

CAVERNA INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2022**

CAVERNA INDEPENDENT SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Caverna Independent School District
Cave City, Kentucky 42127

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna 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 Caverna Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Audit Contract and 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 Caverna Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

We are required to communicate with those charged with governance 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 on pages 4-11 and page 52-53 and the pension and OPEB liability and contribution information on pages 54-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Caverna Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of the Caverna 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Caverna Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caverna Independent School District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

Glasgow, Kentucky

October 25, 2022

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Caverna Independent School District remains in excellent financial condition. Like every small school district, we struggle with keeping staffing at appropriate levels while providing the resources needed to provide a quality education that prepares students to be life-ready leaders that competitively excel in innovation, creativity, and civic engagement.

The discussion and analysis of Caverna Independent school District's financial situation is to provide an overall review of the district's financial activities ending June 30, 2022.

FINANCIAL HIGHLIGHTS

- The District's General Fund beginning of the year balance was \$4,084,477, with revenues totaling \$5,475,231. This does not include the on- behalf payment from the state, which totaled \$2,237,118, which makes the total revenue \$7,712,349. The on-behalf amount shows as revenue as well as an expenditure, so it can be quite misleading. The District's revenue primarily consisted of local sources (ad valorem taxes, investments, and contributions/donations) and the state program (SEEK).
- The General Fund's expenditures totaled \$8,091,277 with the major expenses being instruction and plant operations and maintenance.

In September of 2021, the Caverna Board adopted the compensating tax rate, leaving it at 82.6 cents. Community members have attended the last couple of tax hearings, expressing concerns over the tax rate. With this being said, the board took into consideration the flailing economy and rising inflation and chose to keep the same tax rate for 2022 at 82.6 cents. The decisions that the board has made over the last couple of years have been made due to the economic hardships that the community has faced due to the pandemic. However, the community needs to realize that Caverna is an anomaly when it comes to the tax rate and the socioeconomic climate of its communities. The only way that the district has to generate new monies is by increasing taxes. The community wants to compare Caverna to surrounding districts, but needs to realize that other districts have 3% utility taxes. While no one likes increasing taxes, the members of the board will have to exercise due diligence when considering future tax rates.

Federal grants have allowed the district to add several positions and an array of resources to address the academic needs of the students as well as their emotional needs. "Esser" funds, which are federal funds will be coming to an eventual end. The last of the funds have to be expended by 2024 and the district will have to be very strategic in deciding what programs and positions have been successful and look for ways the district can continue to fund them. Again, taxes will play an important role. The state continues to mandate many things that are not funded completely or not funded at all.

The district continues to provide all day preschool for 2021-22 with 35 students currently enrolled. students require three teachers and two aides, which cost \$200,040. The grant for 2021-22 is \$164,216 leaving \$38,824 paid from the general fund. The district also pays the costs of transportation, supplies and technology for preschool. Most educators agree all day preschool and kindergarten are the best steps to giving our students the chance to succeed. Preschool received an ARP special education grant of \$5,206.

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Another area of concern is the continued cost of Special Education. For 2021-22 we are receiving \$525,560. A decrease from last year of \$42,360 for Special Education in the SEEK calculation because the number of students dropped from 136 to 126. Funding is based on the number of Special Education students on December 1, not an average throughout the year. This makes it difficult for a small district to adjust the number of teachers required as the numbers go up and down. The cost of the teachers and aides is \$749,510. This requires the district to cover \$233,950 of the additional cost of special education. The number of teachers required is determined by the caseload allowed by the state, so we must staff according to these rules regardless of how much the state funds.

The District received an ARP grant for Special Education of \$30,248. These funds were used to have an additional special education aide at the elementary to work with the students to reduce the learning loss caused by the pandemic.

Several construction projects have begun and are at various stages of completion. Caverna Secure Entry Improvements project includes reworking the entrance to the high school to create a vestibule in the existing lobby providing secure entrances with access controlled in the reception area, along with smaller changes to the middle school and elementary entrances to make them safer. This project has been bid. The cost is \$271,490 up \$97,000 from the original estimate. It is being paid with Building and Capital Outlay funds that were carried over from previous years along with a Lowe's grant and the \$19,344 mentioned above. Funds expended through June 30, 2022 are \$43,470.

