

SOMERSET INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022
with
REPORT OF INDEPENDENT AUDITORS**

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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for
School District Audits
Members of the Board of Education
Somerset Independent School District
Somerset, 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 Somerset Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. 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 Somerset Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit program.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Somerset Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.





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Auditors' Responsibilities for the Audit of the Financial Statement

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and the pension and other postemployment benefits liability and contributions information per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.





Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Somerset Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2022, on our consideration of Somerset Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Somerset Independent School District's internal control over financial reporting and compliance.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
SOMERSET INDEPENDENT SCHOOL DISTRICT - SOMERSET, KY
Year ended June 30, 2022

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

FINANCIAL HIGHLIGHTS

- The beginning governmental funds' cash balances for the district were \$16,502,690 and the ending cash balance for the district was \$17,808,444.
- Total SEEK of 2020/21 was \$5,256,240 and total SEEK for 2021/22 was \$5,749,915. This is an increase of \$493,675.
- Total General Fund revenues for the 2020/21 school year were \$15,960,073, excluding capital lease proceeds. Total revenues for 2021/22 school year were \$16,552,309. This is an increase of \$592,236 for general fund revenues.
- Tax rates for 2021/22 school year were 77.5 for real estate, 79.2 for business personal property and 56.8 for motor vehicles.
- In the fiscal year 2021/22 the board paid \$1,078,000 in bond principal payments and KISTA principal payments of \$119,257. The bond principal payments for 2022/23 will be \$1,105,000 and KISTA principal payments of \$46,250.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues.

See the Table of Contents for the government-wide financial statements.

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

See the Table of Contents for the basic governmental fund financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. See the Table of Contents for the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
SOMERSET INDEPENDENT SCHOOL DISTRICT - SOMERSET, KY
Year ended June 30, 2022

Net Position for the period ending June 30, 2022

Fiscal year 2022 government-wide net position compared to 2021 is as follows:

| | Government Activities | | Business-type Activities | | Total | |
|---|-----------------------|---------------------|--------------------------|-------------------|---------------------|----------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$17,531,096 | \$16,830,903 | \$ 478,506 | \$ 272,141 | \$18,009,602 | \$ 17,103,044 |
| Capital assets, net depreciation | 27,960,425 | 28,497,804 | 182,153 | 206,633 | 28,142,578 | 28,704,437 |
| | <u>45,491,521</u> | <u>45,328,707</u> | <u>660,659</u> | <u>478,774</u> | <u>46,152,180</u> | <u>45,807,481</u> |
| District pension contributions subsequent to the measure date | 3,247,879 | 2,309,824 | 79,198 | 67,417 | 3,327,077 | 2,377,241 |
| Loss for the difference in reacquisition and carrying value of refunding debt | 26,119 | 38,297 | - | - | 26,119 | 38,297 |
| Total Deferred Outflows of Resources | <u>3,273,998</u> | <u>2,348,121</u> | <u>79,198</u> | <u>67,417</u> | <u>3,353,196</u> | <u>2,415,538</u> |
| Current liabilities | 1,553,369 | 1,574,815 | 7,198 | 7,619 | 1,560,567 | 1,582,434 |
| Other liabilities | 30,382,794 | 30,778,499 | 289,839 | 269,690 | 30,672,633 | 31,048,189 |
| Total Liabilities | <u>31,936,163</u> | <u>32,353,314</u> | <u>297,037</u> | <u>277,309</u> | <u>32,233,200</u> | <u>32,630,623</u> |
| Net assets | | | | | | |
| Invested in capital assets, net of related debt | 9,366,398 | 8,860,008 | 182,153 | 206,633 | 9,548,551 | 9,066,641 |
| Restricted | 3,842,156 | 403,193 | 260,667 | 62,249 | 4,102,823 | 465,442 |
| Unrestricted | 3,620,802 | 2,425,313 | - | - | 3,620,802 | 2,425,313 |
| Deficit | - | - | - | - | - | - |
| Total Net Position | <u>\$16,829,356</u> | <u>\$11,688,514</u> | <u>\$ 442,820</u> | <u>\$ 268,882</u> | <u>\$17,272,176</u> | <u>\$ 11,957,396</u> |

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets plus deferred outflows exceeded liabilities by \$16,829,356; proprietary assets exceeded liabilities by \$442,820 and total primary government assets exceeded liabilities by \$17,272,176 at June 30, 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
SOMERSET INDEPENDENT SCHOOL DISTRICT - SOMERSET, KY
Year ended June 30, 2022

The following table presents a fund accounting comparison and summary of revenue and expense for the fiscal years 2022 and 2021.

| | Government Activities | | Business-type Activities | | Total | |
|-------------------------------------|-----------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 42,091 | \$ 35,019 | \$ 248,681 | \$ 97,180 | \$ 290,772 | \$ 132,199 |
| Operating grants & contributions | 8,403,314 | 7,625,667 | 1,115,996 | 783,948 | 9,519,310 | 8,409,615 |
| Capital grants & contributions | 339,439 | 329,980 | - | - | 339,439 | 329,980 |
| General revenues | | | | | | |
| Local taxes | 7,324,348 | 7,141,030 | - | - | 7,324,348 | 7,141,030 |
| State sources | 6,458,210 | 5,919,123 | - | - | 6,458,210 | 5,919,123 |
| Other | 500,719 | 473,945 | 1,340 | 1,091 | 502,059 | 475,036 |
| Total revenues | 23,068,121 | 21,524,764 | 1,366,017 | 882,219 | 24,434,138 | 22,406,983 |
| Expenses | | | | | | |
| School operation and administration | 20,962,974 | 19,928,883 | 1,201,931 | 1,023,242 | 22,164,905 | 20,952,125 |
| Interest on debt service | 589,453 | 648,013 | - | - | 589,453 | 648,013 |
| Transfers | 9,852 | 10,267 | (9,852) | (10,267) | - | - |
| Total expenses | 21,562,279 | 20,587,163 | 1,192,079 | 1,012,975 | 22,754,358 | 21,600,138 |
| Increase (Decrease) in net position | \$ 1,505,842 | \$ 937,601 | \$ 173,938 | \$ (130,756) | \$ 1,679,780 | \$ 806,845 |

Governmental Activities

Total net position has increased from the prior year by \$1,505,842.

Business-Type Activities

Net position has increased from the prior year by \$173,938.

Debt

Debt decreased by \$1.20 million as follows:

| | Outstanding Debt at Year-End (in Millions) | |
|---------------------------|---|----------------|
| | Government Activities | |
| | 2022 | 2021 |
| General Obligation Bonds | \$ 1.08 | \$ 1.09 |
| Capital Lease Obligations | 0.12 | 0.05 |
| Total Obligations | \$ 1.20 | \$ 1.14 |

Capital Assets

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
SOMERSET INDEPENDENT SCHOOL DISTRICT - SOMERSET, KY
 Year ended June 30, 2022

At the end of the fiscal year 2022, the district had \$28.14 million invested in capital assets, including land, buildings, buses, computers, and other equipment.

Capital Assets at Year-End
 (Net of Depreciation, in Millions)

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|----------------------------|-----------------|-----------------------------|----------------|-----------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land & Improvements | \$ 4.66 | \$ 1.64 | \$ - | \$ - | \$ 4.66 | \$ 1.64 |
| Buildings & Improvements | 21.93 | 15.94 | 0.07 | 0.07 | 22.00 | 16.01 |
| Technology Equipment | 0.03 | 0.15 | 0.01 | 0.02 | 0.04 | 0.17 |
| Vehicles | 0.30 | 0.23 | - | - | 0.30 | 0.23 |
| General Equipment | 0.20 | 0.22 | 0.10 | 0.12 | 0.30 | 0.34 |
| Construction in Progress | 0.84 | 10.32 | - | - | 0.84 | 10.32 |
| Totals | \$ 27.96 | \$ 28.50 | \$ 0.18 | \$ 0.21 | \$ 28.14 | \$ 28.71 |

Comments on Budget Comparisons

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2022 and 2021:

See table on next page

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
SOMERSET INDEPENDENT SCHOOL DISTRICT - SOMERSET, KY
 Year ended June 30, 2022

| | <u>2022</u> | <u>2021</u> |
|--|-----------------------------|-----------------------------|
| Revenues and other financing sources | | |
| Local revenue sources | \$ 7,867,159 | \$ 7,649,994 |
| State revenue sources | 11,361,358 | 10,871,287 |
| Federal revenue | 3,839,605 | 3,003,483 |
| Other sources | - | - |
| Bond proceeds | 141,316 | - |
| Transfers in | <u>1,227,234</u> | <u>2,784,251</u> |
| Total Revenue and other financing sources | <u>\$ 24,436,672</u> | <u>\$ 24,309,015</u> |
| Expenditures and other financing uses | | |
| Instruction | \$ 13,298,419 | \$ 12,017,347 |
| Student support services | 672,588 | 626,900 |
| Instructional support | 821,516 | 801,254 |
| District administration | 552,413 | 654,077 |
| School administration | 947,490 | 997,082 |
| Business support | 444,551 | 437,905 |
| Plant operations | 2,256,098 | 2,109,468 |
| Student transportation | 693,879 | 507,800 |
| Building improvements | 748,364 | 929,108 |
| Community support | 242,470 | 239,405 |
| Debt service | 1,778,956 | 1,753,645 |
| Transfers out | <u>1,237,086</u> | <u>2,794,518</u> |
| Total Expenditures and other financing uses | <u>\$ 23,693,830</u> | <u>\$ 23,868,509</u> |

On behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement and administration fees. The on-behalf payments are allocated to expense and are credited to revenues and have no effect on the District level fund balance.

BUDGETARY IMPLICATION

In Kentucky the public-school fiscal year is from July 1-June 30; other programs, i.e., some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with a contingency of \$2,204,342 or 10.30%.

Questions regarding this report should be directed to the Superintendent or to the Director of Finance at (606) 679-4451, or by mail at 305 College Street, Somerset, Kentucky 42501.

