginning of year	-	-	18,927	746,163	-	765,090
Fund balances - end of year	\$ -	\$ -	\$ 30,825	\$ 921,449	\$ -	\$ 952,274

Muhlenberg County School District
Combining Statement of School Activity Funds

<i>As of and for the year ended June 30, 2022</i>	Cash July 1, 2021	Cash Receipts	Cash Disbursements	Cash June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2022
Bremen Elementary School	\$ 42,851	\$ 165,953	\$ 69,587	\$ 139,217	\$ -	\$ -	\$ 139,217
Central City Elementary School	77,595	94,315	87,419	84,491	-	-	84,491
Greenville Elementary School	50,107	137,796	134,920	52,983	30	91	52,922
Longest Elementary School	22,183	70,398	58,329	34,252	-	-	34,252
Muhlenberg South Elementary School	26,559	91,883	92,175	26,267	-	-	26,267
Muhlenberg North Middle School	99,166	128,932	122,604	105,494	748	2,045	104,197
Muhlenberg South Middle School	77,727	108,114	108,494	77,347	163	-	77,510
Muhlenberg County West Campus	279,303	484,503	502,737	261,069	-	22,194	238,875
Muhlenberg County East Campus	83,139	315,335	234,756	163,718	-	-	163,718
Total	\$ 758,630	\$ 1,597,229	\$ 1,411,021	\$ 944,838	\$ 941	\$ 24,330	\$ 921,449

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	Cash	Cash	Cash	Cash	Accounts	Accounts	Fund Balance
	July 1, 2021	Receipts	Disbursements	June 30, 2022	Receivable	Payable	June 30, 2022
General	\$ 935	\$ 537	\$ 1,472	\$ -	\$ -	\$ -	\$ -
High School Fees	-	134	134	-	-	-	-
Library	4,730	-	4,730	-	-	-	-
Start-Up	-	900	900	-	-	-	-
Student Snacks	3,301	-	3,301	-	-	-	-
Athletics	20,074	106,295	74,733	51,636	-	4,619	47,017
Football	-	17,420	2,854	14,566	-	-	14,566
Tennis	5,250	2,950	1,829	6,371	-	-	6,371
Concessions	22,577	33,654	44,130	12,101	-	-	12,101
Boys' Basketball	453	8,808	8,886	375	-	-	375
Girls' Basketball	431	5,917	5,575	773	-	-	773
Athletic Boosters	2,515	39,416	38,780	3,151	-	-	3,151
Girls' Golf	2,447	1,400	1,913	1,934	-	700	1,234
Boys' Soccer	5,902	1,521	4,383	3,040	-	-	3,040
Softball	8,130	15,626	12,508	11,248	-	-	11,248
Swim Team	-	4,463	3,007	1,456	-	-	1,456
Boys' Golf	871	4,200	2,445	2,626	-	-	2,626
Track Team	-	3,185	2,521	664	-	-	664
Band	798	34,878	30,497	5,179	-	-	5,179
Chorus	8,151	-	772	7,379	-	400	6,979
Archery	-	5,676	5,536	140	-	-	140
Baseball	-	29,074	16,831	12,243	-	-	12,243
Cross Country	-	28,700	15,390	13,310	-	-	13,310

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	Cash July 1, 2021	Cash Receipts	Cash Disbursements	Cash June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2022
Girls' Soccer	-	6,023	4,210	1,813	-	350	1,463
Volleyball	-	11,569	6,833	4,736	-	2,075	2,661
Trap Shooting	-	4,277	4,224	53	-	-	53
FFA	18,701	-	18,701	-	-	-	-
Family and Consumer Science- Shar	2,462	-	2,462	-	-	-	-
FCCLA	3,148	-	3,148	-	-	-	-
Family and Consumer Science- Payt	391	-	391	-	-	-	-
Engineering Club	96	-	96	-	-	-	-
Bass Fishing Team	1,142	7,950	9,092	-	-	-	-
STLP Club	938	-	938	-	-	-	-
Adaptive PE	72	-	72	-	-	-	-
Dare To Be Different Club	652	-	652	-	-	-	-
Matter of Taste	1,583	-	1,583	-	-	-	-
Felix Martin Hall Activities	47	2,204	2,251	-	-	-	-
FFA National Convention	1,035	-	1,035	-	-	-	-
Math Department	153	-	153	-	-	-	-
Yearbook	30,118	-	30,118	-	-	-	-
Social Studies	408	-	408	-	-	-	-
Drama Department	22,620	11,578	14,955	19,243	-	150	19,093
Dance Team	2,344	4,455	5,748	1,051	-	-	1,051
Bass Fishing Boat	2,525	40,723	-	43,248	-	-	43,248
Cheerleaders	3,267	8,536	9,455	2,348	-	2,200	148