Another construction project began in May of 2022 and includes installing two new MAU's to meet the fresh air requirements at the elementary school, a new VRF system to provide heating/cooling for the elementary school and a solar array to generate 85% of the power needed for the high/middle school, and upgraded lighting. This is a performance based project that is guaranteed to reduce energy costs by more than the project cost. If energy costs do not go down the company is responsible for paying us the difference. The project is funded mostly through the ARP federal grant.

Energy Optimizers received the bid for this project and as of June 30, 2022, a payment of \$243,000 has been paid.

The district received a grant from the United States Department of Agriculture for \$534,106 with a required match of \$80,300 for new interactive smartboards with multimedia technology. This grant will also supply a telemedicine cart and counseling plus a professional development center for the school's libraries. Schiller began the project and \$35,000 was expended by June 30, 2022.

Caverna was awarded the COPS Office School Violence Prevention Program. This is a competitive grant designed to provide funding to improve school security. Federal funds totaled \$430,629 with the district match amount being \$143,543. These monies totaling \$574,172 will be used to increase security with access control, surveillance systems, exterior and interior door locking mechanisms/controllers, and request to enter camera/intercom systems. Work has begun on this project and as of June 30, 2022, total funds expended were \$35,215.

It should be noted that the 2014 Bond has a huge increase in principal payments in 2025 from \$9,951 to \$144,600. That is the year the 2004 bond is paid in full.

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all the District's assets, deferred outflows, liabilities and deferred inflows, 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 the future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Capital assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing MUNIS administrative software. The district uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: Governmental and proprietary. The only proprietary fund is the food service operations. All other activities of the district are included in the governmental funds.

The governmental fund financial statements can be found on pages 14-20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-51 of this report.

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. Caverna's assets and deferred outflows exceeded liabilities and deferred inflows by \$2,557,157 as of June 30, 2022 compared to \$1,677,205 as of June 30, 2021.

Pension and OPEB liability is required to be on the Statement of Net Position, although the district is not liable for these funds.

Apart from the pensions, 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), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital asset is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources.

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

Net Position for the period ending June 30, 2022 and June 30, 2021

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 4,424,523	\$ 5,049,282	\$ 345,864	\$ 386,022	\$ 4,770,387	\$ 5,435,304
Capital Assets	<u>5,103,029</u>	<u>3,897,187</u>	<u>66,708</u>	<u>74,266</u>	<u>5,169,737</u>	<u>3,971,453</u>
Total Assets	<u>9,527,552</u>	<u>8,946,469</u>	<u>412,572</u>	<u>460,288</u>	<u>9,940,124</u>	<u>9,406,757</u>
Deferred Outflows	<u>1,103,422</u>	<u>826,615</u>	<u>100,196</u>	<u>167,974</u>	<u>1,203,618</u>	<u>994,589</u>
Long-term Debt	6,099,366	6,788,185	357,339	801,810	6,456,705	7,589,995
Other Liabilities	<u>872,923</u>	<u>515,768</u>	<u>3,179</u>	<u>-</u>	<u>876,102</u>	<u>515,768</u>
Total Liabilities	<u>6,972,289</u>	<u>7,303,953</u>	<u>360,518</u>	<u>801,810</u>	<u>7,332,807</u>	<u>8,105,763</u>
Deferred Inflows	<u>1,161,050</u>	<u>555,521</u>	<u>92,728</u>	<u>62,857</u>	<u>1,253,778</u>	<u>618,378</u>
Net Position						
Net investment in capital assets	3,061,151	1,683,298	66,708	74,266	3,127,859	1,757,564
Restricted	517,971	677,263	-	-	517,971	677,263
Unrestricted	<u>(1,081,487)</u>	<u>(446,951)</u>	<u>(7,186)</u>	<u>(310,671)</u>	<u>(1,088,673)</u>	<u>(757,622)</u>
Total Net Position	<u>\$ 2,497,635</u>	<u>\$ 1,913,610</u>	<u>\$ 59,522</u>	<u>\$ (236,405)</u>	<u>\$ 2,557,157</u>	<u>\$ 1,677,205</u>