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2022

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 17,360,921 | \$ 447,523 | \$ 17,808,444 |
| Accounts receivable: | | | |
| Taxes | 45,554 | - | 45,554 |
| Other | 19,932 | - | 19,932 |
| Intergovernmental - Federal | 104,689 | - | 104,689 |
| Inventory | - | 30,983 | 30,983 |
| Capital Assets, net | | | |
| Nondepreciable | 1,665,027 | - | 1,665,027 |
| Depreciable | 26,295,398 | 182,153 | 26,477,551 |
| Total assets | 45,491,521 | 660,659 | 46,152,180 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred outflows from bond refundings | 26,119 | - | 26,119 |
| Deferred outflows - KTRS OPEB | 1,148,143 | - | 1,148,143 |
| Deferred outflows - CERS OPEB | 945,176 | 30,610 | 975,786 |
| Deferred outflows from pension | 1,154,560 | 48,588 | 1,203,148 |
| | <u>3,273,998</u> | <u>79,198</u> | <u>3,353,196</u> |
| LIABILITIES | | | |
| Accounts payable | 67,202 | 7,198 | 74,400 |
| Accrued expense | 20,528 | - | 20,528 |
| Unearned revenue | 212,655 | - | 212,655 |
| Current portion of capital lease obligations | 46,250 | - | 46,250 |
| Current maturities of bond obligations | 1,105,000 | - | 1,105,000 |
| Interest payable | 101,734 | - | 101,734 |
| Net OPEB liability KTRS | 2,541,000 | - | 2,541,000 |
| Net OPEB liability CERS | 1,459,925 | 56,568 | 1,516,493 |
| Net pension liability - noncurrent | 4,869,777 | 181,821 | 5,051,598 |
| Noncurrent portion of capital lease obligations | 172,733 | - | 172,733 |
| Noncurrent maturities of bond obligations | 17,296,163 | - | 17,296,163 |
| Noncurrent portion of accumulated sick leave | 387,597 | - | 387,597 |
| Total liabilities | 28,280,564 | 245,587 | 28,526,151 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred inflows - KTRS OPEB | 1,969,000 | - | 1,969,000 |
| Deferred inflows - CERS OPEB | 771,734 | 22,187 | 793,921 |
| Deferred inflows from pension | 914,865 | 29,263 | 944,128 |
| | <u>3,655,599</u> | <u>51,450</u> | <u>3,707,049</u> |
| NET POSITION | | | |
| Net investment in capital assets | 9,366,398 | 182,153 | 9,548,551 |
| Restricted for: | | | |
| Capital expenditures | 3,619,580 | - | 3,619,580 |
| Other | 222,576 | 260,667 | 483,243 |
| Unrestricted | 3,620,802 | - | 3,620,802 |
| Total net position | \$ 16,829,356 | \$ 442,820 | \$ 17,272,176 |

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| FUNCTIONS/PROGRAMS | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | \$ 13,848,996 | \$ 42,091 | \$ 5,210,055 | \$ - | \$ (8,596,850) | \$ - | \$ (8,596,850) |
| Student | 672,588 | - | 336,133 | - | (336,455) | - | (336,455) |
| Instructional support | 821,516 | - | 294,116 | - | (527,400) | - | (527,400) |
| District administration | 552,745 | - | 336,133 | - | (216,612) | - | (216,612) |
| School administration | 947,490 | - | 504,199 | - | (443,291) | - | (443,291) |
| Business support | 444,551 | - | 252,099 | - | (192,452) | - | (192,452) |
| Plant operations and maintenance | 2,804,591 | - | 1,008,398 | - | (1,796,193) | - | (1,796,193) |
| Student transportation | 628,027 | - | 378,149 | - | (249,878) | - | (249,878) |
| Community services | 242,470 | - | - | - | (242,470) | - | (242,470) |
| Interest on long-term debt | 589,453 | - | 84,032 | 339,439 | (165,982) | - | (165,982) |
| Total governmental activities | 21,552,427 | 42,091 | 8,403,314 | 339,439 | (12,767,583) | - | (12,767,583) |
| Business-type activities | | | | | | | |
| Food service | 1,095,619 | 96,662 | 1,110,317 | - | - | 111,360 | 111,360 |
| Other enterprise funds | 106,312 | 152,019 | 5,679 | - | - | 51,386 | 51,386 |
| Total business-type activities | 1,201,931 | 248,681 | 1,115,996 | - | - | 162,746 | 162,746 |
| Total primary government | \$ 22,754,358 | \$ 290,772 | \$ 9,519,310 | \$ 339,439 | (12,767,583) | 162,746 | (12,604,837) |
| General revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property | | | | | 5,895,015 | - | 5,895,015 |
| Motor vehicle | | | | | 382,273 | - | 382,273 |
| Utility | | | | | 921,892 | - | 921,892 |
| Earnings on investments | | | | | 125,168 | 1,340 | 126,508 |
| State grants | | | | | 6,458,210 | - | 6,458,210 |
| Other local amounts | | | | | 500,719 | - | 500,719 |
| Transfers | | | | | (9,852) | 9,852 | - |
| Total general revenues | | | | | 14,273,425 | 11,192 | 14,284,617 |
| Change in net position | | | | | 1,505,842 | 173,938 | 1,679,780 |
| Net position July 1, 2021 | | | | | 15,323,514 | 268,882 | 15,592,396 |
| Net position as of June 30, 2022 | | | | | \$ 16,829,356 | \$ 442,820 | \$ 17,272,176 |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2022**

| | General Fund | Special Revenue Funds | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------------|-----------------------------|----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 13,364,940 | \$ 153,825 | \$ 1,422,389 | \$ 2,419,767 | \$ 17,360,921 |
| Accounts receivable | 64,486 | 104,689 | - | - | 169,175 |
| Interfund receivable | - | - | - | - | - |
| Total assets | <u>\$ 13,429,426</u> | <u>\$ 258,514</u> | <u>\$ 1,422,389</u> | <u>\$ 2,419,767</u> | <u>\$ 17,530,096</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 21,343 | \$ 45,859 | \$ - | \$ - | \$ 67,202 |
| Accrued expense | 20,528 | - | - | - | 20,528 |
| Unearned revenue | - | 212,655 | - | - | 212,655 |
| Total liabilities | <u>41,871</u> | <u>258,514</u> | <u>-</u> | <u>-</u> | <u>300,385</u> |
| Fund balances | | | | | |
| Restricted | - | - | 1,422,389 | 2,419,767 | 3,842,156 |
| Unassigned | 13,387,555 | - | - | - | 13,387,555 |
| Total fund balances | <u>13,387,555</u> | <u>-</u> | <u>1,422,389</u> | <u>2,419,767</u> | <u>17,229,711</u> |
| Total liabilities and fund balances | <u>\$ 13,429,426</u> | <u>\$ 258,514</u> | <u>\$ 1,422,389</u> | <u>\$ 2,419,767</u> | <u>\$ 17,530,096</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

June 30, 2022

| | |
|---|----------------------|
| Total fund balances - governmental funds | \$ 17,229,711 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds. | 27,960,425 |
| Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position | 3,273,998 |
| Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position. | (18,401,163) |
| Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the Statement of Net Position. | (218,983) |
| The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position. | (387,597) |
| Net pension and OPEB obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position | (8,870,702) |
| Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the Statement of Net Position. | (3,655,599) |
| Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the Statement of Net Position. | <u>(101,734)</u> |
| Total net position - governmental activities | <u>\$ 16,828,356</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended June 30, 2022**

| | General Fund | Special Revenue Fund | Construction Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| From local sources: | | | | | |
| Taxes | | | | | |
| Property | \$ 5,080,948 | \$ - | \$ - | \$ 814,067 | \$ 5,895,015 |
| Motor vehicle | 382,273 | - | - | - | 382,273 |
| Utility | 921,892 | - | - | - | 921,892 |
| Earnings on investments | 82,359 | 293 | 9,666 | 32,850 | 125,168 |
| Other local | 74,942 | 28,193 | - | 439,676 | 542,811 |
| Intergovernmental - State | 9,962,417 | 518,897 | - | 880,044 | 11,361,358 |
| Intergovernmental - Federal | 47,478 | 3,624,437 | - | 167,690 | 3,839,605 |
| Total revenues | <u>16,552,309</u> | <u>4,171,820</u> | <u>9,666</u> | <u>2,334,327</u> | <u>23,068,122</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Instruction | 9,676,271 | 3,239,373 | - | 382,775 | 13,298,419 |
| Student | 567,202 | 103,122 | - | 2,264 | 672,588 |
| Instructional support | 557,969 | 243,546 | - | 20,001 | 821,516 |
| District administration | 552,413 | - | - | - | 552,413 |
| School administration | 947,490 | - | - | - | 947,490 |
| Business support | 444,551 | - | - | - | 444,551 |
| Plant operations and maintenance | 1,940,637 | 315,461 | - | - | 2,256,098 |
| Student transportation | 634,564 | 59,315 | - | - | 693,879 |
| Community services | - | 242,470 | - | - | 242,470 |
| Building improvements | - | - | 748,364 | - | 748,364 |
| Debt service | 393,254 | - | - | 1,385,696 | 1,778,950 |
| Total expenditures | <u>15,714,351</u> | <u>4,203,287</u> | <u>748,364</u> | <u>1,790,736</u> | <u>22,456,738</u> |
| Excess (deficit) of revenues over (under) expenditures | 837,958 | (31,467) | (738,698) | 543,591 | 611,384 |
| Other financing sources (uses) | | | | | |
| Capital lease proceeds | 141,310 | - | - | - | 141,310 |
| Transfers in | - | 31,467 | - | 1,195,767 | 1,227,234 |
| Transfers out | (41,319) | - | - | (1,195,767) | (1,237,086) |
| Total other financing sources (uses) | <u>99,991</u> | <u>31,467</u> | <u>-</u> | <u>-</u> | <u>131,458</u> |
| Net change in fund balance | 937,949 | - | (738,698) | 543,591 | 742,842 |
| Fund balance as of June 30, 2021 | <u>12,450,606</u> | <u>-</u> | <u>2,161,087</u> | <u>1,876,176</u> | <u>16,487,869</u> |
| Fund balance as of June 30, 2022 | <u>\$ 13,388,555</u> | <u>\$ -</u> | <u>\$ 1,422,389</u> | <u>\$ 2,419,767</u> | <u>\$ 17,230,711</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2022**

| | |
|---|---------------------|
| Net change in total fund balances - governmental funds | \$ 742,842 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the Statement of Net Position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation for the year. | (537,378) |
| Amortization of deferred outflows of resources is not recognized in the governmental fund financial statements but is a component of interest in the Statement of Activities. | (12,178) |
| Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position. | 1,055,947 |
| Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities. | 4,399 |
| Pension and OPEB expense are not recognized on the governmental fund financial statements but is recognized as an expense on the Statement of Activities, and current year contributions are deferred. | 191,381 |
| Accumulated sick leave is recognized by the amount earned in the Statement of Activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources. | <u>60,829</u> |
| Change in net position - governmental activities | <u>\$ 1,505,842</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION -
 PROPRIETARY FUNDS