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	Cash	Cash	Cash	Cash	Accounts	Accounts	Fund Balance
	July 1, 2021	Receipts	Disbursements	June 30, 2022	Receivable	Payable	June 30, 2022
Drama Club	2,087	583	-	2,670	-	900	1,770
National Honor Society	1,668	-	1,668	-	-	-	-
HOSA	6,963	-	6,963	-	-	-	-
Spirit Club	8,031	11,788	12,385	7,434	-	-	7,434
Art Club	185	-	185	-	-	-	-
Skills USA Club	785	-	785	-	-	-	-
Technology Department	172	-	172	-	-	-	-
Math Club	1,133	-	1,133	-	-	-	-
Student Council	1,248	-	1,248	-	-	-	-
Scholarship Fund	-	-	(200)	200	-	-	200
FRYSC - MFW	-	6,000	6,000	-	-	-	-
JROTC	3,980	-	3,980	-	-	-	-
YSC Bremen Tornado Relief	-	26,848	11,750	15,098	-	10,750	4,348
Class of 2020/2021	4,385	-	4,385	-	-	-	-
Youth Service Center	2,194	17,928	18,517	1,605	-	50	1,555

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – West Campus

<i>As of and for the year ended June 30, 2022</i>	Cash July 1, 2021	Cash Receipts	Cash Disbursements	Cash June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2022
Guidance Department	528	-	528	-	-	-	-
College Board Test Fees	6,478	-	6,478	-	-	-	-
Ag Achiever Grant	4,000	-	4,000	-	-	-	-
Class of 2021/2022	2,619	25,326	17,613	10,332	-	-	10,332
YSC-FM-Don	435	-	435	-	-	-	-
"Denise Baker Scholarship" Fund	1,170	500	1,500	170	-	-	170
DECA Club	3,480	-	3,480	-	-	-	-
Project Prom	6,279	1,000	4,403	2,876	-	-	2,876
Greenhouse	18,583	-	18,583	-	-	-	-
Wildlife Management	19,186	-	19,186	-	-	-	-
Multicultural Club	559	-	559	-	-	-	-
Future Educators of America	2,799	-	2,799	-	-	-	-
George Taylor Classic	2,089	-	2,089	-	-	-	-
Transfers	-	(47,539)	(47,539)	-	-	-	-
Total	\$ 279,303	\$ 484,503	\$ 502,737	\$ 261,069	\$ -	\$ 22,194	\$ 238,875