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
REVENUES						
Program revenues						
Charges for services	\$ -	\$ -	\$ 15,744	\$ 2,573	\$ 15,744	\$ 2,573
Operating grants and contributions	3,216,267	2,328,895	738,025	985,381	3,954,292	3,314,276
Capital grants and contributions	180,979	170,401	-	-	180,979	170,401
General revenues						
Property taxes	2,875,129	2,873,218	-	-	2,875,129	2,873,218
Motor vehicle taxes	204,180	186,121	-	-	204,180	186,121
Revenue in lieu of taxes	555,669	360,089	-	-	555,669	360,089
Investment earnings	7,775	12,552	674	121	8,449	12,673
State and formula grants	4,234,102	4,026,046	-	-	4,234,102	4,026,046
Miscellaneous	<u>278,983</u>	<u>273,051</u>	<u>-</u>	<u>-</u>	<u>278,983</u>	<u>273,051</u>
Total revenues	<u>11,553,084</u>	<u>10,230,373</u>	<u>\$ 754,443</u>	<u>\$ 988,075</u>	<u>\$ 12,307,527</u>	<u>\$ 11,218,448</u>
EXPENSES						
Program Activities						
Instruction	6,476,335	5,705,141	-	-	6,476,335	5,705,141
Student support	860,001	596,442	-	-	860,001	596,442
Instructional staff support	622,721	573,754	-	-	622,721	573,754
District administrative support	673,891	618,547	-	-	673,891	618,547
School administrative support	608,273	567,812	-	-	608,273	567,812
Business support	138,839	130,469	-	-	138,839	130,469
Plant operation and maintenance	536,786	596,817	-	-	536,786	596,817
Student transportation	591,591	449,228	-	-	591,591	449,228
Community service activities	84,395	87,644	-	-	84,395	87,644
Facilities acquisition and construction	35,960	-	-	-	35,960	-
Interest costs	27,266	34,999	-	-	27,266	34,999
Depreciation, unallocated	313,001	304,722	-	-	313,001	304,722
Business-type Activities						
Food service	<u>-</u>	<u>-</u>	<u>458,516</u>	<u>788,259</u>	<u>458,516</u>	<u>788,259</u>
Total expenses	<u>10,969,059</u>	<u>9,665,575</u>	<u>458,516</u>	<u>788,259</u>	<u>11,427,575</u>	<u>10,453,834</u>
Excess before transfers	584,025	564,798	295,927	199,816	879,952	764,614
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 584,025</u>	<u>\$ 564,798</u>	<u>\$ 295,927</u>	<u>\$ 199,816</u>	<u>\$ 879,952</u>	<u>\$ 764,614</u>

Governmental Activities

Instruction comprises 78% of governmental program expenses. Support services expenses make up 18% of government expenses. The remaining expense for community services, interest and other expense accounts for the remaining 4% of total government expense. Instruction costs increased due the added positions of Technology Resource Teacher and Interventionists at the elementary and middle school and the curriculum and supplies we were able to purchase with the federal grants we received.

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

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

	Cost of Services		Net Cost of Services	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 6,476,335	\$ 5,705,137	\$ 3,260,068	\$3,376,242
Support Services	4,032,102	3,533,069	4,032,102	3,533,069
Community Services & Other	84,395	87,649	84,395	87,649
Facilities acquisition and construction	35,960	-	(76,047)	(101,430)
Interest costs	<u>27,266</u>	<u>34,999</u>	<u>(41,706)</u>	<u>(33,972)</u>
Total expenses	<u>\$ 10,656,058</u>	<u>\$ 9,360,854</u>	<u>\$ 7,258,812</u>	<u>\$6,861,558</u>

Business-Type Activities

The business-type activities include the food service operation. This program had total revenues of \$754,443 and expenses of \$458,516 for fiscal year 2022. Of the revenues, \$15,744 was charges for services, \$738,025 was from State and Federal grants and \$674 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for these activities. It should also be noted that the school calendar has 10 contract days in it for 2021-2022. This means we will be feeding children 10 less days than in the past. That also means we will not receive any reimbursement for those days. For financial reasons I recommend we eliminate contract days from our calendars.

