

SHELBY COUNTY BOARD OF EDUCATION

**FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Shelby County Board of Education
Shelbyville, 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 Shelby County Board of Education as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board'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 Board 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 Board'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 Board'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 on pages 7 through 18 and budgetary comparison information on pages 64 and 65 ; the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 66 and 67 ; the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 68 and 69, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board'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 (CFR) 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.

Emphasis of Matter

During the year, the Board adopted the new suite of Statements of Auditing Standards (SAS) numbers 134 through 140. As described in Note E to the financial statements, the Board adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 28, 2022

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) For the Year Ended June 30, 2022

As management of the Shelby County Public School District (District), we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place over the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$73.9 million in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$70.1 million in General Fund revenues for the prior year, which is an increase of \$3.8 million.
- Net General Fund SEEK revenue for the year was \$21.5 million compared to \$19.8 million for the prior year. This represents a 1.7% increase from the previous year. Funding for full-day kindergarten more than offset decreases due to the substitution of \$1.2 million of Coronavirus Relief Funds in place of SEEK by the State in 2020-21 and increased property assessments.
- The District continues to be negatively impacted by the Covid-19 crisis. Shelby County Public Schools offered families the option to learn virtually through the Cultivate Virtual Learning Academy. The District is striving to return to pre-Covid enrollment levels and to provide additional learning opportunities to students to recover instructionally.
- Construction continued on a large-scale renovation project at Shelby County High School. The project is expected to be substantially complete in December 2022.
- The District's bonding potential at June 30, 2022 is approximately \$58.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) entity-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.

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The entity-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital outlay fund, the Facilities Support Program of Kentucky (FSPK) fund, the school construction fund, and the debt service fund, all of which are considered major funds.

Proprietary funds. Proprietary funds are used to account for food services and day care programs which are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the entity-wide financial statements because the District cannot use these funds to finance its operations.

The fund financial statements can be found on pages 21-29 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the entity-wide and fund financial statements.

The notes to the financial statements can be found on pages 30-62 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$59,478,936 at the close of the most recent fiscal year. Unrestricted net position is (\$27,725,699) due to the recognition of the district's proportionate share of the pension and other post-employment benefits (OPEB) liabilities. Without the effect of the pension and OPEB liabilities, unrestricted net position would be approximately \$10.7 million. Net position is summarized in Table 1.

- The largest portion of the District's net position, or 114.8%, reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in 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.
- An additional portion of the District's net position, or 31.8%, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- Unrestricted net position of (\$27,725,699), or (46.6%), represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. GASB Statements 68 and 75 impacted the district's net position in governmental funds negatively by approximately \$20.4 million in net pension liability and \$115 thousand in pension expense and by approximately \$18.1 million in net other post-employment benefits liability and (\$1.4) million in other post-employment benefits expense. The proprietary funds' net assets were negatively impacted by approximately \$1.5 million in net pension liability and (\$325) thousand in pension expense and by approximately \$451 thousand in net other post-employment benefits liability and \$82 thousand in other post-employment benefits expense.

Table 1
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 42,164,735	\$ 2,268,932	\$ 44,433,667
Capital assets	174,934,511	462,371	175,396,882
Deferred outflows of resources	13,991,459	660,575	14,652,034
Total assets and deferred outflows of resources	<u>231,090,705</u>	<u>3,391,878</u>	<u>234,482,583</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 12,777,310	\$ 37,871	\$ 12,815,181
Long-term liabilities outstanding	140,098,322	1,953,584	142,051,906
Deferred inflows of resources	18,736,137	740,418	19,476,555
Total liabilities and deferred inflows of resources	<u>171,611,769</u>	<u>2,731,873</u>	<u>174,343,642</u>
Net position:			
Net Investment in Capital Assets	68,326,152	462,371	68,788,523
Restricted	18,878,483	(582,766)	18,295,717
Unrestricted	(27,725,699)	780,400	(26,945,299)
Total net position	<u>59,478,936</u>	<u>660,005</u>	<u>60,138,941</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 231,090,705</u>	<u>\$ 3,391,878</u>	<u>\$ 234,482,583</u>

Table 2 presents a summary of the District's revenues for the year:

Table 2
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
REVENUES
For the Year Ended June 30, 2022

	Governmental Funds	Proprietary Funds	Total	Percent
Property taxes	\$ 32,739,293	\$ -	\$ 32,739,293	30.6%
Motor vehicle taxes	2,464,065	-	2,464,065	2.3%
Utilities taxes	3,621,489	-	3,621,489	3.4%
Earnings on investment	402,541	-	402,541	0.4%
Other local revenues	2,318,791	75,057	2,393,848	2.2%
State revenue	46,147,412	285,558	46,432,970	43.5%
Federal revenue	12,805,569	5,319,506	18,125,075	17.0%
Lunchroom sales	-	178,588	178,588	0.2%
Child care fees	-	481,130	481,130	0.5%
Total	100,499,160	6,339,839	106,838,999	100.0%

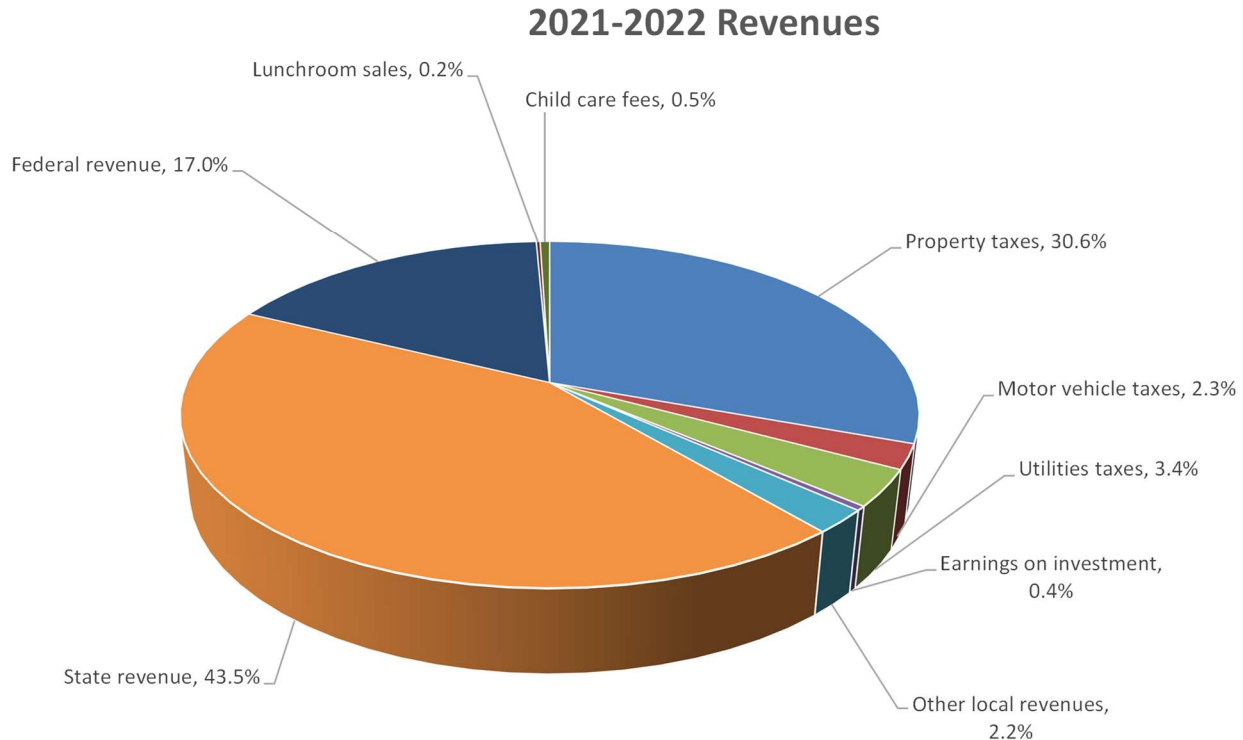


Table 3 presents a summary of the District's expenditures for the year.

Table 3
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
EXPENDITURES
For the Year Ended June 30, 2022

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>	<u>Percent</u>
Instruction	\$ 52,092,343	\$ -	\$ 52,092,343	44.2%
Student support	3,913,168	-	3,913,168	3.3%
Instructional staff support	6,489,600	-	6,489,600	5.5%
District administration	1,465,795	-	1,465,795	1.2%
School administration	5,022,646	-	5,022,646	4.3%
Business support	1,681,971	-	1,681,971	1.4%
Operation and maintenance of facilities	7,506,289	-	7,506,289	6.4%
Student transportation	4,233,682	-	4,233,682	3.6%
Community services	3,871,545	-	3,871,545	3.3%
Food service operations	197,093	3,958,004	4,155,097	3.5%
Day care operations	-	56,384	56,384	0.0%
Education foundation operations	-	5,679	5,679	0.0%
Capital outlay	18,978,113	-	18,978,113	16.1%
Debt service	8,351,104	-	8,351,104	7.1%
Total	<u>113,803,349</u>	<u>4,020,067</u>	<u>117,823,416</u>	<u>100.0%</u>

2021-2022 Expenditures

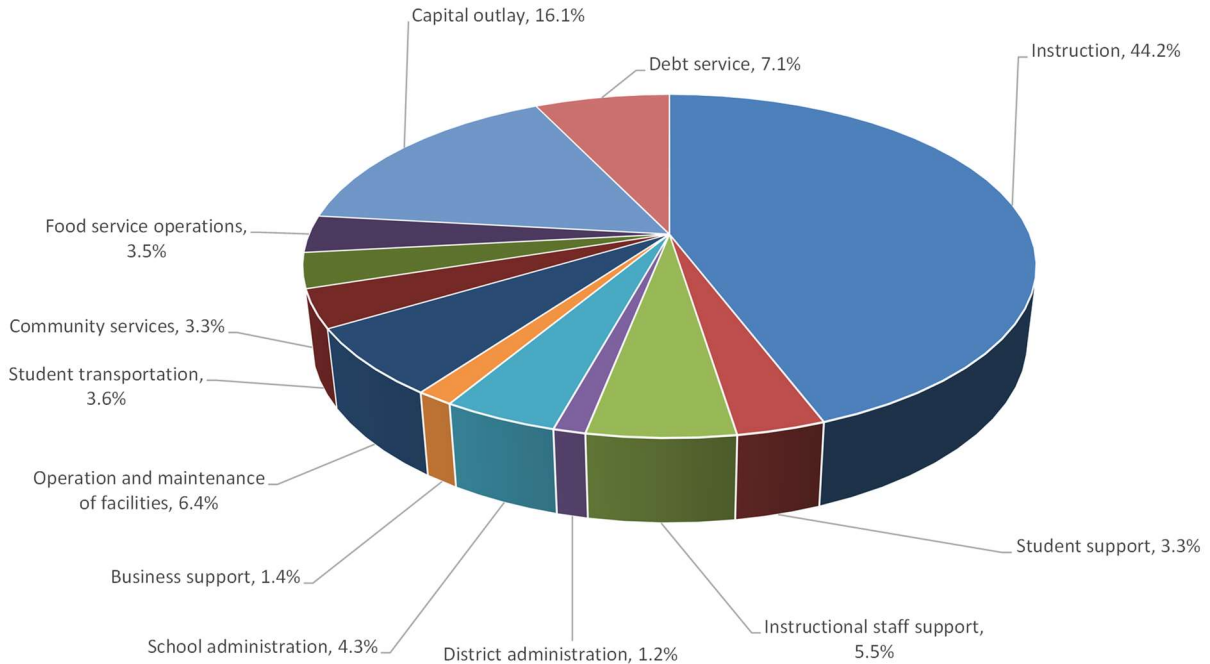


Table 4
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
For the Years Ended June 30, 2022 and June 30, 2021