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – East Campus

<i>As of and for the year ended June 30, 2022</i>	Cash July 1, 2021	Cash Receipts	Cash Disbursements	Cash June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2022
General Fund	\$ 33	\$ 65,360	\$ 62,083	\$ 3,310	\$ -	\$ -	\$ 3,310
FCS - Payton	-	2,869	2,462	407	-	-	407
KYA	89	-	-	89	-	-	89
Rewards	151	3,840	1,057	2,934	-	-	2,934
Yearbook	-	37,416	10,352	27,064	-	-	27,064
FCCLA Club	-	3,149	-	3,149	-	-	3,149
Engineering Club	-	366	360	6	-	-	6
AP Test Fees	-	6,658	3,794	2,864	-	-	2,864
Guidance	55	670	140	585	-	-	585
Greenhouse	10,506	27,142	5,512	32,136	-	-	32,136
Equine Science	209	2,022	1,928	303	-	-	303
Farm Machinery Show	129	-	129	-	-	-	-
Start Up Change Account	-	700	700	-	-	-	-
FFA Fundraiser Account	-	53,760	28,988	24,772	-	-	24,772
Adaptive PE	-	2,098	933	1,165	-	-	1,165
Matter of Taste	-	11,266	4,213	7,053	-	-	7,053
FFA Camp	80	-	80	-	-	-	-
Land Judging Fund	693	-	-	693	-	-	693
FFA Dues	4,645	-	4,645	-	-	-	-
National Convention	3,038	-	3,038	-	-	-	-
Geology Club	47	-	-	47	-	-	47
Spanish Club	4	-	4	-	-	-	-
AG Achiever Grant	-	4,000	4,000	-	-	-	-
Art/Neihaus	640	350	990	-	-	-	-
Art/Scates	4	225	229	-	-	-	-
Art Club	-	1,521	613	908	-	-	908
Academic Team	869	220	632	457	-	-	457
JROTC Fundraiser	-	8,910	6,197	2,713	-	-	2,713
Skills USA	-	784	-	784	-	-	784
National Honor Society	-	4,538	1,544	2,994	-	-	2,994

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – East Campus

<i>As of and for the year ended June 30, 2022</i>	Cash July 1, 2021	Cash Receipts	Cash Disbursements	Cash June 30, 2022	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2022
Dare 2 B Club	84	653	-	737	-	-	737
German Club	20	-	20	-	-	-	-
Math Club	14	1,285	-	1,299	-	-	1,299
Foreign Language	260	24	-	284	-	-	284
STLP	1,025	939	-	1,964	-	-	1,964
Media	633	-	633	-	-	-	-
AP History/Geography	215	408	-	623	-	-	623
Sr. Beta	5,379	38,973	43,983	369	-	-	369
Drama Club	583	-	583	-	-	-	-
Student Government	1,793	1,247	-	3,040	-	-	3,040
Multicultural	419	558	-	977	-	-	977
DECA	1,558	6,099	4,787	2,870	-	-	2,870
Library	775	5,447	183	6,039	-	-	6,039
Swim Team	1,265	-	1,265	-	-	-	-
Archery	2,541	-	2,541	-	-	-	-
Baseball	10,546	-	10,546	-	-	-	-
Felix Martin \$50 Teachers	1	-	1	-	-	-	-
FM10 YR Gift FRYSC	781	-	781	-	-	-	-
Track Team	1,438	-	1,438	-	-	-	-
Cross Country	13,725	-	13,725	-	-	-	-
Girls Soccer	2,768	-	2,768	-	-	-	-
HOSA	-	7,879	959	6,920	-	-	6,920
Stem Club	51	-	51	-	-	-	-
Volleyball	2,683	-	2,683	-	-	-	-
Trap Shooting	51	-	51	-	-	-	-
Culinary Arts	-	2,924	-	2,924	-	-	2,924
Football	13,339	-	13,339	-	-	-	-
Wildlife	-	21,191	4,810	16,381	-	-	16,381
Educators Rising	-	2,798	-	2,798	-	-	2,798
Muhlenberg Metalworks	-	2,098	409	1,689	-	-	1,689
Automotive/Technology	-	371	-	371	-	-	371
Transfers	-	(15,423)	(15,423)	-	-	-	-
Total	\$ 83,139	\$ 315,335	\$ 234,756	\$ 163,718	\$ -	\$ -	\$ 163,718