General Fund-Budget Highlights

The School District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land and land improvements	\$ 121,636	\$ 122,415	\$ -	\$ -	\$ 121,636	\$ 122,415
Buildings and improvements	3,654,414	3,546,179	-	-	3,654,414	3,546,179
Technology	30,384	26,240	-	-	30,384	26,240
Vehicles	246,031	198,109	-	-	246,031	198,109
General Equipment	<u>200,103</u>	<u>4,244</u>	<u>66,708</u>	<u>74,266</u>	<u>266,811</u>	<u>78,510</u>
Total	4,252,568	3,897,187	66,708	74,266	4,319,276	3,971,453
Construction in progress	<u>850,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>850,461</u>	<u>-</u>
Total	<u>\$ 5,103,029</u>	<u>\$ 3,897,187</u>	<u>\$ 66,708</u>	<u>\$ 74,266</u>	<u>\$ 5,169,737</u>	<u>\$ 3,971,453</u>

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 3,897,187	\$ 4,189,663	\$ 74,266	\$ 23,454	\$ 3,971,453	\$ 4,213,117
Additions	1,518,952	12,481	-	53,537	1,518,952	66,018
Retirements	(109)	(235)	-	-	(109)	(235)
Depreciation	<u>(313,001)</u>	<u>(304,722)</u>	<u>(7,558)</u>	<u>(2,725)</u>	<u>(320,559)</u>	<u>(307,447)</u>
Ending balance	<u>\$ 5,103,029</u>	<u>\$ 3,897,187</u>	<u>\$ 66,708</u>	<u>\$ 74,266</u>	<u>\$ 5,169,737</u>	<u>\$ 3,971,453</u>

Net Capital Assets will continue to decrease as we longer depreciate tablets and laptops. We now expense them in the year purchased.

BUDGET IMPLICATIONS

Covid-19 and its impact on student learning and emotional well being are the largest current concern. Covid-19 also has an effect on the schools finances. School remained open for in class learning all of 2021-22, however many parents chose to home school their children. Parents are also keeping children out of preschool due to Covid-19 concerns. We have had many students and teachers contract Covid-19 and many be quarantined due to exposures. We even lost one of our high school teachers to Covid-19 in early September. The emotional losses must be addressed along with learning losses. This has prompted us to hire many new interventionists and teachers to help our students navigate this environment. One concern is the 10 contract days in the school calendar, we will not get funding for food service or transportation for those days. We are also not funded for transportation on virtual days as students are not transported and food service is not delivering meals this year. However, we have continued to have cooks, aides and bus drivers come to work those days even though they have little to do.

We did receive federal CARES funds to purchase PPE for our staff and students and funds to help with technology costs and additional staff for the 2020-2021 year. These funds were spent on tablets for students to use with virtual learning, PPE and the added staff. We received ESSER II and ARP funds which will be spend over the next three years on additional staff as mentioned before and curriculum and supplies to enhance learning.

All employees received a \$1.50 per hour raise for 2022. This made the lowest hourly wage \$10.89 for full time staff. Anything under \$11.00 per hour is below the poverty level for a family of three. The hope is to move that to \$11.00 per hour 2023. Certified staff received an equivalent raise of \$2,081 a year increase for a 185 day employee.

Retention is important as the district makes a big investment in new teachers and principals with professional development and our administrator's time helping them learn the ropes. Plant and operation expenses increased by \$63,587 in 2021-2022. This is largely due to less supplies being needed as students were not in the classroom and to the cost of some maintenance the custodians were able to perform while no students were here. Resource Officers are still in each in building but this cost continues to rise each year. Although our financial position is good, we are adding more classified staff as enrollment decreases. We must remain diligent with our staffing in order to remain viable.

**CAVERNA INDEPENDENT SCHOOLS, HORSE CAVE AND CAVE CITY, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

SEEK funds were based on ADA for 2019 for 2022. In 2023, SEEK will be based on 2022 ADA which will be lower due to many students being homeschooled and out with illness this year. Students have been returning as we progress through the year.