June 30, 2022

| | Food Service Fund | Child Care Fund | Athletic Facility Fund | Total |
|--------------------------------------|-------------------------|-----------------------|------------------------------|-------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 360,976 | \$ 86,037 | \$ 510 | \$ 447,523 |
| Accounts receivable | - | - | - | - |
| Inventory | 30,983 | - | - | 30,983 |
| Total current assets | 391,959 | 86,037 | 510 | 478,506 |
| Noncurrent assets | | | | |
| Capital assets | 600,240 | - | - | 600,240 |
| Less accumulated depreciation | (418,087) | - | - | (418,087) |
| Total noncurrent assets | 182,153 | - | - | 182,153 |
| Total assets | 574,112 | 86,037 | 510 | 660,659 |
| Deferred outflow of resources | | | | |
| Deferred outflows OPEB | 26,134 | 4,476 | - | 30,610 |
| Deferred outflows pensions | 31,924 | 16,664 | - | 48,588 |
| | 58,058 | 21,140 | - | 79,198 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Accounts payable | 5,171 | 1,517 | 510 | 7,198 |
| Noncurrent liabilities | | | | |
| Net OPEB liability | 40,368 | 16,200 | - | 56,568 |
| Net pension liability | 134,653 | 47,168 | - | 181,821 |
| Total liabilities | 180,192 | 64,885 | 510 | 245,587 |
| Deferred inflow of resources | | | | |
| Deferred inflows - OPEB | 21,339 | 848 | - | 22,187 |
| Deferred inflows - pension | 25,297 | 3,966 | - | 29,263 |
| | 46,636 | 4,814 | - | 51,450 |
| NET POSITION | | | | |
| Net investment in capital assets | 182,153 | - | - | 182,153 |
| Restricted for: | | | | |
| Other | 223,189 | 37,478 | - | 260,667 |
| Total net position | \$ 405,342 | \$ 37,478 | \$ - | \$ 442,820 |

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 PROPRIETARY FUNDS
 Year ended June 30, 2022

| | Food Service Fund | Child Care Fund | Athletic Facility Fund | Total |
|---|----------------------|--------------------|------------------------------|-------------------|
| Operating revenues | | | | |
| Lunchroom sales | \$ 96,662 | \$ - | \$ - | \$ 96,662 |
| Fees | - | 80,994 | 71,025 | 152,019 |
| Total operating revenues | <u>96,662</u> | <u>80,994</u> | <u>71,025</u> | <u>248,681</u> |
| Operating expenses | | | | |
| Salaries and wages | 307,178 | 11,848 | - | 319,026 |
| Employee benefits | 269,042 | 2,031 | 53 | 271,126 |
| Pension expense | 8,368 | - | - | 8,368 |
| Materials and supplies | 486,551 | 11,556 | 80,824 | 578,931 |
| Depreciation | 24,480 | - | - | 24,480 |
| Total operating expenses | <u>1,095,619</u> | <u>25,435</u> | <u>80,877</u> | <u>1,201,931</u> |
| Operating loss | <u>(998,957)</u> | <u>55,559</u> | <u>(9,852)</u> | <u>(953,250)</u> |
| Nonoperating revenues | | | | |
| Federal grants | 863,600 | 5,679 | - | 869,279 |
| State grants | 169,775 | - | - | 169,775 |
| Donated commodities | 76,942 | - | - | 76,942 |
| Interest income | 1,340 | - | - | 1,340 |
| Total nonoperating revenues/(expenses) | <u>1,111,657</u> | <u>5,679</u> | <u>-</u> | <u>1,117,336</u> |
| Income before contributions , transfers, and special items | 112,700 | 61,238 | (9,852) | 164,086 |
| Transfers in (out) | - | - | 9,852 | 9,852 |
| Change in net position | 112,700 | 61,238 | - | 173,938 |
| Net position as of July 1, 2021 | 292,642 | (23,760) | - | 268,882 |
| Net position as of June 30, 2022 | <u>\$ 405,342</u> | <u>\$ 37,478</u> | <u>\$ -</u> | <u>\$ 442,820</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -
 PROPRIETARY FUNDS
 Year ended June 30, 2022

| | Food Service Fund | Child Care Fund | Athletic Facility Fund | Total |
|--|-------------------------|-----------------------|------------------------------|---------------------|
| Cash flows from operating activities | | | | |
| Cash received from: | | | | |
| Lunchroom sales | \$ 155,494 | \$ - | \$ - | \$ 155,494 |
| Other activities | - | 80,994 | 71,025 | 152,019 |
| Cash paid to/for: | | | | |
| Employees | (576,220) | (13,879) | (53) | (590,152) |
| Supplies | (406,113) | (10,125) | (86,172) | (502,410) |
| Net cash used in operating activities | <u>(826,839)</u> | <u>56,990</u> | <u>(15,200)</u> | <u>(785,049)</u> |
| Cash flows from non-capital financing activities | | | | |
| Grants received | 1,033,375 | 5,679 | - | 1,039,054 |
| Transfers in (out) | - | - | 9,852 | 9,852 |
| Donations received | - | - | - | - |
| Net cash used in non-capital financing activities | <u>1,033,375</u> | <u>5,679</u> | <u>9,852</u> | <u>1,048,906</u> |
| Cash flows from capital and related financing activities | | | | |
| Purchase of capital assets | - | - | - | - |
| Net cash used in capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Interest received on investments | 1,340 | - | - | 1,340 |
| Net cash used in capital and related activities | <u>1,340</u> | <u>-</u> | <u>-</u> | <u>1,340</u> |
| Net increase in cash and cash equivalents | 207,876 | 62,669 | (5,348) | 265,197 |
| Cash and cash equivalents as of June 30, 2021 | 153,100 | 23,368 | 5,858 | 182,326 |
| Cash and cash equivalents as of June 30, 2022 | <u>\$ 360,976</u> | <u>\$ 86,037</u> | <u>\$ 510</u> | <u>\$ 447,523</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income/ (loss) | (998,957) | 55,559 | (9,852) | (953,250) |
| Adjustments to reconcile change in net position to net cash used in operating activities: | | | | |
| (Increase) Decrease in accounts receivable | 58,832 | - | - | 58,832 |
| Increase (Decrease) in accounts payable | 3,496 | 1,431 | (5,348) | (421) |
| Pension expense | 8,368 | - | - | 8,368 |
| Donated commodities | 76,942 | - | - | 76,942 |
| Depreciation | 24,480 | - | - | 24,480 |
| Net cash used in operating activities | <u>\$ (826,839)</u> | <u>\$ 56,990</u> | <u>\$ (15,200)</u> | <u>\$ (785,049)</u> |
| Schedule of non-cash transactions: | | | | |
| Depreciation | 24,480 | - | - | 24,480 |
| Donated commodities | 76,942 | - | - | 76,942 |
| Total non-cash transactions | <u>\$ 101,422</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,422</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS**

June 30, 2022

| | Private Purpose Trust Fund | Total Fiduciary Funds |
|---|----------------------------------|-----------------------------|
| ASSETS | | |
| Cash | \$ 32,556 | \$ 32,556 |
| Accounts receivable | - | - |
| Total assets | <u>32,556</u> | <u>32,556</u> |
| LIABILITIES | | |
| Accounts Payable | - | - |
| Total liabilities | <u>-</u> | <u>-</u> |
| Total net position (held in trust) | <u>\$ 32,556</u> | <u>\$ 32,556</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

Year ended June 30, 2022

| | <u>Private Purpose Trust Fund</u> | <u>Total Fiduciary Funds</u> |
|--|---|--------------------------------------|
| ADDITIONS | | |
| Receipts | \$ 8,500 | \$ 8,500 |
| Total additions | <u>8,500</u> | <u>8,500</u> |
| DEDUCTIONS | | |
| Disbursements | <u>4,000</u> | <u>4,000</u> |
| Total deductions | <u>4,000</u> | <u>4,000</u> |
| Income before contributions transfers and special items | <u>8,500</u> | <u>8,500</u> |
| Change in net position | <u>4,500</u> | <u>4,500</u> |
| Prior year net position | <u>28,056</u> | <u>28,056</u> |
| Net position (held in trust) June 30, 2022 | | |
| Restricted for scholarship | <u>\$ 32,556</u> | <u>\$ 32,556</u> |

1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Somerset Independent Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

Government-wide Financial Statements – The statement of net position and the statement of revenues, expenses, and changes in net position display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

SOMERSET INDEPENDENT SCHOOL DISTRICT - CONTINUED

NOTES TO BASIC FINANCIAL STATEMENTS

Year ended June 30, 2022

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

The District has the following funds:

I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. 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. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

I. Government Fund Types – continued

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

The District Activity Fund reports all district and school level receipts that belong to the District and are not part of the student activity groups.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program 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. The Food Service Fund is a major fund.

The Child Care Fund accounts for the funds raised at schools providing after school care for children.

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

III. Fiduciary Fund Type (Agency Funds)

The Private Purpose Trust Funds are maintained within MUNIS and account for revenues generated by trusts and gifts set up to benefit of specific students in Somerset Independent. The corpus is not permanently restricted.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- Continued

Basis of Accounting

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

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

Unearned Revenue/Advances from Grantors - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position-proprietary funds as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022 to finance the General Fund operations were \$.775 per \$100 valuation for real property, \$.792 per \$100 valuation for business personal property and \$.568 per \$100 valuation for motor vehicles.

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

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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 district-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 district-wide statement of net position and in the respective funds.

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

All reported capital assets, 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 Lives</u> |
|----------------------------|------------------------|
| Buildings and improvements | 25-50 years |
| Land improvements | 20 years |
| Technology equipment | 5 years |
| School buses | 10 years |
| Other vehicles | 5 years |
| Audio-visual equipment | 15 years |
| Food service equipment | 12 years |
| Furniture and fixtures | 20 years |
| Rolling stock | 15 years |
| Other general equipment | 10 years |

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Interfund Receivables and Payables

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.

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 vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining balance. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion, if any, 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.

Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

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

Receivables

The District recognizes revenues as receivables when they are measurable, and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as qualifying expenditures are made.

Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; and the General Fund inventory is stated at cost and uses the first-in, first-out method.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

Nonspendable fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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 appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2022, in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position 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 limitations are imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

Contributions of Capital

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Estimates

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

Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources and expense related to pensions and other post-employment benefits (OPEB), information about the fiduciary net position of the pension / OPEB plans, and additions to / deductions from the pension / OPEB plans' fiduciary net position have been determined on the same basis as they are reported by the pension / OPEB plans. For this purpose, revenues are recognized when earned. Contributions are recognized when due, pursuant to legal (or statutory) requirements. Benefit payments (including refunds of employee contributions) are recognized when due to payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts was further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

Postemployment Benefits Other Than OPEBs (OPEB)

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

New Accounting Standard

GASB Statement No. 87, Leases, effective for fiscal year 2022, was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources.