Muhlenberg County School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program- noncash	10.555	--	-	\$ 232,500
Passed-Through State Department of Education:				
Summer Food Service Program for Children	10.559	7740023 21	-	121,882
School Breakfast Program	10.553	7760005 22	-	495,292
National School Lunch Program	10.555	7750002 22	-	1,812,759
COVID-19 National School Lunch Program	10.555	9980000 21	-	<u>124,724</u>
Subtotal				2,787,157
COVID-19 State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Cost	10.649	9990001 21	-	3,063
State Administrative Expenses for Child Nutrition	10.560	7000001 21	-	4,252
Total U.S. Department of Agriculture				2,794,472
U.S. Department of Defense				
Direct Program				
ROTC - 2022	12.000	--	-	59,254
Total U.S. Department of Defense				59,254
U.S. Department of Education				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2020	84.010	3100002 19	-	1,394
Title I Grants to Local Educational Agencies - 2021	84.010	3100002 20	-	578,224
Title I Grants to Local Educational Agencies - 2022	84.010	3100002 21	-	<u>738,717</u>
Subtotal				1,318,335
Special Education Cluster				
Special Education Grants to States - 2019	84.027	3810002 18	-	28,973
Special Education Grants to States - 2020	84.027	3810002 19	-	33,532
Special Education Grants to States - 2021	84.027	3810002 20	-	966,018
Special Education Grants to States - 2022	84.027	3810002 21	-	299,958
COVID-19 Special Education Grants to States - 2022	84.027	4910002-21	-	36,773
Special Education Preschool Grants - 2020	84.173	3800002 19	-	1,118
Special Education Preschool Grants - 2020	83.173	3800002 19	-	45,110
Special Education Preschool Grants - 2021	84.173	3800002 20	-	<u>10,137</u>
Subtotal				1,421,619

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Muhlenberg County School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Career and Technical Education - Basic Grants to States - 2021	84.048	3710002 20	-	16,489
Career and Technical Education - Basic Grants to States - 2022	84.048	3710002 21	-	64,723
Subtotal				81,212
Supporting Effective Instruction State Grant - 2021	84.367	3230002 20	-	40,041
Supporting Effective Instruction State Grant - 2022	84.367	3230002 21	-	142,927
Subtotal				182,968
Student Support and Academic Enrichment Program - 2020	84.424	3420002 19	-	32,448
Student Support and Academic Enrichment Program - 2021	84.424	3420002 20	-	32,789
Student Support and Academic Enrichment Program - 2022	84.424	3420002 21	-	63,074
Subtotal				128,311
Rural Education - 2020	84.358	3140002 19	-	8,620
Rural Education - 2021	85.358	3140002 20	-	85,465
Rural Education - 2022	86.358	3140002 21	-	16,193
Subtotal				110,278
COVID-19 Education Stabilization Fund				
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 21	-	4,217,039
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 20	-	168,855
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	CARE-20	-	4,658,997
Subtotal				9,044,891
Total U.S. Department of Education				12,287,614
Total expenditures of federal awards			\$ -	\$ 15,141,340

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Muhlenberg County School District
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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 presented where available.

Nonmonetary assistance is reported in the schedule at fair value of the goods received.

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 5: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2022.

Muhlenberg County School District Summary Schedule of Prior Audit Findings



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**Muhlenberg County School District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2021**

2021-001 Year End Subsidiary Ledger Reconciliation for Accounts Receivable

Condition: The District's processes over recording accounts receivable needs improvement as audit adjustments were required to correct the June 30, 2021 account balances.

Recommendation: We recommend the District review the processes and internal controls relating to the recording of accounts receivable to ensure amounts are properly reflected in the District's financial statements. Additional training in recording accounts receivable would improve the processes and documented reviews of the accounts receivable general ledger and subsidiary ledger would strengthen the internal controls.

Current Status: The recommendation was adopted on November 11, 2021. No similar findings were noted in the 2022 audit.

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, 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 the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Muhlenberg County School District (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Muhlenberg County School District's basic financial statements, and have issued our report thereon dated November 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the District in a separate letter dated November 11, 2022.

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 11, 2022



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**Independent Auditors' Report on Compliance
for Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 the 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 the 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 the 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 11, 2022

Muhlenberg County School District
Schedule of Findings and Questioned Costs

Section I — Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major Federal programs: unmodified

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

Identification of major federal program:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
84.425 84.027; 84.173	COVID-19 Education Stabilization Fund Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes No

Muhlenberg County School District
Schedule of Findings and Questioned Costs (Continued)

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.