Caverna received a grant for technology equipment including interactive boards for most classrooms, telemedicine technology, learning centers technology as well as the installation of this equipment. The grant was from the USDA and totals over \$614,000 with an \$85,000 match from the district. This will free up funds we had budgeted in federal grants for new interactive boards. We will review all spending in the spring as we assess what is working and what needs remain. All grants will be adjusted after that review.

The facilities continue to improve, but we must address the issue of teachers and students taking pride in the facilities and working to maintain them along with the custodial staff. Tiktok challenges led to our restrooms being vandalized several times this year. The schools must expect our students to do better taking care of the buildings and establish a rewards and benefits system to keep our buildings and equipment in working order. Most students will rise to our expectations, so let's raise our expectations.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Questions about this report or additional information needed should be directed to Stacey Bradbury, Chief Financial Officer (270) 773-2350, 1102 N. Dixie Highway, Cave City, Kentucky, 42127.

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

	Governmental Activities	Business Type Activities	Total
Assets:			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 4,294,382	\$ 305,773	\$ 4,600,155
Inventory	-	27,429	27,429
Accounts receivable			
Taxes - current	19,707	-	19,707
Intergovernmental - indirect federal	110,434	12,662	123,096
Total current assets	<u>4,424,523</u>	<u>345,864</u>	<u>4,770,387</u>
<u>Noncurrent Assets:</u>			
Capital assets	12,588,844	156,687	12,745,531
Less: accumulated depreciation	<u>(7,485,815)</u>	<u>(89,979)</u>	<u>(7,575,794)</u>
Total noncurrent assets	<u>5,103,029</u>	<u>66,708</u>	<u>5,169,737</u>
Total assets	<u>9,527,552</u>	<u>412,572</u>	<u>9,940,124</u>
<u>Deferred Outflows of Resources:</u>			
Outflows relating to net pension and OPEB liability	<u>1,103,422</u>	<u>100,196</u>	<u>1,203,618</u>
Total deferred outflows	<u>1,103,422</u>	<u>100,196</u>	<u>1,203,618</u>
Liabilities:			
<u>Current Liabilities:</u>			
Accounts payable	619,534	3,179	622,713
Unearned grant revenue	20,963	-	20,963
Current portion of capital lease obligations	8,454	-	8,454
Current portion of bond obligations, net	166,966	-	166,966
Current portion of accrued sick leave	50,791	-	50,791
Interest payable	6,215	-	6,215
Total current liabilities	<u>872,923</u>	<u>3,179</u>	<u>876,102</u>
<u>Noncurrent Liabilities:</u>			
Noncurrent portion of capital lease obligations	8,727	-	8,727
Noncurrent portion of bond obligations, net	1,851,516	-	1,851,516
Noncurrent portion of CERS net pension liability	2,199,606	274,836	2,474,442
Noncurrent portion of CERS net OPEB liability	660,320	82,503	742,823
Noncurrent portion of KTRS net OPEB liability	1,201,000	-	1,201,000
Noncurrent portion of accrued sick leave	178,197	-	178,197
Total noncurrent liabilities	<u>6,099,366</u>	<u>357,339</u>	<u>6,456,705</u>
Total liabilities	<u>6,972,289</u>	<u>360,518</u>	<u>7,332,807</u>
<u>Deferred Inflows of Resources:</u>			
Inflows relating to net pension and OPEB liability	<u>1,161,050</u>	<u>92,728</u>	<u>1,253,778</u>
Net Position:			
Invested in capital assets, net of related debt	3,061,151	66,708	3,127,859
Restricted for:			
Building fund	79,454	-	79,454
Capital projects	85,201	-	85,201
School activity	85,833	-	85,833
Special revenue	267,483	-	267,483
Unrestricted	<u>(1,081,487)</u>	<u>(7,186)</u>	<u>(1,088,673)</u>
Total net position	<u>\$ 2,497,635</u>	<u>\$ 59,522</u>	<u>\$ 2,557,157</u>

See accompanying notes to basic financial statements.