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

3. CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2022, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

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

| | <u>Bank Balance</u> | <u>Book Balance</u> |
|---------------------------------|----------------------|----------------------|
| Bank of New York - Mellon | \$ 1,484,683 | \$ 1,303,540 |
| Cumberland Valley National Bank | <u>16,639,247</u> | <u>16,537,460</u> |
| | <u>\$ 18,123,930</u> | <u>\$ 17,841,000</u> |

Breakdown per financial statements is as follows:

| | |
|--------------------|----------------------|
| Governmental funds | \$ 17,360,921 |
| Proprietary funds | 447,523 |
| Fiduciary funds | <u>32,556</u> |
| | <u>\$ 17,841,000</u> |

4. INVESTMENT REPORTING UNDER GASB 72

Funds of the district are 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 as provided by KRS 66.480. At June 30, 2022, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating, interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. There, under GASB Statement No. 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

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

5. CAPITAL ASSETS

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

| <u>Governmental Activities</u> | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2022</u> |
|--|----------------------|---------------------|----------------------|----------------------|
| Land & Land Improvements | \$ 3,236,077 | \$ 3,136,594 | \$ - | \$ 6,372,671 |
| Buildings | 29,564,477 | 7,089,474 | - | 36,653,951 |
| Technology | 2,206,264 | - | 298,287 | 1,907,977 |
| Vehicles | 1,589,128 | 136,265 | - | 1,725,393 |
| General Equipment | 442,971 | - | - | 442,971 |
| Construction in progress | 10,317,393 | 748,364 | 10,226,068 | 839,689 |
| Total at historical cost | <u>47,356,310</u> | <u>11,110,697</u> | <u>10,524,355</u> | <u>47,942,652</u> |
| Less: Accumulated Depreciation | <u>18,858,508</u> | <u>1,409,848</u> | <u>286,129</u> | <u>19,982,227</u> |
| Total Accumulated Depreciation | <u>18,858,508</u> | <u>1,409,848</u> | <u>286,129</u> | <u>19,982,227</u> |
| Governmental Activities Capital Assets-net | <u>\$ 28,497,802</u> | <u>\$ 9,700,849</u> | <u>\$ 10,238,226</u> | <u>\$ 27,960,425</u> |
| <u>Business-Type Activities</u> | <u>July 1, 2021</u> | <u>Additions</u> | <u>Deductions</u> | <u>June 30, 2022</u> |
| Buildings and improvements | \$ 169,156 | \$ - | \$ - | \$ 169,156 |
| Technology | 15,846 | - | - | 15,846 |
| Food service equipment | 415,238 | - | - | 415,238 |
| Total at historical cost | <u>600,240</u> | <u>-</u> | <u>-</u> | <u>600,240</u> |
| Less: Accumulated Depreciation | <u>393,607</u> | <u>24,480</u> | <u>-</u> | <u>418,087</u> |
| Total Accumulated Depreciation | <u>393,607</u> | <u>24,480</u> | <u>-</u> | <u>418,087</u> |
| Business-Type Activities Capital Assets-net | <u>\$ 206,633</u> | <u>\$ (24,480)</u> | <u>\$ -</u> | <u>\$ 182,153</u> |

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

| | |
|--------------------------------|---------------------|
| Instruction | \$ 802,787 |
| District administrative | 332 |
| Plant operation and management | 536,315 |
| Student transportation | 70,414 |
| | <u>\$ 1,409,848</u> |

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

6. CAPITAL LEASES PAYABLE

The District has entered into a capital lease agreement for buses under which the buses will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2022:

| Description | Maturity | Interest Rates | Original Issue | Balance June 30, 2021 | Debt Issued | Debt Paid | Balance June 30, 2022 | Due Within One Year | |
|-------------|-------------|----------------|----------------|-----------------------|-------------------|-------------------|-----------------------|---------------------|------------------|
| 2012 | March, 2022 | 2.0% - 2.625% | 116,274 | 10,725 | - | 10,725 | - | - | |
| 2014 | June, 2024 | 2.00% - 3.00% | 123,490 | 35,643 | - | 12,961 | 22,682 | 11,161 | |
| 2016 | March, 2026 | 2.00% - 2.625% | 136,762 | 67,170 | - | 13,785 | 53,385 | 14,077 | |
| 2021 | March, 2031 | \$ 0 | 141,310 | - | 141,310 | 71,609 | 69,701 | 10,548 | |
| 2019 | March, 2029 | 3.00% | 106,234 | 83,392 | - | 10,177 | 73,215 | 10,464 | |
| | | | | <u>\$ 624,070</u> | <u>\$ 196,930</u> | <u>\$ 141,310</u> | <u>\$ 119,257</u> | <u>\$ 218,983</u> | <u>\$ 46,250</u> |

The following table presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2022:

| Year | Principal | Interest | Total |
|-------------------------------------|-------------------|------------------|-------------------|
| 2022-23 | \$ 46,250 | \$ 5,010 | \$ 51,260 |
| 2023-24 | 45,413 | 3,941 | 49,354 |
| 2024-25 | 32,217 | 2,839 | 35,056 |
| 2025-26 | 33,052 | 2,089 | 35,141 |
| 2026-27 | 20,969 | 1,303 | 22,272 |
| 2027-28 | 18,184 | 836 | 19,020 |
| 2028-29 | 18,712 | 455 | 19,167 |
| 2029-30 | 2,002 | 63 | 2,065 |
| 2030-31 | 2,184 | 33 | 2,217 |
| Totals | <u>\$ 218,983</u> | <u>\$ 16,569</u> | <u>\$ 235,552</u> |
| Less: amounts representing interest | | | <u>(16,569)</u> |
| Net capital lease liability | | | <u>\$ 218,983</u> |

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

7. LONG-TERM OBLIGATIONS

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Somerset Independent School District Finance Corporation.

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

| <u>Issue Date</u> | <u>Proceeds</u> | <u>Rates</u> |
|-------------------|-----------------|----------------|
| 2007 | \$ 577,000 | 4.00% |
| 2012 | \$ 1,535,000 | 1.125% - 2.50% |
| 2012 | \$ 4,532,163 | 3.70% |
| 2013 | \$ 3,730,000 | .60% - 3.90% |
| 2015 | \$ 3,680,000 | 1.45-4% |
| 2016 | \$ 615,000 | 2.60% |
| 2018 | \$ 6,475,000 | 3.25-3.40% |
| 2019 | \$ 1,810,000 | 2.00% |

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 by the Somerset Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1987, the District entered into "participation agreements" with the Kentucky 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, bi-annually. 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 for debt service (principal and interest) are as follows:

See table on next page

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

7. LONG-TERM OBLIGATIONS - CONTINUED

| Year | Somerset Independent School District | | Kentucky School Facility Construction Commission | | ARRA Rebate | Total Principal |
|---------|--------------------------------------|------------------|--|----------------|------------------|-------------------|
| | Principal | Interest | Principal | Interest | Interest | |
| 2022-23 | \$ 1,016,441 | \$ 409,915 | \$ 88,559 | \$ 18,949 | \$ 167,690 | \$ 1,105,000 |
| 2023-24 | 1,015,508 | 385,324 | 65,492 | 16,230 | 167,690 | 1,081,000 |
| 2024-25 | 1,039,301 | 359,966 | 68,699 | 13,981 | 167,690 | 1,108,000 |
| 2025-26 | 744,019 | 333,209 | 69,981 | 11,619 | 167,690 | 814,000 |
| 2026-27 | 767,647 | 310,687 | 73,353 | 9,209 | 167,690 | 841,000 |
| 2027-28 | 792,200 | 287,097 | 32,800 | 6,681 | 167,690 | 825,000 |
| 2028-29 | 810,497 | 262,827 | 34,503 | 5,781 | 167,690 | 845,000 |
| 2029-30 | 840,845 | 237,430 | 34,155 | 4,835 | 167,690 | 875,000 |
| 2030-31 | 866,987 | 209,858 | 13,013 | 3,896 | 167,690 | 880,000 |
| 2031-32 | 896,580 | 180,528 | 13,420 | 3,490 | 167,690 | 910,000 |
| 2032-33 | 931,144 | 149,114 | 13,856 | 3,054 | 167,690 | 945,000 |
| 2033-34 | 960,694 | 116,317 | 14,306 | 2,603 | 167,690 | 975,000 |
| 2034-35 | 700,207 | 88,803 | 14,793 | 2,117 | 167,690 | 715,000 |
| 2035-36 | 3,167,580 | 64,686 | 1,989,583 | 1,614 | 83,845 | 5,157,163 |
| 2036-37 | 634,184 | 43,956 | 15,816 | 1,094 | - | 650,000 |
| 2037-38 | 658,647 | 22,394 | 16,353 | 556 | - | 675,000 |
| | <u>15,842,481</u> | <u>3,462,111</u> | <u>2,558,682</u> | <u>105,709</u> | <u>2,263,815</u> | <u>18,401,163</u> |

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2022 is as follows:

| Revenue Bonds | Balance July 1, 2021 | Additions | Deductions | Balance June 30, 2022 |
|-------------------------|----------------------|-------------|---------------------|-----------------------|
| 2007 | \$ 222,000 | \$ - | \$ 33,000 | \$ 189,000 |
| 2012 | 300,000 | - | 150,000 | 150,000 |
| 2012 | 4,532,163 | - | - | 4,532,163 |
| 2013 | 3,270,000 | - | 170,000 | 3,100,000 |
| 2015 | 3,485,000 | - | 200,000 | 3,285,000 |
| 2016 | 490,000 | - | 25,000 | 465,000 |
| 2018 | 5,950,000 | - | 200,000 | 5,750,000 |
| 2019 | 1,230,000 | - | 300,000 | 930,000 |
| Net Pension Liability | 5,363,190 | - | 311,592 | 5,051,598 |
| Net CERS OPEB Liability | 1,687,993 | - | 171,500 | 1,516,493 |
| Net KTRS OPEB Liability | 3,070,000 | - | 529,000 | 2,541,000 |
| Accrued sick leave | 448,427 | - | 60,830 | 387,597 |
| | <u>\$ 30,048,773</u> | <u>\$ -</u> | <u>\$ 2,150,922</u> | <u>\$ 27,897,851</u> |

8. RETIREMENT PLAN

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

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

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

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

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

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

| | <u>Required contribution</u> |
|--------|------------------------------|
| Tier 1 | 5% |
| Tier 2 | 5% + 1% for insurance |
| Tier 3 | 5% + 1% for insurance |

Funding Policy – Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 26.95% of the employee's total compensation subject to contribution. Pension's contribution rate was 21.17% and OPEB was 5.78%.

8. RETIREMENT PLAN - CONTINUED

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

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

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

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

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

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

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

8. RETIREMENT PLAN - CONTINUED

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

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS in the amount of \$5,051,598. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|----------------------|
| District's proportionate share of the CERS net pension liability | \$ 5,051,598 |
| Commonwealth's proportionate share of the KTRS net pension liability associated with the District | <u>28,872,321</u> |
| | <u>\$ 33,923,919</u> |

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.079231%.