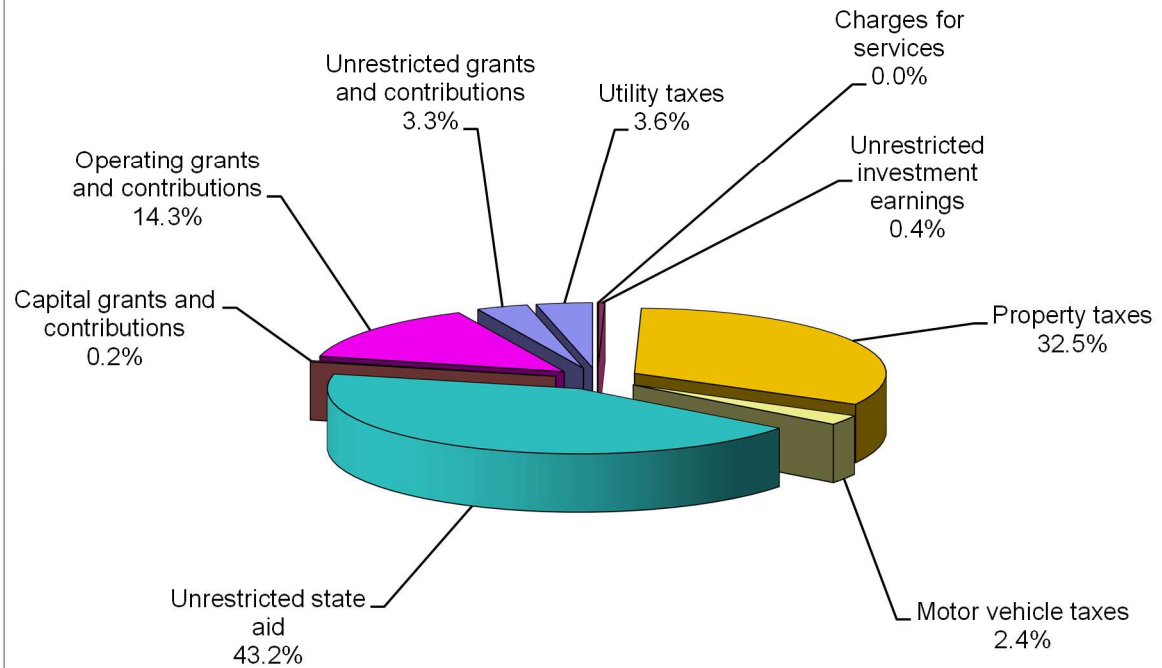
	2022	2021	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 42,164,735	\$ 53,100,031	\$ (10,935,296)
Capital assets	174,934,511	160,706,997	14,227,514
Deferred outflows of resources	13,991,459	15,252,558	(1,261,099)
Total assets and deferred outflows of resources	<u>231,090,705</u>	<u>229,059,586</u>	<u>2,031,119</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 12,777,310	\$ 9,941,910	\$ 2,835,400
Long-term liabilities outstanding	140,098,322	157,360,317	(17,261,995)
Deferred inflows of resources	18,736,137	9,522,176	9,213,961
Total liabilities and deferred inflows of resources	<u>171,611,769</u>	<u>176,824,403</u>	<u>(5,212,634)</u>
Net position:			
Net Investment in Capital Assets	68,326,152	49,336,071	18,990,081
Restricted	18,878,483	34,152,618	(15,274,135)
Unrestricted	(27,725,699)	(31,253,506)	3,527,807
Total net position	<u>59,478,936</u>	<u>52,235,183</u>	<u>7,243,753</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 231,090,705</u>	<u>\$ 229,059,586</u>	<u>\$ 2,031,119</u>

	2022	2021	
	Business-Type	Business-Type	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 2,268,932	\$ 474,997	\$ 1,793,935
Capital assets	462,371	545,968	(83,597)
Deferred outflows of resources	660,575	1,080,207	(419,632)
Total assets and deferred outflows of resources	3,391,878	2,101,172	1,290,706
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 37,871	\$ 173,513	\$ (135,642)
Long-term liabilities outstanding	1,953,584	3,239,630	(1,286,046)
Deferred inflows of resources	740,418	280,600	459,818
Total liabilities and deferred inflows of resources	2,731,873	3,693,743	(961,870)
Net position:			
Net Investment in Capital Assets	462,371	545,968	(83,597)
Restricted	(582,766)	(2,434,694)	1,851,928
Unrestricted	780,400	296,155	484,245
Total net position	660,005	(1,592,571)	2,252,576
Total liabilities, deferred inflows of resources, and net position	\$ 3,391,878	\$ 2,101,172	\$ 1,290,706

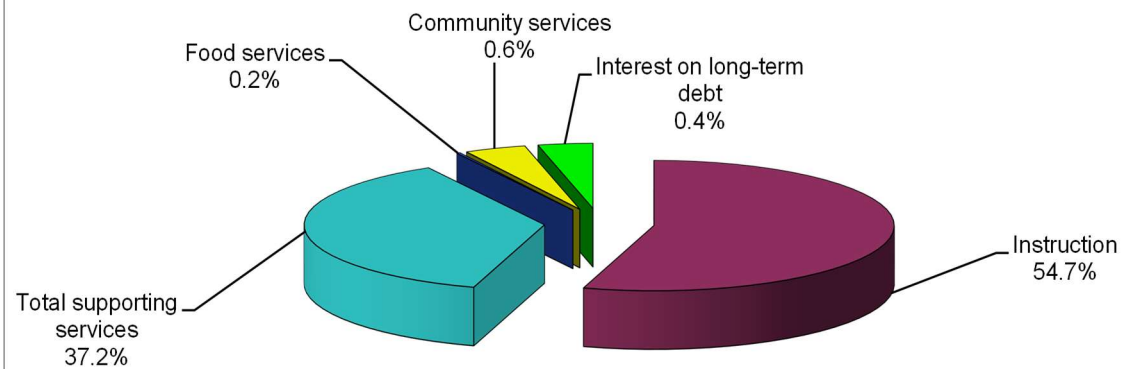
Table 5
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2022 and June 30, 2021

	2022	2021	
	Governmental	Governmental	
	Activities	Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 41,199	\$ 43,070	\$ (1,871)
Operating grants and contributions	14,364,280	8,412,281	5,951,999
Capital grants and contributions	245,585	247,736	(2,151)
General revenues:			
Property taxes	32,739,293	31,342,615	1,396,678
Motor vehicle taxes	2,464,065	2,281,337	182,728
Utilities taxes	3,621,489	3,245,275	376,214
Earnings on investment	402,541	309,841	92,700
State grants	43,518,431	41,289,980	2,228,451
Federal grants	824,686	853,777	(29,091)
Other local amounts	2,496,544	1,524,553	971,991
Total revenues	100,718,113	89,550,465	11,167,648
Expenses:			
Instruction	51,200,330	52,824,801	(1,624,471)
Supporting services:			
Students	3,927,766	3,693,851	233,915
Instructional staff	6,530,469	6,233,482	296,987
District admin.	1,806,559	1,803,598	2,961
School admin.	5,023,740	4,821,058	202,682
Business services	1,681,971	1,637,769	44,202
Operation and Maint.	11,138,806	10,413,732	725,074
Transportation	4,718,578	3,589,952	1,128,626
Total supporting services	34,827,889	32,193,442	2,634,447
Food services	197,093	182,591	14,502
Community services	3,871,545	876,016	2,995,529
Interest on long-term debt	3,442,699	3,334,199	108,500
Total expenses	93,539,556	89,411,049	4,128,507
Change in net position before transfers	7,178,557	139,416	7,039,141
Transfers	65,196	232,670	(167,474)
Change in net position with transfers and other items	7,243,753	372,086	6,871,667
Net position - beginning	52,235,183	51,863,097	372,086
Net position - Ending	\$ 59,478,936	\$ 52,235,183	\$ 7,243,753

Revenues by Source



Expenditures by Function



BUDGET COMPARISONS – (SEE PAGE 65 FOR THE COMPLETE SCHEDULE)

Revenues – General fund revenues exceeded the amount budgeted by approximately \$1.9 million. The difference is primarily due to receiving \$594 thousand more in on-behalf revenue from the state and \$1.3 million more in motor vehicle and utility tax revenue than the estimated amounts included in the budget. Property tax revenues were budgeted with 99.9% accuracy.

Expenditures – Actual general fund expenditures were more than budgeted by approximately \$14.3 million. This is primarily due to net effect of 1) contingency of \$10.4 million included in budget but not actual; 2) additional \$594 thousand for on-behalf expenditures beyond the amount budgeted; 3) nonrecurring projects which were incomplete at June 30, 2022; and 4) carryforward purchase orders.

By law the District must have at least a 2% contingency for budgetary purposes but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with \$10.4 million remaining in budgeted contingency or 13.8% of actual expenditures in the general and food service funds combined.

Budget Approach – The District prepares its budget in a conservative manner. A sizable fund balance at the beginning of the fiscal year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. Adequate funds must be maintained in contingency to continue services to students in the event of unforeseen events including natural disaster, fire, or pandemic.

In addition, the District receives nearly half its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and downward adjustments to state SEEK allocations.

FACTORS AFFECTING THE DISTRICT'S FINANCIAL OUTLOOK

The following factors may affect the District's financial position in the upcoming fiscal year:

- Tax rates for were set at 71.5 for real estate and 72.0 for personal property, a **decrease** from the 73.1 rates of the previous year. The rates adopted are the maximum rates (4% increase with exonerations) allowed without being subject to recall due to a significant increase in property assessments.
- Property assessments are expected to continue to rise.
- The General Assembly included an increase to the SEEK per pupil base funding in the biennial budget. The base amount increases from \$4,000 to \$4,100 for the 2022-23 year.
- Enrollment is projected to steadily grow over the next five years however actual enrollment has declined significantly due to transfers and home schooling as a result of Covid-19. Enrollment has not yet returned to normal levels as of October 2022.
- The percentage of total funding generated through local effort for the general fund continues to tick upward. The local portion increased from 60% in 2021-22 to 62% in the 2022-23 budget. (These figures do not include on-behalf payments made by the State for health and retirement benefits.)
- The large scale renovation project at Shelby County High School is progressing. The District sold \$13.7 million in bonds during the 2021-2022 school year and \$6.7 million of committed funds was used to help fund project. The project is expected to be substantially complete by December 2022. No other large-scale construction projects are planned for the near future.

- \$1.3 million in committed funds for construction remains available as of June 30, 2022.
- Covid-19 continues to negatively impact the District. A total of \$17 million in federal funds has been awarded to the district to assist with mitigation, response, and recovery efforts. An additional \$1.5 million in federal funds has been awarded to assist specifically with day care operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability of the public funds it receives. If you have questions about this report or need additional information, contact Susan Barkley, Chief Financial Officer, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. She can also be reached by electronic mail at susan.barkley@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	\$ 39,080,996	\$ 1,644,975	\$ 40,725,971
Investments	38,846	-	38,846
Accounts Receivable			
Taxes	809,806	-	809,806
Intergovernmental	2,156,565	-	2,156,565
Other	78,522	576,871	655,393
Prepaid workers' compensation premiums	-	-	-
Inventory	-	47,086	47,086
Total capital assets, net of depreciation	174,934,511	462,371	175,396,882
Total assets	217,099,246	2,731,303	219,830,549
Deferred outflows of resources:			
Deferred outflows - pension contributions	2,091,988	154,321	2,246,309
Deferred outflows - OPEB contributions	1,622,131	36,283	1,658,414
Deferred outflows - pension changes in assumptions, expectations	2,774,396	204,661	2,979,057
Deferred outflows - OPEB changes in assumptions, expectations	7,510,552	265,310	7,775,862
Deferred outflows from advanced bond refundings	(7,608)	-	(7,608)
Total deferred outflows of resources	13,991,459	660,575	14,652,034
Total assets and deferred outflows of resources	\$ 231,090,705	\$ 3,391,878	\$ 234,482,583
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Bank overdraft	\$ -	\$ -	\$ -
Accounts payable	5,103,885	23,836	5,127,721
Unearned revenue	1,172,787	14,035	1,186,822
Current maturities of bond obligations	5,010,000	-	5,010,000
Current portion of lease liability	148,938	-	148,938
Current portion of accumulated sick leave	159,505	-	159,505
Interest payable	1,182,195	-	1,182,195
Noncurrent maturities of bond obligations	101,285,000	-	101,285,000
Noncurrent portion of lease liability	164,421	-	164,421
Net pension liability	20,368,325	1,502,528	21,870,853
Net OPEB liability	18,060,531	451,056	18,511,587
Noncurrent portion of accumulated sick leave	220,045	-	220,045
Total liabilities	152,875,632	1,991,455	154,867,087
Deferred inflows of resources:			
Deferred inflows of resources - pension	5,872,770	433,222	6,305,992
Deferred inflows of resources - OPEB	12,863,367	307,196	13,170,563
Total deferred inflows of resources	18,736,137	740,418	19,476,555
Total liabilities and deferred inflows of resources	\$ 171,611,769	\$ 2,731,873	\$ 174,343,642
Net Position:			
Net Investment in Capital Assets	\$ 68,326,152	\$ 462,371	\$ 68,788,523
Restricted for:			
Special projects	1,097,895	(582,766)	515,129
Capital projects/debt service	17,780,588	-	17,780,588
Unrestricted	(27,725,699)	780,400	(26,945,299)
Total net position	\$ 59,478,936	\$ 660,005	\$ 60,138,941