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Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 11, 2022 contains our report on the District's internal control. This letter does not affect our report dated November 11, 2022 on the financial statements of the District.

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 11, 2022

Muhlenberg County School District Comments and Recommendations

Prior Year Comments Not Corrected

• Bremen Elementary School

- In our procedures over the bank reconciliation, we noted one check totaling \$36.19 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.

Current Year

• Longest Elementary School

- In our procedures over the bank reconciliation, we noted four checks totaling \$146.57 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.

• Muhlenberg South Elementary School

- During our sampling procedures over disbursements, we noted one of two disbursements where the supporting invoice was not cancelled as paid. We recommend all invoices be cancelled as paid in accordance with Redbook.

• Muhlenberg County High School – East Campus

- In our scanning of cash disbursements, we noted eleven disbursement checks that did not have dual signatures. We recommend all checks contain dual signatures in accordance with Redbook.
- During our sampling procedures over disbursements, we noted one of three disbursements where the purchase order was not signed by the person requesting the merchandise. We recommend all purchase orders contain the signature of the person requesting the merchandise in accordance with Redbook.

• Central Office

- During our review of journal entries, we noted two journal entries that lacked documented approval. We recommend all general journal entries be approved by authorized District personnel.
- During our procedures over cash and investments, we noted the District had an amount (\$68,926) exposed to custodial credit risk. We recommend management, at least on an annual basis, review to ensure the District has adequate pledged securities for coverage.

Prior Year

All other prior year findings were corrected.



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Prior Year Comments Not Corrected

• Bremen Elementary School

- In our procedures over the bank reconciliation, we noted one check totaling \$36.19 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.
 - **The check has been voided and a new check was issued.**

Current Year

• Longest Elementary School

- In our procedures over the bank reconciliation, we noted four checks totaling \$146.57 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.
 - **Longest Elementary will ensure they review checks that have a stale date of 180 days after issue. Checks are voided after the 180 days. An outstanding check register is made monthly to review all uncashed checks.**

• Muhlenberg South Elementary School

- During our sampling procedures over disbursements, we noted one of two disbursements where the supporting invoice was not cancelled as paid. We recommend all invoices be cancelled as paid in accordance with Redbook.
 - **Invoices will be reviewed on a monthly basis to ensure they are marked as paid.**

• Muhlenberg County High School

- In our scanning of cash disbursements, we noted eleven disbursement checks that did not have dual signatures. We recommend all checks contain dual signatures in accordance with Redbook.
 - **Each check is signed by two parties. Moving forward, checks will be reviewed prior to issuing to ensure dual signatures have been received.**
- During our sampling procedures over disbursements, we noted one of three disbursements where the purchase order was not signed by the person requesting the merchandise. We recommend all purchase orders contain the signature of the person requesting the merchandise in accordance with Redbook.
 - **Moving forward MCHS will ensure all purchase orders are signed by the appropriate personnel.**

Muhlenberg County School District
Client Responses

• **Central Office**

- During our review of journal entries, we noted two journal entries that lacked documented approval. We recommend all general journal entries be approved by authorized District personnel.
 - Journal entries are reviewed each month. Moving forward, journal entries will be re-reviewed to ensure proper signatures are made.
- During our procedures over cash and investments, we noted the District had an amount (\$68,926) exposed to custodial credit risk. We recommend management, at least on an annual basis, review to ensure the District has adequate pledged securities for coverage.
 - The district and bank have a KDE approved agreement in which the bank will ensure they have 103% in securities to back the deposits. They indicated the securities are held in investments and during the measuring period the securities dropped the \$68,926. They will more closely monitor these investments to keep the 103%.



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CRI's CEO ACTION FOR DIVERSITY AND INCLUSION

Carr, Riggs & Ingram is committed to fostering an inclusive and diverse place for all employees to work in and engage. When our managing partner and chairman, Bill Carr, signed the CEO Action for Diversity & Inclusion™ pledge, he made a public commitment to building a productive, diverse, and inclusive workplace. [Learn more about CRI's commitment to Diversity and Inclusion.](#)