For the year ended June 30, 2022, the District recognized pension expense of \$249,504 related to CERS and \$2,304,689 related to KTRS. The District also recognized revenue of \$2,304,689 for KTRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

See table on next page

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

8. RETIREMENT PLAN – CONTINUED

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 58,008 | \$ 49,029 |
| Changes of assumptions | 67,798 | - |
| Net difference between projected and actual earnings on pension plan investments | 195,968 | 869,262 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 449,512 | 25,837 |
| District contributions subsequent to the measurement date | <u>431,862</u> | <u>-</u> |
| Total | <u>\$ 1,203,148</u> | <u>\$ 944,128</u> |

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

| <u>Year ended June 30:</u> | |
|----------------------------|---------------------|
| 2022 | \$ 120,750 |
| 2023 | 53,473 |
| 2024 | (136,224) |
| 2025 | <u>(210,841)</u> |
| | <u>\$ (172,842)</u> |

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:

| | <u>CERS</u> | <u>KTRS</u> |
|--|-------------|-------------|
| Inflation | 2.30% | 2.50% |
| Projected salary increases | 3.3-15.3% | 3.0-7.5% |
| Investment rate of return, net of investment expense & inflation | 5.25% | 7.10% |
| Municipal bond index rate | | 2.13% |
| Single equivalent interest rate | | 7.10% |

8. RETIREMENT PLAN – CONTINUED

For KTRS, 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.

Discount rate—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.56% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------|--------------------|
| CERS | 5.25% | 6.25% | 7.25% |
| District's proportionate share of net pension liability | \$ 6,478,914 | \$ 5,051,598 | \$ 3,870,527 |
| KTRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of net pension liability | \$ - | \$ - | \$ - |

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

8. RETIREMENT PLAN – CONTINUED

The District's contribution for KTRS (both withholding and match) for the year ended June 30, 2022, 2021 and 2020 was \$1,469,214, \$1,402,540, and \$1,338,609, respectively. The District's contribution for CERS (match only) for the year ended June 30, 2022, 2021 and 2020 was \$549,773, \$486,919, and \$430,943, respectively. The District met their contribution requirements.

9. OTHER POST EMPLOYMENT BENEFITS PLAN

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

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

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

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the KTRS 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 MIP offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

Funding Policy - In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from State appropriation and three percent (3.00%) from the employer.

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

At June 30, 2022, the District reported a liability of \$2,541,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.118410%.

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

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

| | |
|--|---------------------|
| District's proportionate share of the KTRS Net OPEB liability | \$ 2,541,000 |
| Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District | <u>2,063,000</u> |
| | <u>\$ 4,604,000</u> |

For the year ended June 30, 2022, the District recognized OPEB expense of \$174,895 and revenue of \$174,895 for support provided by the state. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | 1,511,000 |
| Changes of assumptions | 664,000 | - |
| Net difference between projected and actual earning on pension plan investments | - | 271,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 82,000 | 187,000 |
| District contribution subsequent to the measurement date | <u>402,143</u> | <u>-</u> |
| Total | <u>\$ 1,148,143</u> | <u>\$ 1,969,000</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|-----------------------|
| 2022 | \$ (283,000) |
| 2023 | (285,000) |
| 2024 | (281,000) |
| 2025 | (274,000) |
| 2026 | (90,000) |
| Thereafter | <u>(10,000)</u> |
| | <u>\$ (1,223,000)</u> |

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

Actuarial assumptions - The total OPEB liabilities in the June 30, 2021, actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|---|
| Investment rate of return | 8.00%, net of OPEB plan investment expense, including inflation |
| Projected salary increases | 3.30-7.20%, including inflation |
| Inflation rate | 3.00% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.50% |
| Healthcare cost trend rates | |
| Under 65 | 7.50% for FY 2019 decreasing to an ultimate rate of 5% by FY 2024 |
| Ages 65 and Older | 5.50% for FY 2019 decreasing to an ultimate rate of 5% by FY 2021 |
| Medicare Part B | 2.63% for FY 2019 with an ultimate rate of 5% by 2031 |
| Municipal Bond Index Rate | 2.19% |
| Discount Rate | 5.68% |
| Single Equivalent Interest Rate | 8.00, net of OPEB plan investment expense, including inflation |

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

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

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

| | <u>1% decrease</u> | <u>Current liability</u> | <u>1% increase</u> |
|--|--------------------|--------------------------|--------------------|
| KTRS | 6.10% | 7.10% | 8.10% |
| District's proportionate share of net OPEB liability | \$ 3,253,000 | \$ 2,541,000 | \$ 1,952,000 |

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

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

| | <u>1% decrease</u> | <u>Current trend rate</u> | <u>1% increase</u> |
|--|--------------------|---------------------------|--------------------|
| KTRS | | | |
| District's proportionate share of net OPEB liability | \$ 1,846,000 | \$ 2,541,000 | \$ 3,406,000 |

OPEB plans' fiduciary net position - Detailed information about the OPEB plans' fiduciary net position is available in the separately issued KTRS financial report.

Life Insurance Plan

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

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

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

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

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

| | |
|---|------------------|
| Commonwealth's proportionate share of the KTRS net OPEB Life Insurance liability associated with the District | \$ <u>27,000</u> |
| Total | \$ <u>27,000</u> |

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,856 and revenue of \$2,856 for support provided by the State.

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

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

| | |
|---------------------------------|---|
| Investment rate of return | 7.50%, net of OPEB plan investment expense, including inflation |
| Projected salary increases | 3.30-10.30%, including inflation |
| Inflation Rate | 3.00% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.50% |
| Municipal bond index rate | 2.19% |
| Discount Rate | 5.68% |
| Single equivalent interest rate | 7.50%, net of OPEB plan investment expense, including inflation |

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

Discount rate -The discount rates used to measure the total OPEB liability for life insurance was 7.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.50%. as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50 %) than the current rate.

| | 1% decrease | discount rate | 1% increase |
|---|--------------|---------------|--------------|
| KTRS | <u>6.50%</u> | <u>7.50%</u> | <u>8.50%</u> |
| State's proportionate share of net OPEB liability - Life Insurance | \$ 41,500 | \$ 27,000 | \$ 13,450 |

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

General Information about the County Employees Retirement System Non-Hazardous (CERS)

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

Benefits Provided- CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

| Years of Service | Paid by Insurance Fund (%) |
|-------------------|----------------------------|
| 20+ years | 100.00% |
| 15-19 years | 75.00% |
| 10-14 years | 50.00% |
| 4-9 years | 25.00% |
| Less than 4 years | 0.00% |

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

| | | |
|--------|-------------------------|---------------------------------------|
| Tier 1 | Participation date | Before September 1, 2008 |
| | Contribution Percentage | 0.00% |
| Tier 2 | Participation date | September 1, 2008 - December 31, 2013 |
| | Contribution Percentage | 1% |
| Tier 3 | Participation date | After December 31, 2013 |
| | Contribution Percentage | 1% |

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

At June 30, 2022, the District reported a liability of \$1,687,993 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021 the District's proportion was 0.079213%.

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

9. OTHER POST-EMPLOYMENT BENEFITS PLAN – CONTINUED

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

| | |
|---|---------------------|
| District's proportionate share of the CERS net pension net OPEB liability | \$ 1,516,493 |
| Total | <u>\$ 1,516,493</u> |

For the year ended June 30, 2022, the District recognized OPEB expense of \$61,417. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 238,469 | \$ 452,774 |
| Changes of assumptions | 402,051 | 1,410 |
| Net difference between projected and actual earning on pension plan investments | 76,405 | 313,640 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 140,951 | 26,097 |
| District contribution subsequent to the measurement date | 117,910 | - |
| Total | <u>\$ 975,786</u> | <u>\$ 793,921</u> |

Of the total amount reported as deferred outflows of resources related to the OPEB, \$117,910 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|------------------|
| 2022 | \$ 66,258 |
| 2023 | 30,169 |
| 2024 | 25,266 |
| 2025 | (57,738) |
| 2026 | - |
| | <u>\$ 63,955</u> |

9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

Discount rate -The discount rates used to measure the total OPEB liability for life insurance was 5.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| | 1% decrease | Current discount rate | 1% increase |
|--|--------------|--------------------------|--------------|
| | <u>4.20%</u> | <u>5.20%</u> | <u>6.20%</u> |
| CERS | | | |
| District's proportionate share of net OPEB liability | \$ 2,082,134 | \$ 1,516,493 | \$ 1,052,291 |

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|--|--------------------|-------------------------------|--------------------|
| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
| CERS | | | |
| District's proportionate share of net OPEB liability | \$ 1,091,695 | \$ 1,516,493 | \$ 2,029,231 |

OPEB Plan Fiduciary Net Position- Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees’ Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

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

11. OPERATING LEASES

The District has no operating leases requiring disclosure as right-of-use assets as defined by FASB Accounting Standards Codification Topic 842, Leases.

12. CONTINGENCIES

Grants - 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 on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2022 may be impaired. 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.

13. LITIGATION

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

14. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in Note L-*Contingencies*.

Contributions for workers' compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

15. DEFICIT FUND BALANCES

The District had no funds with ending deficit balances.

16. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.

17. TRANSFER OF FUNDS

The following transfers were made during the year:

| Type | From Fund | To Fund | Purpose | Amount |
|-----------|----------------|-------------------|------------------|--------------|
| Operating | General | Special Revenue | Technology Match | \$ 31,467 |
| Operating | General | Athletic Facility | Operations | \$ 9,852 |
| Operating | Capital Outlay | Debt Service | Debt Service | \$ 149,839 |
| Operating | FSPK | Debt Service | Debt Service | \$ 1,045,928 |

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

18. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2022, the District had no interfund receivables or payables.

19. ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

For the year ended June 30, 2022, total payments of \$4,532,497 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances but were not budgeted. The benefit allocation per category was as follows:

| | |
|---|---------------------|
| Retirement contributions to the Teachers' Retirement System of Kentucky | \$ 2,479,584 |
| Health and Life Insurance | 1,976,628 |
| Other | (179,213) |
| Technology | 83,749 |
| Debt Service | <u>171,749</u> |
| Total | <u>\$ 4,532,497</u> |

20. FUND BALANCE DESIGNATIONS

The following funds had restricted fund balances as follows:

| Fund | Amount | Purpose |
|---------------------------|--------------|-------------------------|
| Construction | \$ 1,422,389 | Future construction |
| Debt Service | \$ 1,484,683 | Debt service |
| Facility Support Building | \$ 712,508 | Facility support |
| Food Service | \$ 223,189 | Food Service operations |
| Child Care | \$ 37,478 | Enterprise operations |
| Student Activity | \$ 222,576 | Activity operations |

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

21. COVID-19 PANDEMIC

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District currently has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ended June 30, 2022. The Districts expended the following federal grants received for the pandemic:

| | |
|---|---------------------|
| COVID-19 Elementary and Secondary School Emergency Relief Fund | \$ 2,035,667 |
| COVID-19 Governor's Emergency Education Relief Fund | <u>31,471</u> |
| | <u>\$ 2,067,138</u> |

22. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through November 10, 2022, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. However, in March 2021, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. This pandemic is still ongoing as of the date of the audit report.