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense), Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	51,200,330	5,930	8,529,466	-	(42,664,934)	-	(42,664,934)
Supporting services:							
Students	3,927,766	81	654,327	-	(3,273,358)	-	(3,273,358)
Instructional staff	6,530,469	-	1,087,911	-	(5,442,558)	-	(5,442,558)
District administration	1,806,559	-	300,955	-	(1,505,604)	-	(1,505,604)
School administration	5,023,740	-	836,905	-	(4,186,835)	-	(4,186,835)
Business support services	1,681,971	-	280,200	-	(1,401,771)	-	(1,401,771)
Operation and maintenance of facilities	11,138,806	35,188	1,855,614	-	(9,248,004)	-	(9,248,004)
Student transportation	4,718,578	-	786,068	-	(3,932,510)	-	(3,932,510)
Food services	197,093	-	32,834	-	(164,259)	-	(164,259)
Community services	3,871,545	-	-	-	(3,871,545)	-	(3,871,545)
Interest on long-term debt	3,442,699	-	-	245,585	(3,197,114)	-	(3,197,114)
Total governmental activities	93,539,556	41,199	14,364,280	245,585	(78,888,492)	-	(78,888,492)
Business-type activities:							
Food services	3,958,004	178,588	5,605,064	-	-	1,825,648	1,825,648
Child care	56,384	481,130	-	-	-	424,746	424,746
Education Foundation Operating Fund	5,679	-	-	-	-	(5,679)	(5,679)
Total business-type activities	4,020,067	659,718	5,605,064	-	-	2,244,715	2,244,715
Total Primary Government	97,559,623	700,917	19,969,344	245,585	(78,888,492)	2,244,715	(76,643,777)
General revenues:							
Property taxes					32,739,293	-	32,739,293
Motor vehicle taxes					2,464,065	-	2,464,065
Utilities taxes					3,621,489	-	3,621,489
Earnings on investment					402,541	-	402,541
State grants					43,518,431	-	43,518,431
Federal grants					824,686	-	824,686
Proceeds from disposal of assets					218,953	-	218,953
Other local amounts					2,277,591	75,057	2,352,648
Total general revenues					86,067,049	75,057	86,142,106
Transfers in (out)					65,196	(67,196)	(2,000)
Change in net position					7,243,753	2,252,576	9,496,329
Net position - beginning					52,235,183	(1,592,571)	50,642,612
Net position - ending					59,478,936	660,005	60,138,941

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Total
	Current Expense	Revenue	Activity	Activity	Capital Outlay	Program (FSPK)	Construction	Service	Governmental
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
ASSETS									
Assets:									
Cash and cash equivalents	\$ 16,901,421	(600,139)	418,291	686,770	\$ 662,376	\$ 1,421,714	\$ 19,590,563	\$ -	\$ 39,080,996
Investments	38,846	-	-	-	-	-	-	-	38,846
Taxes	809,806	-	-	-	-	-	-	-	809,806
Intergovernmental	-	2,156,565	-	-	-	-	-	-	2,156,565
Other receivables	78,522	-	-	-	-	-	-	-	78,522
Prepaid workers' compensation premiums	-	-	-	-	-	-	-	-	-
Total assets	17,828,595	1,556,426	418,291	686,770	662,376	1,421,714	19,590,563	-	42,164,735
TOTAL ASSETS	\$ 17,828,595	\$ 1,556,426	\$ 418,291	\$ 686,770	\$ 662,376	\$ 1,421,714	\$ 19,590,563	\$ -	\$ 42,164,735
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	819,015	\$ 383,639	\$ 6,257	\$ 909	\$ -	\$ -	\$ 3,894,065	\$ -	5,103,885
Unearned revenue	-	1,172,787	-	-	-	-	-	-	1,172,787
Current portion of accumulated sick leave	11,576	-	-	-	-	-	-	-	11,576
Total liabilities	830,591	1,556,426	6,257	909	-	-	3,894,065	-	6,288,248
Fund Balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	685,861	662,376	1,421,714	15,696,498	-	18,466,449
Committed	1,343,424	-	-	-	-	-	-	-	1,343,424
Assigned	1,497,954	-	412,034	-	-	-	-	-	1,909,988
Unassigned	14,156,626	-	-	-	-	-	-	-	14,156,626
Total fund balances	16,998,004	-	412,034	685,861	662,376	1,421,714	15,696,498	-	35,876,487
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,828,595	\$ 1,556,426	\$ 418,291	\$ 686,770	\$ 662,376	\$ 1,421,714	\$ 19,590,563	\$ -	\$ 42,164,735

See Notes to Financial Statements

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2022**

Total fund balances - governmental funds	\$ 35,876,487
Amounts reported for governmental activities in the statement of net position are different because:	
and therefore are not reported as assets in governmental funds. The historical cost of the assets is \$253,914,417 and the accumulated depreciation is \$78,979,636.	174,934,511
not current financial resources, but they are reported in the statement of net position.	13,991,459
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are reported in the statement of net position.	(18,736,137)
Bonds payable are not reported in the governmental funds balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position	(106,295,000)
The noncurrent portion of accumulated sick leave is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(367,974)
Interest payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,182,195)
Pension liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(20,368,325)
Other post-employment benefit liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(18,060,531)
Lease payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(313,359)</u>
Total net position - governmental activities	<u><u>\$ 59,478,936</u></u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2022

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Governmental
	Current Expense	Revenue	Activity	School	Capital Outlay	Program (FSPK)	Construction	Service	
	Fund	Funds	Funds	Funds	Fund	Fund	Fund	Fund	
Revenues:									
Local sources:									
Property taxes	\$ 25,326,191	\$ -	\$ -	\$ -	\$ -	\$ 7,413,102	\$ -	\$ -	\$ 32,739,293
Motor vehicle taxes	2,464,065	-	-	-	-	-	-	-	2,464,065
Utility taxes	3,621,489	-	-	-	-	-	-	-	3,621,489
Earnings on investments	196,145	938	3,556	-	-	-	-	-	402,541
Other local	586,500	248,746	12,320	1,471,225	-	-	201,902	-	2,318,791
State sources	40,903,488	2,383,396	-	-	662,376	1,265,962	-	932,190	46,147,412
Federal sources	824,686	11,980,883	-	-	-	-	-	-	12,805,569
Total revenues	73,922,564	14,613,963	15,876	1,471,225	662,376	8,679,064	201,902	932,190	100,499,160
Expenditures:									
Instruction	43,174,517	7,438,834	312,854	1,166,138	-	-	-	-	52,092,343
Supporting services:									
Students	3,583,389	329,779	-	-	-	-	-	-	3,913,168
Instructional staff	5,122,290	1,348,572	18,738	-	-	-	-	-	6,489,600
District administration	1,433,186	32,609	-	-	-	-	-	-	1,465,795
School administration	4,985,689	36,957	-	-	-	-	-	-	5,022,646
Business support services	1,681,971	-	-	-	-	-	-	-	1,681,971
Operation and maintenance of facilities	7,190,952	315,087	250	-	-	-	-	-	7,506,289
Student transportation	4,038,637	194,561	484	-	-	-	-	-	4,233,682
Food services	131,021	66,072	-	-	-	-	-	-	197,093
Community services	21	3,871,524	-	-	-	-	-	-	3,871,545
Capital outlay	129,335	-	-	-	-	-	18,848,778	-	18,978,113
Debt service	-	-	-	-	-	-	-	8,351,104	8,351,104
Total expenditures	71,471,008	13,633,995	332,326	1,166,138	-	-	18,848,778	8,351,104	113,803,349
Excess (deficiency) of revenues over expenditures	2,451,556	979,968	(316,450)	305,087	662,376	8,679,064	(18,646,876)	(7,418,914)	(13,304,189)
Other financing sources (uses):									
Proceeds from loss of assets	218,953	-	-	-	-	-	-	-	218,953
Proceeds from the sale of bonds	1,196,297	59,614	287,228	-	-	-	1,382,184	7,418,914	10,344,237
Transfers in	(1,612,711)	(1,039,582)	-	(290,226)	-	(7,336,522)	-	-	(10,279,041)
Transfers (out)	(197,461)	(979,968)	287,228	(290,226)	-	(7,336,522)	1,382,184	7,418,914	284,149
Total other financing sources (uses)	218,953	59,614	287,228	(290,226)	-	(7,336,522)	1,382,184	7,418,914	284,149
Net change in fund balances	2,254,095	-	(29,222)	14,861	662,376	1,342,542	(17,264,692)	-	(13,020,040)
Fund balances - beginning	14,743,909	-	441,256	671,000	-	79,172	32,961,190	-	48,896,527
Fund balances - ending	\$ 16,998,004	\$ -	\$ 412,034	\$ 685,861	\$ 662,376	\$ 1,421,714	\$ 15,696,498	\$ -	\$ 35,876,487

See Notes to Financial Statements

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

Net change fund balances - governmental funds	\$ (13,020,040)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation.	14,227,514
Deferred loss on bond refundings are not reported as expenditures in the governmental funds but are capitalized and amortized over the life of the related bonds on the statement of activities. This is the amount by which the deferred loss on bond refundings has increased/(decreased).	(54,509)
The repayment of the principal of long-term debt is shown as expenditures in the governmental funds financial statements at the time the payments are made. However, these payments are shown as a reduction of long-term debt in the statement of net position.	4,875,000
Lease liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which lease liability has (increased)/decreased.	(112,433)
Deferred outflows from pensions. This is the amount by which deferred outflows from pensions has increased/(decreased).	(2,417,603)
Deferred outflows from other post-employment benefits. This is the amount by which deferred outflows from other post-employment benefits has increased/(decreased).	1,211,013
Deferred inflows from pensions. This is the amount by which deferred inflows from pensions has (increased)/decreased.	(4,789,071)
Deferred inflows from other post-employment benefits. This is the amount by which deferred inflows from other post-employment benefits has (increased)/decreased.	(4,424,890)
Accumulated sick leave is reported as a liability in the statement of net position, but is only reported in the governmental funds to the extent that the amounts will be paid with current financial resources. This is the amount by which accumulated sick leave has (increased)/decreased	9,295
Pension liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which pension liability has (increased)/decreased.	7,091,619
Other post-employment benefits liability is recognized in the statement of activities but not in the governmental fund financial statements because it is not paid with existing financial resources. This is the amount by which other post-employment benefits liability has (increased)/decreased.	4,614,453
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due but in the statement of activities, interest expense is recognized as the interest accrues. This is the amount by which accrued interest has (increased)/decreased.	33,405
Change in net position of governmental activities	<u>\$ 7,243,753</u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2022

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 847,171	\$ 784,483	\$ 13,321	\$ 1,644,975
Accounts receivable	572,817	4,054	-	576,871
Inventory	47,086	-	-	47,086
Noncurrent Assets				
Capital assets, net of depreciation	462,371	-	-	462,371
Total assets	1,929,445	788,537	13,321	2,731,303
Deferred outflows of resources:				
Deferred outflows - pension contributions	154,321	-	-	154,321
Deferred outflows - OPEB contributions	36,283	-	-	36,283
Deferred outflows - pension changes in assumptions, expectations	204,661	-	-	204,661
Deferred outflows - OPEB changes in assumptions, expectations	265,310	-	-	265,310
Total deferred outflows of resources	660,575	-	-	660,575
Total assets and deferred outflows of resources	\$ 2,590,020	\$ 788,537	\$ 13,321	\$ 3,391,878
LIABILITIES				
Current Liabilities				
Accounts payable	4,111	18,919	806	23,836
Unearned revenue	12,302	1,733	-	14,035
Net pension liability	1,502,528	-	-	1,502,528
Net OPEB liability	451,056	-	-	451,056
Total liabilities	1,969,997	20,652	806	1,991,455
Deferred inflows of resources:				
Deferred inflows of resources - pension	433,222	-	-	433,222
Deferred inflows of resources - OPEB	307,196	-	-	307,196
Total deferred inflows of resources	740,418	-	-	740,418
Total liabilities and deferred inflows of resources	\$ 2,710,415	\$ 20,652	\$ 806	\$ 2,731,873
NET POSITION				
Net Investment in Capital Assets	462,371	-	-	462,371
Restricted for special projects	(582,766)	-	-	(582,766)
Unrestricted	-	767,885	12,515	780,400
Total net position	\$ (120,395)	\$ 767,885	\$ 12,515	\$ 660,005