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

Functions / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Governmental Activities:							
Instruction	\$ 6,476,335	\$ -	\$ 3,216,267	\$ -	\$ (3,260,068)	\$ -	\$ (3,260,068)
Support Services							
Student	860,001	-	-	-	(860,001)	-	(860,001)
Instruction staff	622,721	-	-	-	(622,721)	-	(622,721)
District administrative	673,891	-	-	-	(673,891)	-	(673,891)
School administrative	608,273	-	-	-	(608,273)	-	(608,273)
Business	138,839	-	-	-	(138,839)	-	(138,839)
Plant operations and maintenance	536,786	-	-	-	(536,786)	-	(536,786)
Student transportation	591,591	-	-	-	(591,591)	-	(591,591)
Facilities acquisition and construction	35,960	-	-	112,007	76,047	-	76,047
Community service activities	84,395	-	-	-	(84,395)	-	(84,395)
Interest on long-term debt	27,266	-	-	68,972	41,706	-	41,706
Depreciation (unallocated)	313,001	-	-	-	(313,001)	-	(313,001)
Total governmental activities	<u>10,969,059</u>	<u>-</u>	<u>3,216,267</u>	<u>180,979</u>	<u>(7,571,813)</u>	<u>-</u>	<u>(7,571,813)</u>
Business-Type Activities							
Food Service	458,516	15,744	738,025	-	-	295,253	295,253
Total business-type activities	<u>458,516</u>	<u>15,744</u>	<u>738,025</u>	<u>-</u>	<u>-</u>	<u>295,253</u>	<u>295,253</u>
Total primary government	<u>\$ 11,427,575</u>	<u>\$ 15,744</u>	<u>\$ 3,954,292</u>	<u>\$ 180,979</u>	<u>(7,571,813)</u>	<u>295,253</u>	<u>(7,276,560)</u>
General Revenues:							
Taxes:							
Property taxes					2,875,129	-	2,875,129
Motor vehicle taxes					204,180	-	204,180
Other					224,384	-	224,384
Investments earnings					7,775	674	8,449
Other local revenues					555,669	-	555,669
State and formula grants					4,234,102	-	4,234,102
Miscellaneous					54,599	-	54,599
Total general revenues					<u>8,155,838</u>	<u>674</u>	<u>8,156,512</u>
Change in net position					<u>584,025</u>	<u>295,927</u>	<u>879,952</u>
Net position - beginning					1,913,610	(236,405)	1,677,205
Net position - ending					<u>\$ 2,497,635</u>	<u>\$ 59,522</u>	<u>\$ 2,557,157</u>

See accompanying notes to basic financial statements.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2022**

	General Fund	Special Revenue	Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:					
Cash and cash equivalents	\$ 3,623,458	\$ 214,314	\$ 206,122	\$ 250,488	\$ 4,294,382
Accounts receivable:					
Taxes-current	19,707	-	-	-	19,707
Intergovernmental - indirect federal	-	110,434	-	-	110,434
Total assets and resources	<u>\$ 3,643,165</u>	<u>\$ 324,748</u>	<u>206,122</u>	<u>\$ 250,488</u>	<u>\$ 4,424,523</u>
Liabilities and fund balance:					
Liabilities:					
Accounts payable	\$ 19,342	\$ 36,302	\$ 563,890	\$ -	\$ 619,534
Deferred revenues	-	20,963	-	-	20,963
Total liabilities	<u>19,342</u>	<u>57,265</u>	<u>563,890</u>	<u>-</u>	<u>640,497</u>
Fund balances:					
Restricted:					
Special revenue	-	267,483	-	-	267,483
Building	-	-	-	79,454	79,454
Capital Outlay	-	-	-	85,201	85,201
School Activity	-	-	-	85,833	85,833
Committed	50,000	-	-	-	50,000
Unassigned	<u>3,573,823</u>	<u>-</u>	<u>(357,768)</u>	<u>-</u>	<u>3,216,055</u>
Total fund balances	<u>3,623,823</u>	<u>267,483</u>	<u>(357,768)</u>	<u>250,488</u>	<u>3,784,026</u>
Total liabilities and fund balances	<u>\$ 3,643,165</u>	<u>\$ 324,748</u>	<u>\$ 206,122</u>	<u>\$ 250,488</u>	<u>\$ 4,424,523</u>

See accompanying notes to basic financial statements.