REQUIRED SUPPLEMENTARY INFORMATION

SOMERSET INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 Year ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|-------------------|-------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| From local sources | | | | |
| Taxes: | | | | |
| Property | \$ 3,784,571 | \$ 3,784,571 | \$ 5,080,948 | \$ 1,296,377 |
| Motor vehicle | 204,020 | 204,020 | 382,273 | 178,253 |
| Utility | 750,000 | 750,000 | 921,892 | 171,892 |
| Earnings on investments | 20,402 | 20,402 | 82,359 | 61,957 |
| Other local | 45,711 | 45,711 | 74,942 | 29,231 |
| Intergovernmental - State | 4,911,373 | 4,911,373 | 9,962,417 | 5,051,044 |
| Intergovernmental - Federal | 22,442 | 22,442 | 47,478 | 25,036 |
| Total revenues | <u>9,738,519</u> | <u>9,738,519</u> | <u>16,552,309</u> | <u>6,813,790</u> * |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 8,635,699 | 8,635,699 | 9,676,271 | (1,040,572) |
| Student | 522,045 | 522,045 | 567,202 | (45,157) |
| Instructional support | 455,141 | 455,141 | 557,969 | (102,828) |
| District administration | 1,058,562 | 1,058,562 | 552,413 | 506,149 |
| School administration | 740,157 | 740,157 | 947,490 | (207,333) |
| Business support | 498,526 | 498,526 | 444,551 | 53,975 |
| Plant operations and maintenance | 5,795,837 | 5,795,837 | 1,940,637 | 3,855,200 |
| Student transportation | 953,208 | 953,208 | 634,564 | 318,644 |
| Contingency | 2,204,342 | 2,204,342 | - | 2,204,342 |
| Debt service | 375,002 | 375,002 | 393,260 | (18,258) |
| Total expenditures | <u>21,238,519</u> | <u>21,238,519</u> | <u>15,714,357</u> | <u>5,524,162</u> * |
| Excess (deficit) of revenues over (under) expenditures | (11,500,000) | (11,500,000) | 837,952 | 12,337,952 |
| Other financing sources (uses) | | | | |
| Capital lease proceeds | - | - | 141,316 | 141,316 |
| Transfers out | - | - | (41,319) | (41,319) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>99,997</u> | <u>99,997</u> |
| Net change in fund balance | (11,500,000) | (11,500,000) | 937,949 | 12,437,949 |
| Fund balance as of June 30, 2021 | <u>11,500,000</u> | <u>11,500,000</u> | <u>12,450,606</u> | <u>950,606</u> |
| Fund balance as of June 30, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,388,555</u> | <u>\$ 13,388,555</u> |

* Kentucky on-behalf revenues and expenditures were not budgeted during the fiscal year.

SOMERSET INDEPENDENT SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

Year ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|------------------|------------------|----------------------------|
| | Original | Final | | Final Budget |
| | | | | Favorable (Unfavorable) |
| Revenues | | | | |
| From local sources: | | | | |
| Other local | \$ 32,230 | \$ 32,230 | \$ 28,193 | \$ (4,037) |
| Earnings on investments | - | - | 293 | 293 |
| Intergovernmental - State | 677,977 | 677,977 | 518,897 | (159,080) |
| Intergovernmental - Federal | 1,733,215 | 1,733,215 | 3,624,437 | 1,891,222 |
| Total revenues | <u>2,443,422</u> | <u>2,443,422</u> | <u>4,171,820</u> | <u>1,728,398</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 1,919,834 | 1,919,834 | 3,239,373 | (1,319,539) |
| Student support | 43,695 | 43,695 | 103,122 | (59,427) |
| Instructional support | 204,096 | 204,096 | 243,546 | (39,450) |
| Plant operations & maintenance | 7,500 | 7,500 | 315,461 | (307,961) |
| Student transportation | 25,661 | 25,661 | 59,315 | (33,654) |
| Community services | 242,636 | 242,636 | 242,470 | 166 |
| Total expenditures | <u>2,443,422</u> | <u>2,443,422</u> | <u>4,203,287</u> | <u>(1,759,865)</u> |
| Deficit of revenues under expenditures | - | - | (31,467) | (31,467) |
| Other financing sources | | | | |
| Operating transfers in | - | - | 31,467 | 31,467 |
| Total other financing sources | - | - | 31,467 | 31,467 |
| Net change in fund balance | - | - | - | - |
| Fund balance as of June 30, 2021 | - | - | - | - |
| Fund balance as of June 30, 2022 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND
Year ended June 30, 2022**

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with 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 calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 1 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a minimum 2% reserve. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year.

The budgeted total revenues was exceeded during the fiscal year.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM

Year ended June 30, 2022

| | District's proportion of net pension liability (asset) | District's proportionate share of the net pension liability (asset) | District's covered-employee payroll | District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|------|---|--|--|---|--|
| 2022 | 0.08% | \$ 5,051,598 | \$ 2,041,839 | 247.40% | 57.33% |
| 2021 | 0.07% | \$ 5,363,190 | \$ 2,023,771 | 265.01% | 47.81% |
| 2020 | 0.07% | \$ 5,001,128 | \$ 1,794,725 | 278.66% | 50.45% |
| 2019 | 0.07% | \$ 4,377,650 | \$ 1,792,872 | 244.17% | 53.54% |
| 2018 | 0.07% | \$ 4,148,473 | \$ 1,781,547 | 232.86% | 53.30% |
| 2017 | 0.07% | \$ 3,330,825 | \$ 1,726,222 | 192.95% | 55.50% |
| 2016 | 0.07% | \$ 2,863,921 | \$ 1,619,051 | 176.89% | 59.97% |
| 2015 | 0.07% | \$ 2,196,000 | \$ 1,551,821 | 141.51% | 66.80% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS -
COUNTY EMPLOYEES RETIREMENT SYSTEM

Year ended June 30, 2022

| | <u>Contractually required contribution</u> | <u>Contributions in relation to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered-employee payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|------|--|---|---|--|--|
| 2022 | \$ 432,257 | \$ 432,257 | \$ - | \$ 2,041,839 | 21.17% |
| 2021 | \$ 390,588 | \$ 390,588 | \$ - | \$ 2,023,771 | 19.30% |
| 2020 | \$ 346,382 | \$ 346,382 | \$ - | \$ 1,794,725 | 19.30% |
| 2019 | \$ 385,109 | \$ 385,109 | \$ - | \$ 1,792,872 | 21.48% |
| 2018 | \$ 257,968 | \$ 257,968 | \$ - | \$ 1,781,547 | 14.48% |
| 2017 | \$ 322,459 | \$ 322,459 | \$ - | \$ 1,726,222 | 18.68% |
| 2016 | \$ 276,209 | \$ 276,209 | \$ - | \$ 1,619,051 | 17.06% |
| 2015 | \$ 275,029 | \$ 275,029 | \$ - | \$ 1,556,476 | 17.67% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND**

Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

None.

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
County Employees Retirement System
June 30, 2022

| | District's proportion of net OPEB liability (asset) | District's proportionate share of the net OPEB liability (asset) | District's covered-employee payroll | District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|------|--|---|--|--|---|
| 2022 | 0.08% | \$ 1,516,493 | \$ 2,041,839 | 74.27% | 62.91% |
| 2021 | 0.07% | \$ 1,687,993 | \$ 2,023,771 | 83.41% | 51.67% |
| 2020 | 0.07% | \$ 1,195,719 | \$ 1,794,725 | 66.62% | 60.44% |
| 2019 | 0.07% | \$ 1,276,192 | \$ 1,792,872 | 71.18% | 57.62% |
| 2018 | 0.07% | \$ 1,424,810 | \$ 1,781,547 | 79.98% | 81.10% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN
 County Employees Retirement System
 Year ended June 30, 2022

| | <u>Contractually required contribution</u> | <u>Contributions in relation to contractually required contribution</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered-employee payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|------|--|---|---|--|--|
| 2022 | \$ 118,018 | \$ 118,018 | \$ - | \$ 2,041,839 | 5.78% |
| 2021 | \$ 96,331 | \$ 96,331 | \$ - | \$ 2,023,771 | 4.76% |
| 2020 | \$ 85,424 | \$ 85,424 | \$ - | \$ 1,794,725 | 4.76% |
| 2019 | \$ 94,305 | \$ 94,305 | \$ - | \$ 1,792,872 | 5.26% |
| 2018 | \$ 83,733 | \$ 83,733 | \$ - | \$ 1,781,547 | 4.70% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN
Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

None.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 KENTUCKY TEACHERS' RETIREMENT SYSTEM
 June 30, 2022

| | State's proportion of net pension liability (asset) | State's proportionate share of the net pension liability (asset) | Plan fiduciary net position as a percentage of the total pension liability |
|------|--|---|--|
| 2022 | 100% | \$ 28,872,321 | 65.59% |
| 2021 | 100% | \$ 32,150,424 | 58.27% |
| 2020 | 100% | \$ 32,038,457 | 58.80% |
| 2019 | 100% | \$ 31,178,999 | 59.30% |
| 2018 | 100% | \$ 61,529,291 | 39.83% |
| 2017 | 100% | \$ 66,738,389 | 35.22% |
| 2016 | 100% | \$ 51,343,361 | 42.49% |
| 2015 | 100% | \$ 45,261,438 | 45.59% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS
KENTUCKY TEACHERS' RETIREMENT SYSTEM

Year ended June 30, 2022

| | Statutorily required contribution | Contributions in relation to the statutorily required contribution | Annual contribution deficiency (excess) |
|------|--------------------------------------|---|--|
| 2022 | \$ 2,304,689 | \$ 2,304,689 | \$ - |
| 2021 | \$ 2,327,114 | \$ 2,327,114 | \$ - |
| 2020 | \$ 2,411,073 | \$ 2,411,073 | \$ - |
| 2019 | \$ 2,259,161 | \$ 2,259,161 | \$ - |
| 2018 | \$ 2,186,094 | \$ 2,186,094 | \$ - |
| 2017 | \$ 1,098,124 | \$ 1,098,124 | \$ - |
| 2016 | \$ 1,061,849 | \$ 1,061,849 | \$ - |
| 2015 | \$ 1,066,599 | \$ 1,066,599 | \$ - |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS RETIREMENT SYSTEM**

Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation, changed from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%.