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2022

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Operating Revenues				
Lunchroom sales	\$ 178,588	\$ -	\$ -	\$ 178,588
Child care fees	-	481,130	-	481,130
Total operating revenues	178,588	481,130	-	659,718
Operating Expenses				
Salaries and benefits	1,521,411	56,384	198	1,577,993
Contract services	18,488	-	549	19,037
Materials and supplies	2,331,394	-	4,932	2,336,326
Depreciation	83,597	-	-	83,597
Other	3,114	-	-	3,114
Total operating expenses	3,958,004	56,384	5,679	4,020,067
Operating income (loss)	(3,779,416)	424,746	(5,679)	(3,360,349)
Nonoperating Revenues				
Federal grants	5,195,089	-	-	5,195,089
Donated commodities	124,417	-	-	124,417
State grants	285,558	-	-	285,558
Capital contributions	-	-	-	-
Gain on disposal of assets	-	-	-	-
Local revenues	7,879	49,757	17,421	75,057
Total nonoperating revenues	5,612,943	49,757	17,421	5,680,121
Income (loss) before operating transfers	1,833,527	474,503	11,742	2,319,772
Operating transfer in	159,588	-	-	159,588
Operating transfer out	(224,784)	-	(2,000)	(226,784)
Change in net position	1,768,331	474,503	9,742	2,252,576
Net position as of July 1, 2021	(1,888,726)	293,382	2,773	(1,592,571)
Net position as of June 30, 2022	\$ (120,395)	\$ 767,885	\$ 12,515	\$ 660,005

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Cash flows from operating activities				
Cash received from:				
Lunchroom sales	\$ 174,686	\$ -	\$ -	\$ 174,686
Child care fees	-	477,916	-	477,916
Cash paid for:				
Employees and contract services	(1,692,294)	(56,384)	(747)	(1,749,425)
Materials and supplies	(2,355,925)	18,919	(4,126)	(2,341,132)
Other	(3,114)	-	-	(3,114)
Net cash provided by (used in) operating activities	(3,876,647)	440,451	(4,873)	(3,441,069)
Cash flows from noncapital financing activities				
Government grants	4,781,135	-	-	4,781,135
Other local revenues	3,820	49,757	17,421	70,998
Net cash provided by noncapital financing activities	4,784,955	49,757	17,421	4,852,133
Cash flows from capital and related financing activities				
Gain on disposal of assets	-	-	-	-
Net operating transfer to general fund	(65,196)	-	(2,000)	(67,196)
Net cash used in capital and related financing activities	(65,196)	-	(2,000)	(67,196)
Cash flows from investing activities				
Receipt of interest income	4,059	-	-	4,059
Net cash provided by investing activities	4,059	-	-	4,059
Net decrease in cash	847,171	490,208	10,548	1,347,927
Cash as of July 1, 2021	-	294,275	2,773	297,048
Cash as of June 30, 2022	\$ 847,171	\$ 784,483	\$ 13,321	\$ 1,644,975
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ (3,779,416)	\$ 424,746	\$ (5,679)	\$ (3,360,349)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	83,597	-	-	83,597
Donated commodities	124,417	-	-	124,417
On behalf payments	254,201	-	-	254,201
Changes in assets and liabilities:				
Accounts receivable	-	442	-	442
Inventory	(1,139)	-	-	(1,139)
Deferred outflows	419,632	-	-	419,632
Unearned revenues	(3,902)	(3,656)	-	(7,558)
Accounts payable	(147,809)	18,919	-	(128,890)
Deferred inflows	459,818	-	-	459,818
Net pension liability	(953,580)	-	806	(952,774)
Net other post-employment benefits liability	(332,466)	-	-	(332,466)
Net cash provided by (used in) operating activities	\$ (3,876,647)	\$ 440,451	\$ (4,873)	\$ (3,441,069)
Schedule of noncash transactions				
Donated commodities	\$ 124,417	\$ -	\$ -	124,417

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2022

	Private Purpose Trust Fund
ASSETS	
Assets:	
Cash and cash equivalents	\$ -
Receivables	-
Total assets	-
Deferred outflows of resources:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ -
LIABILITIES	
Liabilities:	
Accounts payable	
Due to student groups	-
Total liabilities	-
Deferred inflows of resources:	
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ -
Total net position	\$ -

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2022

	Private Purpose Trust Fund
<hr/>	
Additions	
Earnings on investment	\$ -
Contributions	9,000
	<hr/>
Total additions	9,000
Deductions	
Scholarships	11,000
	<hr/>
Total deductions	11,000
Income (loss) before operating transfer	(2,000)
Operating transfer in	2,000
	<hr/>
Change in net position	-
Net position as of July 1, 2021	-
	<hr/>
Net position as of June 30, 2022	\$ -
	<hr/> <hr/>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Shelby County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Shelby County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Shelby County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Shelby County School District Finance Corporation (the Corporation) – the Shelby County Board of Education has established the Shelby County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Shelby County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

Entity-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District’s activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on individual funds rather than reporting funds by type. Each fund is presented in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid by general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include salaries and benefits, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the general operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the

capital improvement costs that are not paid through other funds are paid from the General Fund.

- (B) The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
 - 1. The Special Revenue Fund accounts for the activities of restricted grants from local, state, and federal sources. This is a major fund of the District.
 - 2. The District Activity Fund accounts for funds generated by schools which are defined as district activity funds in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
 - 3. The Student Activity Fund accounts for activities of student groups in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, and to provide financial resources for debt service requirements. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - 3. The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

III. Proprietary Funds (Enterprise Fund)

- 1. The School Food Service Fund accounts for and reports school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund for the District.
- 2. The Child Care Fund is used to account for and report the activities of the day care programs where a fee is charged for participating. This is a major fund of the District.
- 3. The Education Foundation Operating Fund is used to account for the operating revenues and expenses associated with the activities of the Shelby County Education Foundation, for which the District acts as a fiscal agent.

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

The Private Purpose Trust Fund accounts for and reports a scholarship fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary Process

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

The Board must also adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Cash and Cash Equivalents

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

Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

Inventories

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

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

The food service fund uses the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Deferred Loss on Bond Refundings

Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompany statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

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.

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 proprietary 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 five thousand dollars. 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.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Unearned Revenue

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

Accumulated Unpaid Sick Leave Benefits

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

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

Fund Balances

The District classifies its governmental fund balances as follows:

Nonspendable - 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.

Restricted – This category includes resources that are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for specific purposes by formal action of the Board of Education. Only the Board may commit funds and modify or rescind the commitment.

Assigned Fund Balance – This category represents funds that have been assigned for a specific purpose or, in the general fund only, for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned Fund Balance – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned funds are available, the funds will first be spent from committed, then assigned, and then finally unassigned.

The Board will use restricted funds before unrestricted (committed, assigned, or unassigned) funds when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Net Position

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

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of 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.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 9, 2022, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2022, have not been evaluated by the District.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$40,725,971 which was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash amount within the following funds is considered to be restricted: Special Revenue Funds, Capital Outlay Fund, Facilities Support Program (FSPK) Fund, School Construction Fund, Student Activity Funds, and Private Purpose Trust Funds.

District funds are considered to be public funds and therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2022, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

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

	Book Balance
General Checking Account	
General Fund	\$16,901,421
Special Revenue Fund 2	(600,139)
Special Revenue Fund 21	418,291
Special Revenue Fund 25	686,770
Capital Outlay Fund	662,376
FSPK Fund	1,421,714
School Construction Fund	19,590,563
Food Service Account	847,171
Day Care Fund	784,483
Education Foundation Operating Fund	13,321
Total General Checking Account	<u>40,725,971</u>

Breakdown per financial statements:

Governmental Funds	\$39,080,996
Proprietary Funds	1,644,975
Total	<u>\$40,725,971</u>

NOTE C – INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs 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:

Securities of \$38,846 are valued using quoted market prices (Level 1 inputs)

NOTE D – PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property located in the district. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year in which they were levied.

The property tax rates assessed for the year ended June 30, 2022, to finance operations were \$.731 per \$100 valuation for real property, \$.731 per \$100 valuation for business personal property and \$.465 per \$100 valuation for motor vehicles.

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

The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Discount, 2%	by November 1
Face value amount payment date	November 2 thru December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE E – CAPITAL ASSETS

The District adopted GASB Statement 87, Leases, effective for the year ended June 30, 2022. The District entered into cancelable leases for vehicles with terms of 60 months during fiscal year 2022. These lease agreements qualify as capital leases for accounting purposes and have therefore been recorded at the present value of their future minimum lease payments as of the inception date and included in the tables below separately from other assets.

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

<u>Governmental Activities</u>	Beginning Balance				Ending Balance
	6/30/2021	Additions	Retirements	Transfers	6/30/2022
Land	3,360,274	-	-	-	3,360,274
Land Improvements	1,490,414	-	-	-	1,490,414
Buildings & Building Improvements	213,379,272	464,012	(191,039)	-	213,652,245
Technology Equipment	1,681,396	-	(105,870)	-	1,575,526
Vehicles	6,863,683	538,265	(345,711)	-	7,056,237
Leased Vehicles	-	215,466	-	-	215,466
General Equipment	3,646,320	180,773	(69,376)	-	3,757,717
Construction Work in Progress	3,926,287	18,390,149	-	-	22,316,436
Infrastructure	489,832	-	-	-	489,832
Totals at Historical Cost	234,837,478	19,788,665	(711,996)	-	253,914,147
Less Accumulated Depreciation and Amortization:					
Land	-	-	-	-	-
Land Improvements	1,187,999	35,203	-	-	1,223,202
Buildings & Building Improvements	65,715,471	4,583,730	(191,039)	-	70,108,162
Technology Equipment	1,004,630	177,668	(105,870)	-	1,076,428
Leased Vehicles	-	511,204	(345,711)	-	165,493
Vehicles	4,190,807	6,240	-	-	4,197,047
General Equipment	1,590,725	221,798	(68,560)	-	1,743,963
Infrastructure	440,849	24,492	-	-	465,341
Total Accumulated Depreciation and Amortization	74,130,481	5,560,335	(711,180)	-	78,979,636
Net Capital Assets - Governmental Activities	160,706,997	14,228,330	(816)	-	174,934,511
 <u>Business-Type Activities</u>					
Food Service Equipment	1,758,252	-	(41,077)	-	1,717,175
Less Accumulated Depreciation:					
Food Service Equipment	1,212,284	83,597	(41,077)	-	1,254,804
Net Capital Assets - Business-Type Activities	545,968	(83,597)	-	-	462,371

Depreciation and amortization expense was charged to functions of the governmental activities as follows:

Instruction	1,045,597
Student Support Services	14,598
Staff Support Services	40,869
District Administration	340,764
School Administration	1,094
Plant Operations and Maintenance	3,632,517
Student Transportation	484,896
Total depreciation and amortization expense, governmental activities	5,560,335

NOTE F – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make bond principal and interest payments relating to the bonds issued by the Shelby County School District Finance Corporation. The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Proceeds	Interest Rates
2011	9,620,000	0.70 - 2.80%
2012	5,010,000	0.70 - 2.55%
2013	18,590,000	2.00 - 3.125%
2014	3,405,000	1.00 - 2.50%
2016	8,020,000	2.00 - 3.00%
2016	31,555,000	1.00 - 4.00%
2018	35,355,000	1.60 - 3.60%
2021	13,700,000	0.20 - 2.10%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued 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 entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission’s option, biannually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The 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:

Fiscal Year Ending	DISTRICT		KENTUCKY SCHOOL FACILITY CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
2023	4,304,708	3,122,894	705,292	226,899	8,359,793
2024	4,410,694	3,012,383	724,306	207,883	8,355,266
2025	4,530,862	2,889,925	569,138	188,087	8,178,012
2026	4,664,797	2,759,388	585,203	171,423	8,180,811
2027	4,846,525	2,582,282	603,475	153,150	8,185,433
2028	5,027,654	2,398,212	622,346	134,280	8,182,492
2029	5,218,167	2,207,767	641,833	114,791	8,182,559
2030	5,427,504	1,996,679	457,496	94,559	7,976,238
2031	5,579,683	1,848,060	470,317	81,739	7,979,799
2032	5,726,442	1,694,431	483,558	68,498	7,972,929
2033	5,887,711	1,536,113	497,289	54,766	7,975,879
2034	6,122,393	1,304,613	247,607	40,067	7,714,680
2035	6,305,307	1,118,023	254,693	32,981	7,711,004
2036	6,502,736	921,494	262,264	25,410	7,711,903
2037	6,713,194	710,823	251,806	17,540	7,693,363
2038	6,953,507	471,777	176,493	10,523	7,612,300
2039	6,637,266	205,628	152,734	4,772	7,000,400
2040	1,802,502	72,883	42,498	1,717	1,919,600
2041	1,841,651	36,833	43,349	867	1,922,700
	<u>98,503,303</u>	<u>30,890,209</u>	<u>7,791,697</u>	<u>1,629,949</u>	<u>138,815,158</u>

The following is a summary of the changes in outstanding bonds during the fiscal year ended June 30, 2022:

Issue	Balance June 30, 2021	Additions	Deductions	Payments	Balance June 30, 2022
2011	5,655,000	-	-	(1,885,000)	3,770,000
2012	3,755,000	-	-	(55,000)	3,700,000
2013	17,055,000	-	-	(200,000)	16,855,000
2014	1,335,000	-	-	(320,000)	1,015,000
2016	30,395,000	-	-	(75,000)	30,320,000
2016	4,460,000	-	-	(1,705,000)	2,755,000
2018	34,815,000	-	-	(275,000)	34,540,000
2021	13,700,000	-	-	(360,000)	13,340,000
	<u>111,170,000</u>	<u>-</u>	<u>-</u>	<u>(4,875,000)</u>	<u>106,295,000</u>

The District also has the following lines of credit:

Amazon	\$150,000
Kroger	2,000
Lowe's	20,700
Republic Bank	25,000
Wright Express	<u>10,000</u>
	<u>\$207,700</u>

NOTE G – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school district, eligible employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2022 is as follows:

Balance as of July 1, 2021	\$ 401,201
Less deductions to sick leave payable	(21,651)
Balance as of June 30, 2022	379,550
Less Current Portion	<u>(159,505)</u>
Noncurrent portion	<u>\$ 220,045</u>

NOTE H – CONTINGENCIES

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

NOTE I – INSURANCE, RISK MANAGEMENT AND RELATED ACTIVITIES

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

The District has purchased certain policies which are retrospectively rated including Workers’ Compensation insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund balances at June 30, 2022.

NOTE K – DEFICIT OPERATING/FUND BALANCES

The Food Service Fund has a deficit net position at June 30, 2022 of (\$120,395) due to the recording of the net pension liability and the other post-employment benefits liability in accordance with GASB Statements 68 and 75. Without the effect of GASB Statements 68 and 75, the Food Service Fund’s net position at June 30, 2022 is \$1,450,661.

The following funds had operations that resulted in a current year operating loss, resulting in a corresponding reduction to fund balance (net position):

Special Revenue Fund 21 – District Activity Funds	(29,222)
Construction Fund	(17,264,692)

NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2022:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching funds	59,614
Financing	General	Special Revenue	Funding	11,325
Operating	General	Construction	Future Construction	1,382,184
Operating	General	Food Service	Administrative	159,588
Financing	Capital Outlay	Debt Service	Debt Payments	7,336,522
Operating	Food Service	General	Indirect Costs	224,784
Operating	Special Revenue	Special Revenue	Administrative	275,903
Financing	Special Revenue	Debt Service	Debt Payments	82,392
Financing	Special Revenue	General	Funding	14,323
Operating	Special Revenue	General	Indirect Costs	957,190
Financing	SCEF Operating	General	Trust	2,000
				\$10,505,825

NOTE N – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance/net position in each of the functions.

Additionally, the Commonwealth of Kentucky paid \$183,035 in technology related expenses and the School Facilities Construction Commission paid \$932,190 in debt service on-behalf of the District. These amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance.

Instruction	\$14,098,278
Support Services	
Student	902,846
Instructional Staff	1,394,049
District Administration	121,548
School Administration	1,627,372
Business	265,441
Plant Operation and Maintenance	377,980
Student Transportation	323,125
Food Service	<u>254,201</u>
Total	<u>\$19,364,840</u>

NOTE O – TAX ABATEMENTS

During the fiscal year ended June 30, 2022, the District's property tax revenues were reduced by \$324,751 pursuant to agreements entered into by the Fiscal Court of Shelby County on May 1, 2008 and March 1, 2010. Under the agreement(s), payments in lieu of taxes are remitted to the District. The District received \$324,751 for in lieu of tax payment collections during the fiscal year ended June 30, 2022.

NOTE P – RETIREMENT PLANS

The following are payroll and retirement amounts for the years ended June 30, 2022, 2021, and 2020.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total payroll	\$49,171,977	\$44,394,810	\$44,598,849
TRS total payroll	37,676,040	34,721,896	34,394,925
CERS total payroll	17,604,435	14,649,132	15,015,178
Contributions requirement for CERS	2,859,614	2,178,413	2,252,273
CERS contribution - District portion	2,859,614	2,178,413	2,252,273
CERS contribution - Employee portion	578,562	493,945	512,031
TRS contribution - Commonwealth of KY	10,951,524	11,450,242	11,298,077
TRS contribution - District federal employees	1,759,803	1,275,073	1,285,578

NOTE Q – GENERAL INFORMATION ABOUT THE PENSION PLANS

	<u>Governmental</u>	<u>Food Service</u>	<u>Total</u>
Pension liability			
CERS	\$ 20,368,325	\$ 1,502,528	\$ 21,870,853
OPEB liability			
CERS	\$ 6,114,531	\$ 451,056	\$ 6,565,587
TRS	11,946,000	-	11,946,000
Total	\$ 18,060,531	\$ 451,056	\$ 18,511,587
Deferred outflows			
CERS subsequent contributions	\$ 2,091,988	\$ 154,321	\$ 2,246,309
CERS other pension	2,774,396	204,661	2,979,057
CERS OPEB subsequent contributions	491,850	36,283	528,133
CERS other OPEB	3,596,552	265,310	3,861,862
TRS OPEB subsequent contributions	1,130,281	-	1,130,281
TRS other OPEB	3,914,000	-	3,914,000
Total	\$ 13,999,067	\$ 660,575	\$ 14,659,642
Deferred inflows			
CERS pension	\$ 5,872,770	\$ 433,222	\$ 6,305,992
CERS OPEB	4,164,367	307,196	4,471,563
TRS OPEB	8,699,000	-	8,699,000
Total	\$ 18,736,137	\$ 740,418	\$ 19,476,555

Teachers' Retirement System of the State of Kentucky (TRS)

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will

receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

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

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

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

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

Medical Insurance Plan

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

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

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three and three quarter percent (3.75%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2021, the Kentucky School District did not report a liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

State's proportionate share of the net pension liability associated with the District	<u>\$ 137,197,013</u>
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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 that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the State's proportion for the District was 1.0543 percent.

For the year ended June 30, 2021, the State recognized pension expense for the District of \$10,951,524 and revenue of \$10,951,524 for support provided by the State on the Fund financial statements.

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

Investment rate of return	7.10%, net of pension plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Price Inflation rate	2.50%
Wage Inflation rate	2.75%
Cost of living adjustments	1.50% Annually
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate	7.10%

Mortality rates were based on the Pub-2010 benefit-weighted tables. All mortality rates are projected from 2010 generational improvement with Scale MP-2020 adjusted to 75% of the standard rates.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience investigation for the five-year period ending June 30, 2020. In addition, the contribution requirements for the fiscal year ending June 30, 2024 use a direct rate smoothing methodology over a five-year period. These revised assumption changes and methods were adopted by the Board on September 20, 2021.

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

Asset Class	Target Allocation	Long-Term Expected 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%	5.3%
Emerging Markets Equity	5.5%	5.4%
Fixed Income	15.0%	-0.1%
High Yield Bonds	2.0%	1.7%
Additional Categories	5.0%	2.2%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

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

The following table presents the State's proportionate share of the net pension liability for the District of the System, calculated using the discount rate of 7.10%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
System's net pension liability	\$185,439,586	\$137,197,013	\$97,124,001

June 30, 2020 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2021 using standard roll forward techniques. The procedure used to determine the TPL as of June 30, 2021 is shown on page 5 of the GASB 68 report for TRS submitted on May 24, 2022.

The District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

The District did not have any collective amounts to report as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in future years as pension expense.

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

OPEB

The Actuarially Determined Contribution rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated Valuation Date. The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule for the year ending June 30, 2021 for the Life Trust:

Valuation Date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Amortization period (Closed)	26 years
Asset valuation method	5-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage Inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount Rate	7.50%

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

The Total OPEB Liability (TOL) as of June 30, 2021 was determined based on an actuarial valuation prepared as of June 30, 2020, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00% - 7.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation	
MIF	7.10%
LIF	7.10%
Municipal Bond Index Rate	2.13%
Year FNP is projected to be depleted	
MIF	n/a

LIF	n/a
Single Equivalent Interest Rate, net of OPEB	
Plan investment expense, including price	
Inflation	
MIF	7.10%
LIF	7.10%
MIF Health Care Cost Trends	
Under Age 65	7.00% for FYE 2021 decreasing to an Ultimate rate of 4.50% by FYE 2031
Ages 65 and Older	5.00% for FYE 2021 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.

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.

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

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

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

	<u>Health Care Cost Trend Rate Sensitivity</u>		
	1% Decrease	Current	1% Increase
MIF Net OPEB Liability	\$8,678,884	\$11,946,052	\$16,012,223
	<u>Health Care NOL Rate Sensitivity</u>		
	6.1%	7.1%	8.1%
Health Net OPEB Liability	\$15,293,959	\$11,946,052	\$9,178,065

Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2021 was 7.10% for the Health Trust and 7.10% for the Life Trust.

Projected cash flows:

Health Trust discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contribution to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and 161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions
 - School District/University Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

In developing the adjustments to the statutory contributions in future years, the following was assumed:

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's FNP was not projected to be depleted.

The FNP projections are based upon the Health Trust's and the Life Trust's financial statuses on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the Health Trust and the Life Trust will actually run out of money, the financial condition of the Health Trust and Life Trust, or the Health Trust's and the Life Trust's ability to make benefit payments in future years.

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

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

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

The following is the Proportionate Share of the Net OPEB Liability:

	District	State	Total
HIT	\$11,946,000	\$9,702,000	\$21,648,000
LIT	\$ -	\$129,000	\$129,000

District's Proportion of the Collective NOL

	Current Year	Prior Year
Health	0.556742%	0.551345%
Life	0.000000%	0.000000%

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$(544,000).

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

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows will be determined by the System.

Health Insurance Trust	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience	-	7,104,000
Changes in Assumptions	3,124,000	-
Net difference between projected and actual earnings on plan investments	-	1,274,000
Change in proportion and differences between employer contributions and proportionate share of contributions	790,000	321,000
District contributions subsequent to the measurement date	1,130,281	-
Total	<u>5,044,281</u>	<u>8,699,000</u>

There are no deferred outflows or inflows for the Life Insurance Trust.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	<u>Deferred Outflows /(Inflows) of Resources</u>	
	Health Insurance Trust	Life Insurance Trust
Year 1	(1,240,000)	-
Year 2	(1,246,000)	-
Year 3	(1,125,000)	-
Year 4	(1,010,000)	-
Year 5	(199,000)	-
thereafter	35,000	-
Total	<u>(4,785,000)</u>	<u>-</u>

There are non-employer contributions recognized for the support provided by non-employer contributing entities in TRS.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided: Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 26.95% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2020. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2021. At June 30, 2021, the District's proportion was 0.343030%.

For the year ended June 30, 2022, the District recognized pension expense of \$1,980,200. At June 30, 2022, the District reported deferred outflows of resources for District contributions subsequent to the measurement 2,246,309, deferred outflows of resources from change of assumptions and expectations of \$2,979,057, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$6,305,992.

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 <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Liability experience	251,144	212,271
Assumption changes	293,533	-
Investment experience	848,444	3,763,462
Change in proportion and differences between employer contributions and proportionate share of contributions	1,585,936	2,330,259
District contributions subsequent to the measurement date	2,246,309	-
Total	<u>5,225,366</u>	<u>6,305,992</u>

District contributions subsequent to the measurement date of \$2,246,309 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

	Deferred Outflows <u>(Inflows)</u>
Year 1	(136,293)
Year 2	(1,548,938)
Year 3	(728,871)
Year 4	(912,833)
Year 5	-
Total	<u>(3,326,935)</u>

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2021. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized

Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-In provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

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, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2021, using generally accepted actuarial principles.

There have been no actuarial assumptions or method changes since June 30, 2020.

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

Senate Bill 249 passed during the 2021 legislative session and 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 the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2021. There were no other material plan provision changes.

House Bill 1 passed during the 2020 Special Legislative Session allows certain employers in the KERS Non-hazardous plan to elect to cease participating in the System as of June 30, 2021 under different provisions than were previously established. Senate Bill 249 passed during the 2021 legislative session delayed the effective date of cessation for these provisions to June 30, 2022. Since each employer's elections are unknown at this time, no adjustment to the Total Pension Liability was made to reflect this legislation. There were no other material plan provision changes.

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 projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy 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.

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended House Bill 8 (passed in 2021, 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 Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

The long-term expected 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. The current long term inflation assumption is 2.30% per annum for both the non-hazardous and hazardous system.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
U.S. Equity	21.8%	5.70%
Non U.S. Equity	21.8%	6.35%
Specialty Credit/High Yield	15.0%	2.8%
Core Bonds	10.0%	0.0%
Real Estate	10.0%	5.4%
Opportunistic	0.0%	N/A
Private Equity	10.0%	9.7%
Real Return	10.0%	4.6%
Cash	1.5%	-0.6%
Total	100.0%	

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows, and Pension Expense included in the Schedule of Pension Amounts by Employer include 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. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation rolled forward. 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.

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$28,050,407	\$21,870,853	\$16,757,418

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan: At June 30, 2022 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year end, June 30, 2021, using generally accepted actuarial principles.

The mortality table used for active members is the PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the system-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the PUB-2010 Disabled Mortality Table

projected 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.

Discount Rate:

Single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance 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's subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. 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.

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. The future contributions are projected in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

The District's proportionate share of the Net OPEB Liability as of June 30, 2021 is \$6,565,587. The District's proportionate share is 0.342949%. The District's proportionate share of the OPEB expense is \$850,246. The total Deferred Outflows of Resources is \$3,861,862 and the total Deferred Inflows of Resources is \$4,471,563. Total employer contributions were \$417,065, implicit subsidy was \$194,127 for a total contributions of \$611,192.

	Discount Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
	4.2%	5.2%	6.2%
Net OPEB Liability	9,014,501	6,565,587	4,555,847

	Healthcare Cost Trend Rate Sensitivity		
	1%	Current	1%
	Decrease	Discount Rate	Increase
Net OPEB Liability	4,726,442	6,565,587	8,785,463

The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2021.

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 - June 30, 2018

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provisions	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Senate Bill 249 passed during the 2020 legislative session and 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 the Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The Total Pension liability as of June 30, 2021, was determined using these updated benefit provisions. There were no other material plan provision changes.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts does not include deferred outflows/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June

30, 2021, is based on the June 30, 2020, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Liability experience	1,032,440	1,960,266
Assumption changes	1,740,662	6,105
Investment experience	330,794	1,357,889
Change in proportion and differences between employer contributions and proportionate share of contributions	757,966	1,147,303
District contributions subsequent to the measurement date	528,133	-
Total	<u>4,389,995</u>	<u>4,471,563</u>

The \$528,133 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending

	Deferred Outflows <u>(Inflows)</u>
Year 1	104,411
Year 2	(51,515)
Year 3	(63,297)
Year 4	(599,300)
Year 5	-
thereafter	-
Total	<u>(609,701)</u>

SUPPLEMENTARY INFORMATION

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance With
	Regulatory Basis			Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources:				
Property taxes	\$ 24,968,559	\$ 25,344,713	\$ 25,326,191	\$ (18,522)
Motor vehicle taxes	2,018,919	2,018,919	2,464,065	445,146
Utility taxes	3,300,000	3,300,000	3,621,489	321,489
Earnings on investments	253,000	203,000	196,145	(6,855)
Other local	100,000	118,255	586,500	468,245
State sources	32,808,019	40,304,674	40,903,488	598,814
Federal sources	720,000	720,000	824,686	104,686
Total revenues	64,168,497	72,009,561	73,922,564	1,913,003
Expenditures:				
Instruction	39,423,268	46,065,961	43,174,517	2,891,444
Supporting services:				
Students	3,384,173	3,431,189	3,583,389	(152,200)
Instructional staff	4,406,791	4,934,312	5,122,290	(187,978)
District administration	1,281,108	1,372,067	1,433,186	(61,119)
School administration	4,191,426	4,780,955	4,985,689	(204,734)
Business support services	1,708,250	1,761,192	1,681,971	79,221
Operation and maintenance of facilities	6,924,127	8,009,557	7,190,952	818,605
Student transportation	3,612,656	4,759,526	4,038,637	720,889
Food services	181,433	185,066	131,021	54,045
Community services	-	-	21	(21)
Capital outlay	-	73,902	129,335	(55,433)
Contingency	7,156,898	10,391,504	-	10,391,504
Total expenditures	72,270,130	85,765,231	71,471,008	14,294,223
Excess (deficiency) of revenues over expenditures	(8,101,633)	(13,755,670)	2,451,556	16,207,226
Other financing sources (uses):				
Proceeds from disposal of real or personal property	-	69,036	218,953	149,917
Proceeds from the sale of bonds	-	-	-	-
Transfers in	219,213	1,805,872	1,196,297	(609,575)
Transfers (out)	(60,000)	(1,519,723)	(1,612,711)	(92,988)
Total other financing sources (uses)	159,213	355,185	(197,461)	(552,646)
Change in fund balances	(7,942,420)	(13,400,485)	2,254,095	15,654,580
Fund balances - beginning	7,942,420	13,400,485	14,743,909	1,343,424
Fund balances - ending	\$ -	\$ -	\$ 16,998,004	\$ 16,998,004

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance With
	Regulatory Basis			Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources:	\$ 198,800	\$ 281,430	\$ 249,684	\$ (31,746)
State sources	2,512,489	2,568,707	2,383,396	(185,311)
Federal sources	3,607,140	6,358,493	11,980,883	5,622,390
Total revenues	6,318,429	9,208,630	14,613,963	5,405,333
Expenditures:				
Instruction	4,704,743	7,277,209	7,438,834	(161,625)
Supporting services:				
Students	58,595	135,095	329,779	(194,684)
Instructional staff	628,451	810,094	1,348,572	(538,478)
District administration	-	-	32,609	(32,609)
School administration	35,370	41,662	36,957	4,705
Business support services	-	-	-	-
Operation and maintenance of facilities	57,928	57,928	315,087	(257,159)
Student transportation	169,942	113,456	194,561	(81,105)
Food services	-	-	66,072	(66,072)
Community services	605,451	854,778	3,871,524	(3,016,746)
Capital outlay	-	-	-	-
Total expenditures	6,260,480	9,290,222	13,633,995	(4,343,773)
Excess (deficiency) of revenues over expenditures	57,949	(81,592)	979,968	1,061,560
Other financing sources (uses):				
Proceeds from disposal of real or personal property	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-
Transfers in	-	139,099	59,614	(79,485)
Transfers (out)	(57,949)	(73,507)	(1,039,582)	(966,075)
Total other financing sources (uses)	(57,949)	65,592	(979,968)	(1,045,560)
Change in fund balances	-	(16,000)	-	16,000
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ (16,000)	\$ -	\$ 16,000

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Year Ended June 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)								
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CERS	21,870,853	29,916,052	22,626,289	21,198,219	20,931,369	17,432,574	16,544,238	10,038,000
Total	<u>21,870,853</u>	<u>29,916,052</u>	<u>22,626,289</u>	<u>21,198,219</u>	<u>20,931,369</u>	<u>17,432,574</u>	<u>16,544,238</u>	<u>10,038,000</u>
District's proportionate share of the net pension liability (asset)								
TRS	-	-	-	-	-	-	-	-
CERS	34,303,000%	0.390044%	0.321714%	0.348065%	0.357599%	0.35406%	0.384790%	0.309409%
State's proportionate share of the net pension liability (asset) associated with the District								
TRS	\$ 137,197,013	\$ 154,061,901	\$ 146,508,276	\$ 133,481,744	\$ 280,579,526	\$ 313,466,377	\$ 255,658,927	\$ 208,488,497
District's covered employee payroll								
TRS	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791	\$ 32,251,771
CERS	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458	11,471,190
Total	<u>55,280,475</u>	<u>49,371,028</u>	<u>49,410,103</u>	<u>48,279,592</u>	<u>46,362,612</u>	<u>46,056,892</u>	<u>45,629,249</u>	<u>43,722,961</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll								
TRS	-	-	-	-	-	-	-	-
CERS	124.23%	204.22%	150.69%	143.41%	155.52%	134.10%	134.83%	87.51%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
For The Year Ended June 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions								
TRS	\$ 1,275,073	\$ 1,285,578	\$ 1,274,820	\$ 1,236,044	\$ 1,238,533	\$ 1,245,385	\$ 960,405	\$ 681,000
CRS	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969	1,828,870
Total	3,453,486	3,537,851	3,271,208	2,925,438	2,892,518	2,707,811	2,405,374	2,509,870
Contributions in relation to the contractually required contribution								
TRS	\$ 1,275,073	\$ 1,285,578	\$ 1,274,820	\$ 1,236,044	\$ 1,238,533	\$ 1,245,385	\$ 960,405	\$ 681,000
CRS	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969	1,828,870
Total	3,453,486	3,537,851	3,271,208	2,925,438	2,892,518	2,707,811	2,405,374	2,509,870
Contribution deficiency (excess)								
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
District's covered employee payroll								
TRS	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791	\$ 32,251,771
CRS	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458	11,471,190
Total	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612	46,056,892	45,629,249	43,722,961
Contributions as a percentage of covered employee payroll								
TRS	3.38%	3.70%	3.71%	3.69%	3.76%	3.77%	2.88%	2.11%
CRS	12.37%	15.37%	13.30%	11.43%	12.29%	11.25%	11.78%	15.94%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For The Year Ended June 30, 2022**

	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability (asset)					
CERS	\$ 6,565,587	\$ 9,543,506	\$ 5,409,589	\$ 6,179,630	\$ 7,188,963
TRS - Medical Insurance	11,946,000	13,915,000	15,853,000	18,117,000	19,462,000
TRS - Life Insurance	-	-	-	-	-
Total	18,511,587	23,458,506	21,262,589	24,296,630	26,650,963
District's proportionate share of the net OPEB liability (asset)					
CERS	0.342949%	0.395226%	0.321631%	0.348054%	0.357599%
TRS - Medical Insurance	55.674200%	0.551345%	0.541645%	0.522146%	0.545479%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
State's proportionate share of the net OPEB liability (asset) associated with the District					
TRS - Medical Insurance	\$ 9,702,000	\$ 11,146,000	\$ 12,802,000	\$ 15,613,000	\$ 15,897,000
TRS - Life Insurance	129,000	337,000	297,000	268,000	213,000
Total	9,831,000	11,483,000	13,099,000	15,881,000	16,110,000
District's covered employee payroll					
TRS	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll					
CERS	37.30%	65.15%	36.03%	41.80%	53.42%
TRS - Medical Insurance	31.71%	40.08%	46.09%	54.08%	59.15%
TRS - Life Insurance	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability					
CERS	62.91%	51.67%	60.44%	57.62%	52.40%
TRS - Medical Insurance	51.74%	39.05%	32.58%	25.54%	21.18%
TRS - Life Insurance	89.15%	71.57%	73.40%	74.97%	79.99%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
For The Year Ended June 30, 2022**

	2022	2021	2020	2019	2018
Contractually required contributions					
CERS	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-
Total	<u>1,405,286</u>	<u>1,455,741</u>	<u>1,464,077</u>	<u>1,409,319</u>	<u>1,392,017</u>
Contributions in relation to the contractually required contribution					
CERS	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-
Total	<u>1,405,286</u>	<u>1,455,741</u>	<u>1,464,077</u>	<u>1,409,319</u>	<u>1,392,017</u>
Contribution deficiency (excess)					
CERS	\$ -	\$ -	\$ -	\$ -	\$ -
TRS - Medical Insurance	-	-	-	-	-
TRS - Life Insurance	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll					
TRS	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total	<u>55,280,475</u>	<u>49,371,028</u>	<u>49,410,103</u>	<u>48,279,592</u>	<u>46,362,612</u>
Contributions as a percentage of covered employee payroll					
TRS	2.37%	3.29%	3.47%	3.24%	3.40%
CERS	2.62%	2.80%	2.74%	2.78%	2.84%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

SHELBY COUNTY PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increased in healthcare costs.