Municipal Bond Index Rate changed from 2.19% to 2.13%.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 Kentucky Teachers' Retirement System
 June 30, 2022

| | District's proportion of net OPEB liability (asset) | District's proportionate share of the net OPEB liability (asset) | State's proportionate share of the net OPEB liability (asset) | District's covered-employee payroll | District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total OPEB liability |
|------|--|---|--|--|--|---|
| 2022 | 0.12% | \$ 2,541,000 | \$ 2,063,000 | \$ 8,302,366 | 30.61% | 51.74% |
| 2021 | 0.12% | \$ 3,070,000 | \$ 2,459,000 | \$ 8,013,355 | 38.31% | 39.05% |
| 2020 | 0.01% | \$ 3,670,000 | \$ 2,964,000 | \$ 7,861,618 | 46.68% | 32.58% |
| 2019 | 0.01% | \$ 4,267,000 | \$ 3,678,000 | \$ 7,810,004 | 54.64% | 25.50% |
| 2018 | 0.01% | \$ 4,301,000 | \$ 3,513,000 | \$ 7,790,087 | 55.21% | 21.18% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

Year ended June 30, 2022

| | Contractually required contribution | Contributions in relation to contractually required contribution | Contribution deficiency (excess) | District's covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|------|-------------------------------------|--|----------------------------------|-------------------------------------|---|
| 2022 | \$ 249,071 | \$ 249,071 | \$ - | \$ 8,302,366 | 3.00% |
| 2021 | \$ 242,209 | \$ 242,209 | \$ - | \$ 8,013,355 | 3.00% |
| 2020 | \$ 214,827 | \$ 214,827 | \$ - | \$ 7,861,618 | 3.00% |
| 2019 | \$ 219,077 | \$ 219,077 | \$ - | \$ 7,810,004 | 3.00% |
| 2018 | \$ 233,703 | \$ 233,703 | \$ - | \$ 7,790,087 | 3.00% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Kentucky Teachers' Retirement System - Medical Insurance Plan Year ended June 30, 2022

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation, changed from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%.

Municipal Bond Index Rate changed from 2.19% to 2.13%.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE
 NET OPEB LIABILITY - LIFE INSURANCE PLAN
 Kentucky Teachers' Retirement System
 June 30, 2022

| | State's proportion of net OPEB liability (asset) | State's proportionate share of the net OPEB liability (asset) | Plan fiduciary net position as a percentage of the total OPEB liability |
|------|---|--|---|
| 2022 | 100% | \$ 27,000 | 89.15% |
| 2021 | 100% | \$ 74,000 | 71.57% |
| 2020 | 100% | \$ 69,000 | 73.40% |
| 2019 | 100% | \$ 63,000 | 75.00% |
| 2018 | 100% | \$ 47,000 | 79.99% |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN
Kentucky Teachers' Retirement System
Year ended June 30, 2022

| | <u>Statutorily required contribution</u> | <u>Contributions in relation to the statutorily required contribution</u> | <u>Contribution deficiency (excess)</u> |
|------|--|---|---|
| 2022 | \$ 2,856 | \$ 2,856 | \$ - |
| 2021 | \$ 2,785 | \$ 2,785 | \$ - |
| 2020 | \$ 2,912 | \$ 2,912 | \$ - |
| 2019 | \$ 2,191 | \$ 2,191 | \$ - |
| 2018 | \$ 2,067 | \$ 2,067 | \$ - |

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

SOMERSET INDEPENDENT SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN
Year ended June 30, 2022**

Changes of Benefit Terms

None.

Changes of Assumptions

Inflation; changed from 3.00% to 2.50%.

Real Wage Growth decreased from 0.50% to 0.25%.

Wage Inflation decreased from 3.50% to 2.75%.

Salary increases, including wage inflation, changed from 3.50-7.20% to 3.00-7.50%.

Long-Term Investment Rate of Return, net of pension expense, including inflation, changed from 7.50% to 7.10%.

Municipal Bond Index Rate changed from 2.19% to 2.13%.

SOMERSET INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2022

| | Student Activity Fund | SEEK Capital Outlay Fund | Facility Support Building Fund (FSPK) | Debt Service Fund | Total Non-major Governmental Funds |
|--|-----------------------------|-----------------------------------|--|-------------------------|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 222,576 | \$ - | \$ 712,508 | \$ 1,484,683 | \$ 2,419,767 |
| Accounts receivable | - | - | - | - | - |
| Total assets | <u>\$ 222,576</u> | <u>\$ -</u> | <u>\$ 712,508</u> | <u>\$ 1,484,683</u> | <u>\$ 2,419,767</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balances: | | | | | |
| Restricted | 222,576 | - | 712,508 | 1,484,683 | 2,419,767 |
| Unassigned | - | - | - | - | - |
| Total liabilities fund balances | <u>\$ 222,576</u> | <u>\$ -</u> | <u>\$ 712,508</u> | <u>\$ 1,484,683</u> | <u>\$ 2,419,767</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

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

Year ended June 30, 2022

| | School Activity Funds | SEEK Capital Outlay Fund | Facility Support Building Fund (FSPK) | Debt Service Fund | Total Non-major Governmental Funds |
|---|-----------------------------|-----------------------------------|--|-------------------------|---|
| Revenues | | | | | |
| From local sources: | | | | | |
| Property tax | \$ - | \$ - | \$ 814,067 | \$ - | \$ 814,067 |
| Interest on investments | 1,377 | - | - | 31,473 | 32,850 |
| Student activities | 394,999 | - | - | - | 394,999 |
| Donations-athletics | 44,677 | - | - | - | 44,677 |
| Intergovernmental - State | - | 149,839 | 558,456 | 171,749 | 880,044 |
| Intergovernmental - Federal | - | - | - | 167,690 | 167,690 |
| Total revenues | 441,053 | 149,839 | 1,372,523 | 370,912 | 2,334,327 |
| Expenditures | | | | | |
| Instruction | 382,775 | - | - | - | 382,775 |
| Student support services | 2,264 | - | - | - | 2,264 |
| Instructional staff support services | 20,001 | - | - | - | 20,001 |
| Debt service | 160 | - | - | 1,385,536 | 1,385,696 |
| Total expenditures | 405,200 | - | - | 1,385,536 | 1,790,736 |
| Other financing sources (uses) | | | | | |
| Transfers In | - | - | - | 1,195,767 | 1,195,767 |
| Transfers out | - | (149,839) | (1,045,928) | - | (1,195,767) |
| Total other financing sources (uses) | - | (149,839) | (1,045,928) | 1,195,767 | - |
| Net change in fund balance | 35,853 | - | 326,595 | 181,143 | 543,591 |
| Fund balance as of June 30, 2021 | 186,723 | - | 385,913 | 1,303,540 | 1,876,176 |
| Fund balance as of June 30, 2022 | \$ 222,576 | \$ - | \$ 712,508 | \$ 1,484,683 | \$ 2,419,767 |

SOMERSET INDEPENDENT SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS
 Year Ended June 30, 2022

| School Activity Fund | Cash and Equivalents June 30, 2021 | Receipts | Disbursements | Cash and Cash Equivalents June 30, 2022 | Accounts Receivable June 30, 2022 | Accounts Payable June 30, 2022 | Balances June 30, 2022 |
|----------------------|--|------------------|------------------|---|---|--------------------------------------|---------------------------|
| Meece Middle School | \$ 41,281 | \$ 68,856 | \$ 65,010 | \$ 45,127 | \$ - | \$ - | \$ 45,127 |
| Hopkins Elementary | <u>21,833</u> | <u>25,471</u> | <u>29,198</u> | <u>18,106</u> | <u>-</u> | <u>-</u> | <u>18,106</u> |
| Totals | <u>\$ 63,114</u> | <u>\$ 94,327</u> | <u>\$ 94,208</u> | <u>\$ 63,233</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 63,233</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
SOMERSET HIGH SCHOOL
Year ended June 30, 2022

| | Balances June 30, 2021 | Receipts | Disbursements | Transfers in/(out) | Cash and cash equivalents June 30, 2022 | Accounts Receivable June 30, 2022 | Accounts Payable June 30, 2022 | Balances June 30, 2022 |
|---------------------------|---------------------------|----------|---------------|-----------------------|---|---|--------------------------------------|---------------------------|
| Academic Team | \$ 184 | \$ - | \$ - | \$ - | \$ 184 | \$ - | \$ - | \$ 184 |
| Art Club | - | 1,500 | - | - | 1,500 | - | - | 1,500 |
| Band | 374 | - | - | - | 374 | - | - | 374 |
| Chorus | 221 | 524 | 359 | - | 386 | - | - | 386 |
| Class of 2020 | - | 75 | - | (75) | - | - | - | - |
| Class of 2021 | - | - | (110) | (110) | - | - | - | - |
| Class of 2022 | 3,887 | 2,185 | 6,270 | 198 | - | - | - | - |
| Class of 2023 | 255 | 18,436 | 8,993 | - | 9,698 | - | - | 9,698 |
| Class of 2024 | 2,142 | 5,962 | 5,749 | - | 2,355 | - | - | 2,355 |
| Class of 2025 | - | 1,400 | 1,193 | (250) | 17 | - | - | 17 |
| DECA | 7,940 | 22,459 | 25,972 | - | 4,427 | - | - | 4,427 |
| FCA | 343 | - | - | - | 343 | - | - | 343 |
| Drama | 3,196 | 21,433 | 19,570 | - | 5,059 | - | - | 5,059 |
| FCCLA | 628 | 368 | 654 | - | 342 | - | - | 342 |
| Foods room donation | - | 100 | 100 | - | - | - | - | - |
| Dance Team | 107 | 14,039 | 8,225 | - | 5,921 | - | - | 5,921 |
| Homespun | 1,414 | 216 | 140 | - | 1,490 | - | - | 1,490 |
| E-Team | 39 | - | - | - | 39 | - | - | 39 |
| NHS | 1,182 | 1,290 | 997 | (50) | 1,425 | - | - | 1,425 |
| Pep Club | 231 | - | - | - | 231 | - | - | 231 |
| Wilson Scholarship | 500 | 500 | 200 | 100 | 900 | - | - | 900 |
| Shakufe Radmanesh Schshp | 692 | - | - | - | 692 | - | - | 692 |
| Kathy Hall Memorial | 150 | - | - | - | 150 | - | - | 150 |
| PSAT | 189 | 288 | 270 | 18 | 225 | - | - | 225 |
| Honors Night | 3,374 | 5,480 | 4,863 | 50 | 4,041 | - | - | 4,041 |
| Bill Adams Award | 753 | - | - | (50) | 703 | - | - | 703 |
| AP Exams | 23,331 | 2,421 | 11,220 | - | 14,532 | - | - | 14,532 |
| Science Club | 54 | - | - | - | 54 | - | - | 54 |
| ACT | - | 2,682 | 2,483 | (18) | 181 | - | - | 181 |
| Student Council | 391 | - | - | (50) | 341 | - | - | 341 |
| Teens Who Care | 42 | - | - | - | 42 | - | - | 42 |
| Yearbook | 14,575 | 5,341 | 3,314 | - | 16,602 | - | - | 16,602 |
| Y-Club | 1,200 | - | - | - | 1,200 | - | - | 1,200 |
| KUNA | 18 | - | - | - | 18 | - | - | 18 |
| Beta Club | 915 | 555 | 283 | - | 1,187 | - | - | 1,187 |
| Athletics | 16,011 | 78,967 | 95,703 | 3,122 | 2,397 | - | - | 2,397 |
| Hall of Fame | 2,854 | 4,775 | 2,065 | (4,000) | 1,564 | - | - | 1,564 |
| Athletic Program | - | 8,255 | 5,208 | (3,047) | - | - | - | - |
| Chip Sharpe Memorial Fund | 280 | - | - | - | 280 | - | - | 280 |
| Athletic Change | - | 9,500 | 13,500 | 4,000 | - | - | - | - |