June 30, 2021 – TRS Pension

There have been no actuarial assumption or method changes since June 30, 2020.

June 30, 2021 – TRS OPEB

The following changes to assumptions were made during the year:

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%.

The price inflation assumption was lowered from 3.00% to 2.50%.

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

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

School	Cash Balance		Receipts	Disbursements	Cash Balance		Accounts Receivable		Accounts Payable		Due To Student Groups June 30, 2022
	July 1, 2021	June 30, 2022			June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022	June 30, 2022		
Clear Creek Elementary	\$ 8,429	\$ 8,001	\$ 13,175	\$ 13,603	\$ 8,001	\$ -	\$ -	\$ -	\$ -	\$ 8,001	
Heritage Elementary	21,592	24,353	34,086	31,325	24,353	-	-	-	-	24,353	
Painted Stone Elementary	26,714	28,311	40,838	39,241	28,311	-	-	-	-	28,311	
Simpsonville Elementary	15,412	7,402	29,655	37,665	7,402	-	-	-	-	7,402	
Southside Elementary	14,609	13,082	5,663	7,190	13,082	-	-	-	-	13,082	
Wright Elementary	16,016	11,866	33,373	37,523	11,866	-	-	-	-	11,866	
East Middle	60,461	70,370	127,506	117,597	70,370	-	-	909	909	69,461	
West Middle	76,718	61,007	93,964	109,675	61,007	-	-	-	-	61,007	
Marnel C. Moorman School	31,566	54,307	114,230	91,489	54,307	-	-	-	-	54,307	
Martha Layne Collins High	183,037	193,495	505,541	495,083	193,495	-	-	-	-	193,495	
Shelby County High	216,296	214,426	473,193	475,063	214,426	-	-	-	-	214,426	
Shelby County Education Center	150	150	-	-	150	-	-	-	-	150	
Totals	\$ 671,000	\$ 686,770	\$ 1,471,224	\$ 1,455,454	\$ 686,770	\$ -	\$ -	\$ 909	\$ 909	\$ 685,861	

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

Activity Account	Cash Balance July 1, 2021	Receipts	Disbursements	Transfers	Cash Balance June 30, 2022	Account Receivable June 30, 2022	Account Payables June 30, 2022	Due To Student Groups June 30, 2022
Academic Team	\$ 48	\$ -	\$ -	\$ -	\$ 48	\$ -	\$ -	\$ 48
AP Testing	7,207	6,767	(5,476)	-	8,498	-	-	8,498
Art Club	-	-	-	-	-	-	-	-
Art DAF	-	-	-	-	-	-	-	-
Band	-	8,864	(5,527)	(1,194)	2,143	-	-	2,143
Band DAF	-	2,058	(2,308)	250	-	-	-	-
Baseball	18,337	47,977	(43,511)	(1,000)	21,803	-	-	21,803
Bass Fishing	9,567	11,202	(16,288)	(2,433)	2,048	-	-	2,048
Beta Club	4,265	1,487	(1,171)	-	4,581	-	-	4,581
Bowling	460	-	-	-	460	-	-	460
Boys Basketball	34,172	25,930	(56,879)	(1,321)	1,902	-	-	1,902
Boys Golf	1,021	2,052	(1,730)	-	1,343	-	-	1,343
Boys Lacrosse	904	2,250	(1,590)	(1,000)	564	-	-	564
Boys Soccer	2,334	12,477	(3,969)	-	10,842	-	-	10,842
Boys Tennis	2,094	286	(557)	-	1,823	-	-	1,823
Boys Track	17	7,512	(3,255)	-	4,274	-	-	4,274
Cheerleading	2,254	11,284	(7,681)	1,028	6,885	-	-	6,885
Chess Club	206	-	-	130	336	-	-	336
Choir	1,732	4,636	(2,337)	-	4,031	-	-	4,031
Class of 2021	-	-	-	-	-	-	-	-
Class of 2022	974	2,315	(2,826)	58	521	-	-	521
Class of 2023	-	18,287	(13,041)	56	5,302	-	-	5,302
Class of 2024	-	-	-	24	24	-	-	24
Class of 2025	-	-	-	144	144	-	-	144
Cross Country	2,207	6,628	(4,052)	-	4,783	-	-	4,783
Dance Team	2,114	8,765	(4,231)	-	6,648	-	-	6,648
Department Accounts	8,642	1,754	(1,469)	(50)	8,877	-	-	8,877
Drama Club	3,534	6,518	(1,802)	(2,910)	5,340	-	-	5,340
eSports	-	-	-	365	365	-	-	365
FCA	2,543	125	-	-	2,668	-	-	2,668
FFA	2,611	1,650	(3,005)	-	1,256	-	-	1,256
Football	1,976	32,246	(21,897)	300	12,625	-	-	12,625
General Athletic	11,662	128,373	(127,890)	(6,982)	5,163	-	-	5,163
General Fund	-	2,228	(918)	(1,310)	-	-	-	-
Girls Basketball	1,368	4,745	(3,661)	-	2,452	-	-	2,452
Girls Golf	5,435	6,723	(5,835)	-	6,323	-	-	6,323
Girls Lacrosse	5,328	7,782	(2,753)	(426)	9,931	-	-	9,931
Girls Soccer	395	3,315	(1,467)	-	2,243	-	-	2,243
Girls Tennis	1,420	715	(776)	-	1,359	-	-	1,359
Girls Track	-	-	-	-	-	-	-	-
In School Clubs	5,442	27,561	(27,612)	(739)	4,652	-	-	4,652
Media Center DAF	-	-	-	-	-	-	-	-
Music DAF	-	-	-	-	-	-	-	-
NHS	94	-	-	-	94	-	-	94
Non-Instructional Field Trip	-	71,722	(71,722)	-	-	-	-	-
Odyssey of the Mind	115	-	-	-	115	-	-	115
Orchestra	1,005	267	(507)	994	1,759	-	-	1,759
ROTC	4,357	-	-	-	4,357	-	-	4,357
School DAF	-	(7,487)	(11,145)	18,632	-	-	-	-
Softball	3,033	12,556	(7,905)	1,000	8,684	-	-	8,684
Staff Account	291	1,052	(1,004)	-	339	-	-	339
Start Up Cash	-	800	(800)	-	-	-	-	-
STLP	-	-	-	-	-	-	-	-
Student Council	694	-	-	-	694	-	-	694
Student Recognition	12,194	1,666	(8,640)	3,800	9,020	-	-	9,020
Student Support	1,723	572	-	(79)	2,216	-	-	2,216
Swim Team	205	1,414	-	(800)	819	-	-	819
Talented and Gifted (TAG)	214	350	(200)	(136)	228	-	-	228
Vex Robotics	2,844	8,186	(5,992)	(3,943)	1,095	-	-	1,095
Volleyball	2,540	6,336	(8,064)	-	812	-	-	812
Yearbook	13,459	3,596	(3,591)	(2,458)	11,006	-	-	11,006
Totals	\$ 183,037	\$ 505,542	\$ (495,084)	\$ -	\$ 193,495	\$ -	\$ -	\$ 193,495

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022**

Activity Account	Cash Balance July 1, 2021	Receipts	Disbursements	Transfers	Cash Balance June 30, 2022	Accounts Receivables June 30, 2022	Accounts Payables June 30, 2022	Due To Student Groups June 30, 2022
Academic Team	\$ 502	\$ 31	\$ -	\$ -	\$ 533	\$ -	\$ -	\$ 533
AP Testing	12,892	1,548	(9,457)	-	4,983	-	-	4,983
Archery	-	-	(1,637)	1,637	-	-	-	-
Art Club	2,507	-	-	-	2,507	-	-	2,507
Art DAF	-	-	-	-	-	-	-	-
Band	1,710	79,547	(78,912)	(212)	2,133	-	-	2,133
Baseball	15,593	9,325	(8,924)	-	15,994	-	-	15,994
Bass Fishing	6,079	5,464	(5,179)	(1,591)	4,773	-	-	4,773
Beta Club	2,797	-	-	-	2,797	-	-	2,797
Boys Basketball	408	11,113	(8,360)	-	3,161	-	-	3,161
Boys Golf	1,970	9,576	(8,889)	-	2,657	-	-	2,657
Boys Soccer	4,764	10,676	(6,027)	(2,823)	6,590	-	-	6,590
Boys Tennis	279	433	(918)	918	712	-	-	712
Boys/Girls Track	7,582	9,749	(5,182)	(4,050)	8,099	-	-	8,099
Cheerleading	5,086	11,177	(11,798)	-	4,465	-	-	4,465
Choir	3,202	60,595	(61,711)	(152)	1,934	-	-	1,934
Class of 2019	-	-	-	-	-	-	-	-
Class of 2021	420	-	-	-	420	-	-	420
Class of 2022	6,248	1,300	(2,655)	(4,817)	76	-	-	76
Class of 2023	897	16,135	(13,734)	5,005	8,303	-	-	8,303
Class of 2024	111	526	-	-	637	-	-	637
Cross Country	11,352	18,166	(20,304)	(100)	9,114	-	-	9,114
Dance Team	743	6,589	(7,441)	201	92	-	-	92
Department Accounts	15,368	16,794	(15,515)	98	16,745	-	-	16,745
Drama Club	9,513	-	381	-	9,894	-	-	9,894
E Sports	1,853	2,255	(2,434)	-	1,674	-	-	1,674
Farm	3,066	22,204	(25,270)	-	-	-	-	-
Football	230	16,572	(24,983)	13,303	5,122	-	-	5,122
Future Farmers of America	4,251	6,251	(7,699)	-	2,803	-	-	2,803
General	11,167	8,170	(7,106)	1,199	13,430	-	-	13,430
General Athletics	24,548	77,680	(42,628)	(35,688)	23,912	-	-	23,912
Girls Basketball	-	8,249	(10,296)	2,218	171	-	-	171
Girls Golf	2,478	15,845	(15,750)	491	3,064	-	-	3,064
Girls Soccer	5,344	89	(294)	-	5,139	-	-	5,139
Girls Tennis	93	255	(621)	621	348	-	-	348
Greenhouse	9,106	11,838	(20,944)	-	-	-	-	-
In School Clubs	7,311	6,050	(5,047)	-	8,314	-	-	8,314
Media Center DAF	-	1,760	(1,760)	-	-	-	-	-
Music DAF	-	-	-	-	-	-	-	-
National Honor Society	443	1,176	(787)	(390)	442	-	-	442
Orchestra	6	-	-	-	6	-	-	6
ROTC (Reserve Officer)	4,966	2,663	(2,426)	-	5,203	-	-	5,203
School DAF	-	3,790	(26,630)	22,840	-	-	-	-
Softball	10,575	10,372	(3,579)	-	17,368	-	-	17,368
Staff Account	146	1,034	(650)	-	530	-	-	530
Start up Cash	-	-	-	-	-	-	-	-
Student Recognition	1,104	1,163	(1,994)	-	273	-	-	273
Student Support	4,852	55	(118)	-	4,789	-	-	4,789
Student Technology Leader	-	-	-	-	-	-	-	-
Swim Team	1,993	5,923	(4,316)	(40)	3,560	-	-	3,560
Talented and Gifted (TAG)	140	-	-	-	140	-	-	140
Vex Robotics	1,263	-	-	-	1,263	-	-	1,263
Volleyball	2,212	-	(3,469)	1,332	75	-	-	75
Yearbook Club	9,126	1,055	-	-	10,181	-	-	10,181
Totals	\$ 216,296	\$ 473,193	\$ (475,063)	\$ -	\$ 214,426	\$ -	\$ -	\$ 214,426

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
Cash expenditures			
<u>U.S.Department of Education</u>			
Kentucky Department of Education			
Title I Grants to Local Education Agencies	84.010	3100002	22,081
Title I Grants to Local Education Agencies	84.010	3100002	679,889
Title I Grants to Local Education Agencies	84.010	3100002	5,956
Title I Grants to Local Education Agencies	84.010	3100002	610,598
Title I Grants to Local Education Agencies	84.010	3100002	6,619
Title I, School Improvement	84.010	3100202	81,882
Title I, School Improvement	84.010	3100202	817
Title I, School Improvement	84.010	3100202	587
Title I, School Improvement	84.010	3100202	269,898
Title I, School Improvement	84.010	3100202	105,698
Subtotal			1,784,025
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313G	16,324
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313I	17,952
Subtotal			34,276
Title IV Part A, Student Support	84.424A	3420002	16,188
Title IV Part A, Student Support	84.424A	3420002	17,036
Title IV Part A, Student Support	84.424A	3420002	16,424
Title IV, Part A, Student Support	84.424A	3420002	41,990
Title IV, Part A, Student Support	84.424A	3420002	13,684
Title IV, Part A, Student Support	84.424A	3420002	5,000
Subtotal			110,322
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	64,001
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	615,282
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	7,205
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	315,203
* ARP IDEA Basic	84.027X	4910002	127,171
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	9,054
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	30,130
* ARP IDEA Private Schools	84.173X	4900002	18,024
Subtotal			1,186,070
Vocational Education Basic	84.048	3710002	67
Vocational Education Basic	84.048	3710002	1,252
Vocational Education Basic	84.048	3710002	48,003
Subtotal			49,322
Supporting Effective Instruction	84.367	3230002	2,349
Supporting Effective Instruction	84.367	3230002	225,766
Supporting Effective Instruction	84.367	3230002	100,392
Subtotal			328,507

English Language Acquisition	84.365	3300002	87,467
English Language Acquisition	84.365	3300002	<u>51,126</u>
Subtotal			138,593
* GEER II Family Resource Centers	84.425C	564GF	32,816
* CARES - GEER Private School	84.425C	4000003	8,662
* CARES - ESSER	84.425D	4000002	40,001
* CARES - ESSER Private School	84.425D	4000002	9,750
* CRRSAA - ESSER	84.425D	4200002	636,401
* CRRSAA - ESSER Direct Services	84.425D	4200002	2,578,388
* CRRSAA - ESSER Digital Learning Services	84.425D	4200002	6,991
* CRRSAA - ESSER State Set Aside	84.425D	4200002	27,815
* CRRSAA - ESSER Vaccine Incentive	84.425D	4200002	76,500
* ARP ESSER	84.425U	4300002	3,715,213
* ARP ESSER Learning Loss	84.425U	4300002	<u>481,728</u>
Subtotal			<u>7,614,265</u>
Total U.S.Department of Education			11,245,380
<u>U.S.Department of Health and Human Services</u>			
Head Start	93.600	655E	8,480
Kentucky Cabinet for Health and Family Services			
* ARP Child Care Stabilization Fund	93.575	576I	205,608
* CARES - Child Development	93.575	658FC	59,869
* CARES - Child Development II	93.575	658FL	67,340
* CRRSAA - Child Care Aid	93.575	672G	<u>386,446</u>
Subtotal			719,263
Kentucky Department of Education			
School Health Profile	93.079	2100001	650
School Health Profile	93.079	2100001	<u>600</u>
Subtotal			<u>1,250</u>
Total U.S. Department of Health and Human Services			728,993
<u>U.S.Department of Agriculture</u>			
Kentucky Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	7750002	4,251,587
Summer Food Service Program for Children	10.559	7690024	75,181
Summer Food Service Program for Children	10.559	7740023	<u>60,083</u>
Subtotal			4,386,851
Commodities	10.555	not provided	<u>124,417</u>
Total U.S.Department of Agriculture			4,511,268
Total federal expenditures			<u>16,485,641</u>

* Funding for Covid-19
See Notes to Schedule of Expenditures of Federal Awards

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2022

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shelby County School District (the "District") under programs of the federal government for the year ended June 30, 2022 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 – Food Donation

Nonmonetary assistance for food donation is reported in the Schedule at the fair market value of the commodities disbursed. These donations are received from the US Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

Note 3 – Indirect Cost Rate

The District did not use the de minimis indirect cost rate of 10.0%.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

We have audited, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shelby County Board of Education as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 28, 2022.

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 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 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 a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 of 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*.

I noted certain matters that I reported to management of the District in a separate letter dated October 28, 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.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 28, 2022

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

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

We have audited Shelby 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 auditor's 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance 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.

Auditor's 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, misrepresentation, 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- a. Exercise professional judgment and maintain professional skepticism throughout the audit.
- b. 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.
- c. 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 the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
October 28, 2022

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with 2CFR 200.516(a)? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425C, 84.425D, 84.425U	Education Stabilization Relief Fund
10.555, 10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2022

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

Shelby County Board of Education
Shelbyville, Kentucky

We have audited the financial statements of the Shelby County School District for the year ended June 30, 2022 and have issued our report thereon dated October 28, 2022. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Shelby County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Shelby County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2021-001, 2021-002, 2021-003, 2021-004, 2021-006, 2021-007, 2021-009, 2021-010, 2021-011, 2021-012.

The following items from last year's management letter points were not corrected: 2021-005, 2021-008.

Denise M. Keene, CPA
October 28, 2022

CURRENT YEAR MANAGEMENT POINTS

Central Office

2022-001

Southside Elementary did not meet the Property Insurance Replacement Cost requirements for insurance during the fiscal year. The elementary school should have had \$262.70/sq ft, but had only \$255.20/sq ft. I recommend the District review its insurance coverage to comply with KDE's requirements.

Management's Response:

The District utilized the most recent property values posted by the Kentucky Department of Education (KDE) at the time the insurance bids were issued. KDE personnel communicated plans to post those values earlier in future years.

The Following Schools had no Management Comments

Clear Creek Elementary School

Marnel C Moorman School

Painted Stone Elementary School

MARTHA LAYNE COLLINS HIGH SCHOOL

2022-002

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Robotics & Engineering Club did not submit their annual financial report for the year. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

We will continue to contact the booster President and will get the financial report.

2022-003

According to the Red Book, the Principal will review the bank statement, sign and date the front page after review. One (1) of the twelve (12) bank statements was not dated. I recommend the Principal sign and date each bank statement after review. **This is a repeat from last year (2021-008)**

Management's Response:

The Principal will double check his dates and signatures on the review sheet and will have the bookkeeper check for errors.

SHELBY COUNTY HIGH SCHOOL

2022-004

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Athletic and Band booster clubs did not submit the annual financial statement for the year. I recommend the Principal not approve any fundraisers until the information is submitted.

Management's Response:

Principal will require the annual financial statement prior to approving any fundraisers. The assistant principal overseeing booster clubs will ensure all booster organizations submit required documentation monthly and annually.

2022-005

According to the Redbook, Fundraisers are to be approved and Fundraiser Summary is to be completed when items are sold. The Band sold pies during the year. The fundraiser was not approved and a Fundraiser Summary was not completed. I recommend the Principal remind all sponsors of the requirements.

Management's Response:

Due to COVID, the band pie fundraiser process changed from homemade pie to frozen pie sale. The fundraiser was approved on the band booster side, however, the band director ran the fundraiser through his school activity account instead. The requirements have been reviewed with the band director and the pie fundraiser will be handled by the band boosters and their account as planned.

EAST MIDDLE SCHOOL

2022-006

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) of the seven (7) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased.

Management's Response:

The Principal reserves the right to deny PO requests made the same day or after the Invoice is received. We delivered this news to the staff in an all staff meeting on 08/30/22 when we went over finance guidelines for the school.

WEST MIDDLE SCHOOL

2022-007

According to the Red Book, "Attendance incentives for the compulsory instructional day, unless the incentives are considered instructional..." are not allowed. Perfect attendance metals were purchased. I recommend the Principal not approve nonallowable expenditures.

Management's Response:

This expenditure for attendance incentives was approved by the former principal. In the future, the current principal and bookkeeper will not approve non allowable expenditures such as attendance metals.

2022-008

According to the Red Book, the Principal will review the bank statement, sign and date the front page after review. One (1) of the twelve (12) bank statements was not signed or dated. I recommend the Principal sign and date each bank statement after review.

Management's Response:

The former principal did not sign one of twelve bank statements. In the future, the current principal and bookkeeper will ensure that all bank statements are signed and dated after they are reviewed by the principal.

2022-009

The Red Book Ticket Sales Form was not use to report the ticket sales for the Football game on October 14, 2021. A form from the Kentucky Middle School Football Association was used. The school should use the approved Red Book Form to report all ticket sales.

Management's Response:

When hosting the KY School Football Association tournament, they sent their own form for admissions. The bookkeeper mistakenly used the form they provided instead of the regular Red Book Form. In the future, we will always use the regular Red Book Form for ticket sales regardless of what is provided to us.

2022-010

According to the Red Book, "Outstanding checks shall not be carried longer than 12 months." You have twenty (20) outstanding checks longer than 12 months. I recommend you clean up your outstanding checks.

Management's Response:

The outstanding checks will be taken care of and will no longer show that they have carried over for 12 months. The bookkeeper will clean those checks up.

HERITAGE ELEMENTARY SCHOOL

2022-011

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two(2) of the five (5) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased.

Management's Response:

All future purchase orders will be signed by the sponsor and principal at the time of request. Any purchase orders that may be dated after purchase will not be approved.

2022-012

According to the Red Book, The principal shall not be the vendor on a purchase order with the exception being for authorized travel expenses. There was a check written to the principal for start up money during the year. The Principal should not be the vendor for this expenditure. I recommend the Principal designate someone else for start up cash.

Management's Response:

The Principal has been removed as a vendor in EPEs. All future start up cash requests will be made out to teacher sponsor.

2022-013

According to the Red Book, Transfer Forms are to be signed by the Principal and the sponsor of the remitting activity account. One (1) transfer form out of seven (7) was not signed by anyone. Transfer should not be made without proper authorization. I recommend the Principal review transfers on a monthly basis to assure signatures have been obtained.

Management's Response:

All original forms will be kept and attached to any updated forms.

SIMPSONVILLE ELEMENTARY SCHOOL

2022-014

According to the Red Book, the Principal will review the bank statement, sign and date the front page after review. One (1) of the twelve (12) bank statements was signed, two (2) were not dated. I recommend the Principal sign and date each bank statement after review.

Management's Response:

Double check systems to ensure (Principal and Bookkeeper) all items are appropriately reviewed, signed and dated.

SOUTHSIDE ELEMENTARY

2022-015

According to the Red Book, the Principal will review the bank statement, sign and date the front page after review. One (1) of the twelve (12) bank statements was not signed or dated. I recommend the Principal sign and date each bank statement after review.

Management's Response:

Our normal practice is to ensure there are always signatures and dates on each bank statement. Going forward we will double check for accuracy.

WRIGHT ELEMENTARY

2022-016

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." One (1) of the six (6) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased. **This is a repeat from last year 2021-005**

Management's Response:

Some vendors use the price quote as the eventual invoice, resulting in an invoice date prior to the date the order is actually placed. To ensure Redbook compliance, purchase orders for these vendors will be approved prior to obtaining the price quote.