SOMERSET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -
SOMERSET HIGH SCHOOL Continued
Year ended June 30, 2022

| | | | | | | | | |
|-------------------------|-------------------|-------------------|-------------------|-------------|-------------------|-------------|-------------|-------------------|
| TSA | 552 | 50,752 | 40,030 | 657 | 11,931 | - | - | 11,931 |
| FBLA | 345 | - | - | - | 345 | - | - | 345 |
| Culture Club | 246 | - | - | - | 246 | - | - | 246 |
| Book Club | 151 | - | - | - | 151 | - | - | 151 |
| Library Fee | 193 | - | - | - | 193 | - | - | 193 |
| Bank Interest | 3,708 | 907 | 156 | (657) | 3,802 | - | - | 3,802 |
| Principals Office | 1,968 | 535 | 253 | - | 2,250 | - | - | 2,250 |
| Field Trips | 125 | - | - | (125) | - | - | - | - |
| Student ACT/INST | 3,581 | - | 1,762 | 287 | 2,106 | - | - | 2,106 |
| Student Vending | 3,201 | 1,362 | 1,253 | - | 3,310 | - | - | 3,310 |
| Guidance | 327 | - | 118 | - | 209 | - | - | 209 |
| Teacher Vending | 560 | 475 | 122 | - | 913 | - | - | 913 |
| Student Fees | - | 859 | - | (859) | - | - | - | - |
| Chromebook | - | 1,718 | - | (1,718) | - | - | - | - |
| District Activity Funds | - | - | 2,577 | 2,577 | - | - | - | - |
| Football Team | - | 2,710 | 2,710 | - | - | - | - | - |
| Soccer Team | - | 1,450 | 1,450 | - | - | - | - | - |
| Boys Basketball Team | - | 1,320 | 1,320 | - | - | - | - | - |
| Girls Basketball Team | - | 1,320 | 1,320 | - | - | - | - | - |
| Baseball Team | - | - | - | - | - | - | - | - |
| Softball Team | - | 1,019 | 1,019 | - | - | - | - | - |
| Track Team | 4,232 | 14,507 | 8,913 | - | 9,826 | - | - | 9,826 |
| Boys Golf Team | 2,041 | 2,075 | 1,227 | - | 2,889 | - | - | 2,889 |
| Girls Golf Team | 2,311 | - | 630 | - | 1,681 | - | - | 1,681 |
| Tennis Team | 387 | 4,112 | 4,328 | - | 171 | - | - | 171 |
| Volleyball Team | 4,305 | 13,922 | 8,624 | - | 9,603 | - | - | 9,603 |
| Swim Team | 1,192 | 3,126 | 3,681 | - | 637 | - | - | 637 |
| Trap Shooting Team | - | 3,350 | - | - | 3,350 | - | - | 3,350 |
| Cross Country Team | 5,776 | 3,820 | 4,618 | - | 4,978 | - | - | 4,978 |
| Cheer Team | - | 21,363 | 4,932 | - | 16,431 | - | - | 16,431 |
| Wrestling Team | - | 4,423 | 1,113 | - | 3,310 | - | - | 3,310 |
| Bass Fishing Team | 936 | 2,850 | 1,675 | \$ - | 2,111 | - | - | 2,111 |
| Total accounts | \$ 123,609 | \$ 346,726 | \$ 310,992 | \$ - | \$ 159,343 | \$ - | \$ - | \$ 159,343 |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SOMERSET INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2022

| Federal Grantor Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|---|---------------------------|-------------------------------------|----------------|
| US Department of Agriculture | | | |
| Passed Through State Department of Education: | | | |
| State Administrative Expenses for Child Nutrition Fiscal Year 22 | 10.560 | 510-4500 | \$ 1,811 |
| | | | <u>1,811</u> |
| Child and Adult Care Food Program Fiscal Year 22 | 10.558 | 7790021-20 | 5,327 |
| | | | <u>5,327</u> |
| <i>Child Nutrition Cluster</i> | | | |
| School Breakfast Program Fiscal Year 22 | 10.553 | 7760005-21 | 146,215 |
| National School Lunch Program Fiscal Year 22 | 10.555 | 7750002-21 | 650,975 |
| Summer Food Service Program for Children Fiscal Year 22 | 10.559 | 7740023-21 | 59,272 |
| Passed Through State Department of Agriculture: | | | |
| National School Lunch Program Fiscal Year 22 | 10.555 | 7750002-21 | 76,942 |
| <i>Child Nutrition Cluster Total</i> | | | <u>933,404</u> |
| Total US Department of Agriculture | | | <u>940,542</u> |
| US Department of Education | | | |
| Passed Through State Department of Education | | | |
| Title I Grants to Local Educational Agencies Fiscal Year 22 | 84.010 | 3100002-22 | 572,653 |
| <i>Title I Total</i> | | | <u>572,653</u> |
| <i>Special Education Cluster</i> | | | |
| Special Education_Grants to States Fiscal Year 22 | 84.027 | 3810002-22 | 452,807 |
| Special Education_Preschool Grants Fiscal Year 22 | 84.173 | 3800002-22 | 26,457 |
| <i>Special Education Cluster Total</i> | | | <u>479,264</u> |
| English Language Acquisition State Grants | 84.365 | 345X | - |
| Career and Technical Education-Basic Grants to States Fiscal Year 22 | 84.048 | 4621132-22 | 36,605 |
| | | | <u>36,605</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2022

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures |
|--|---------------------------|-------------------------------------|----------------------------------|
| Supporting Effective Instruction State Grants Fiscal Year 22 | 84.367 | 3230002-22 | <u>113,741</u> <u>113,741</u> |
| Rural Education Fiscal Year 22 | 84.358 | 3400002-21 | <u>19,167</u> <u>19,167</u> |
| Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 22 | 84.334 | 3160002-21 | <u>165,914</u> <u>165,914</u> |
| Student Support and Academic Enrichment Grants Fiscal year 22 | 84.424 | 220-552X | <u>58,890</u> <u>58,890</u> |
| Education Stabilization Fund | | | |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425U | 473X | 777,349 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | 554X | 1,045,855 |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D | 613F | 212,463 |
| COVID-19 Governor's Emergency Education Relief Fund | 84.425C | 633F | 31,471 |
| | | | <u>2,067,138</u> |
| Total US Department of Education | | | <u>3,513,372</u> |
| US Department of Health and Human Services Passed Through State Department of Education | | | |
| Child Care and Development Block Grant - CARES Fiscal year 21 | 93.575 | 220-17GX | 61,957 |
| Fiscal year 21 | | 220-658X | 49,109 |
| | | | <u>111,066</u> |
| Total Department of Health and Human Services | | | <u>111,066</u> |
| Total Expenditures of Federal Awards | | | \$ <u>4,564,980</u> |

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Somerset Independent School District and is presented on the 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this 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.

2. IN-KIND COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2022 is \$76,942.

3. CLUSTER PROGRAMS

The following CFDA numbers are considered cluster programs:

| | |
|--------------------------------------|--------|
| Special Education Cluster | |
| Special Education Grants to States | 84.027 |
| Special Education – Preschool Grants | 84.173 |
| | |
| Child Nutrition Cluster | |
| National School Lunch Program | 10.555 |
| National School Breakfast Program | 10.553 |
| Special Milk Program for Children | 10.556 |
| Summer Food Services for Children | 10.559 |

4. INDIRECT COST RATE

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

5. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



Cloyd & Associates, PSC

Certified Public Accountants
and
Business Advisors

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

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Somerset Independent School District
Somerset, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Somerset Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Somerset Independent School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Internal Control over Financial Reporting

Management of Somerset Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Somerset Independent School District's internal control over financial reporting (internal control) to determine the 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 Somerset Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Somerset Independent School District's internal control.

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

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 may exist that have not been identified.

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Compliance and Other Matters

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

We noted other matters involving the internal control over financial reporting that we have reported to the management of Somerset Independent School District in a separate letter dated November 15, 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.

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2022



Cloyd & Associates, PSC

Certified Public Accountants

and

Business Advisors

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Kentucky State Committee for
School District Audits
Members of the Board of Education
Somerset Independent School District
Somerset, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Somerset Independent School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Somerset Independent School District's major federal programs for the year ended June 30, 2022. The Somerset Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major 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; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Somerset Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Somerset Independent School District's federal programs.

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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, misrepresentations, or material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with 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.





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and
Business Advisors*

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 may exist that have not been 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.

Purpose of this Report

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

Cloyd & Associates, PSC
London, Kentucky
November 15, 2022



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOMERSET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS
Year Ended June 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

| | | | |
|---|-------|------------|------------------------|
| Type of auditors' report issued | | Unmodified | |
| Internal control over financial reporting: | | | |
| Material weakness identified | _____ | Yes | <u>✓</u> No |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ | Yes | <u>✓</u> None reported |
| Noncompliance material to financial statement noted | _____ | Yes | <u>✓</u> No |

Federal Awards

| | | | |
|--|-------|------------|------------------------|
| Internal control over major programs: | | | |
| Material weaknesses identified | _____ | Yes | <u>✓</u> No |
| Significant deficiencies identified that are not considered to be material weaknesses | _____ | Yes | <u>✓</u> None reported |
| Type of auditors' report issued on compliance for major programs | | Unmodified | |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | _____ | Yes | <u>✓</u> No |

Identification of major programs:

| <u>Name of Federal Program or Cluster</u> | <u>CFDA Number</u> |
|---|--------------------|
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425D |
| COVID-19 Elementary and Secondary School Emergency Relief Fund | 84.425U |
| COVID-19 Governor's Emergency Education Relief Fund | 84.425C |

| | | | |
|--|-----------|-----|----------|
| Dollar threshold used to distinguish between Type A and Type B program | \$750,000 | | |
| Auditee qualified as low risk | <u>✓</u> | Yes | _____ No |

(continued)

SOMERSET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – MAJOR PROGRAMS - CONTINUED
Year Ended June 30, 2022

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

SOMERSET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2022

Status of Prior Year Findings

There were no prior year audit findings

MANAGEMENT LETTER COMMENTS



Cloyd & Associates, PSC

*Certified Public Accountants
and
Business Advisors*

Members of the Board of Education
Somerset Independent School District
Somerset, Kentucky

In planning and performing our audit of the basic financial statements of Somerset Independent School District for the year ended June 30, 2022, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report thereon dated November 15, 2022, on the basic financial statements of Somerset Independent School District.

Respectfully,

Cloyd & Associates, PSC

Cloyd & Associates, PSC
London, Kentucky
November 15, 2022



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

Prior Year Comments – School Activity Funds

None.

Current Year Comments – School Activity Funds

None.