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

Total fund balance per fund financial statements	\$ 3,784,026
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	5,103,029
Net pension and OPEB liabilities and deferred inflows of resources are not due and payable in the current period and therefore not recorded in the funds.	(5,221,976)
Deferred outflows of resources are not current financial resources and not reported in the funds.	1,103,422
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.	<u>(2,270,866)</u>
Net position for governmental activities	<u>\$ 2,497,635</u>

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

	General Fund	Special Revenue	Construction Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$ 2,875,129	\$ -	\$ -	\$ -	\$ 2,875,129
Motor vehicle	204,180	-	-	-	204,180
Other	224,384	-	-	-	224,384
Earnings on investments	7,775	-	-	-	7,775
Other local revenues	134,192	28,212	-	393,265	555,669
Intergovernmental-state	4,234,102	397,298	-	180,979	4,812,379
Intergovernmental-indirect federal	-	2,786,382	-	-	2,786,382
Intergovernmental-direct federal	32,587	-	-	-	32,587
Total revenues	<u>7,712,349</u>	<u>3,211,892</u>	<u>-</u>	<u>574,244</u>	<u>11,498,485</u>
Expenditures:					
Instruction	4,289,265	2,502,794	-	181,488	6,973,547
Support services:					
Student	583,821	273,286	-	2,894	860,001
Instructional staff	397,359	225,362	-	-	622,721
District administration	673,091	800	-	-	673,891
School administration	608,273	-	-	-	608,273
Business	88,598	50,241	-	-	138,839
Plant operations and maintenance	851,768	-	-	-	851,768
Student transportation	586,641	4,950	-	-	591,591
Community service activities	1,658	82,737	-	-	84,395
Other	10,803	-	872,258	192,711	1,075,772
Total expenditures	<u>8,091,277</u>	<u>3,140,170</u>	<u>872,258</u>	<u>377,093</u>	<u>12,480,798</u>
Excess (deficit) of revenues over expenditures	<u>(378,928)</u>	<u>71,722</u>	<u>(872,258)</u>	<u>197,151</u>	<u>(982,313)</u>
Other financing sources (uses):					
Proceeds from sale of fixed assets	24,438	-	-	-	24,438
Operating transfers in	129,462	235,626	340,305	123,739	829,132
Operating transfers out	(235,626)	(81,555)	-	(481,790)	(798,971)
Total other financing sources (uses)	<u>(81,726)</u>	<u>154,071</u>	<u>340,305</u>	<u>(358,051)</u>	<u>54,599</u>
Net Change in Fund Balance	<u>(460,654)</u>	<u>225,793</u>	<u>(531,953)</u>	<u>(160,900)</u>	<u>(927,714)</u>
Fund balance, July 1, 2021	4,084,477	41,690	174,185	411,388	4,711,740
Fund balance, June 30, 2022	<u>\$ 3,623,823</u>	<u>\$ 267,483</u>	<u>\$ (357,768)</u>	<u>\$ 250,488</u>	<u>\$ 3,784,026</u>

See accompanying notes to basic financial statements.

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

Net change in total fund balances per fund financial statements	\$ (927,714)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the government wide statements and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	1,205,951
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	171,783
Excess of pension expense reported over pension benefits paid in governmental activities.	48,464
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>85,541</u>
Change in net position of governmental activities	<u><u>\$ 584,025</u></u>

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

	Food Service Fund
Assets	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 305,773
Accounts receivable	12,662
Inventory	27,429
Total current assets	345,864
<u>Noncurrent</u>	
Capital assets	156,687
Less: accumulated depreciation	(89,979)
Total noncurrent assets	66,708
Total assets	412,572
 <u>Deferred Outflows of resources:</u>	
Outflows relating to net pension and OPEB liability	100,196
 Liabilities	
<u>Current Liabilities</u>	
Accounts payable	3,179
Total current liabilities	3,179
 <u>Noncurrent Liabilities</u>	
Noncurrent portion of CERS net pension liability	274,836
Noncurrent portion of CERS net OPEB liability	82,503
Total noncurrent liabilities	357,339
Total liabilities	360,518
 <u>Deferred Inflows of resources:</u>	
Inflows relating to net pension and OPEB liability	92,728
 Net Position	
Invested in capital assets net of related debt	66,708
Unrestricted	(7,186)
Total net position	\$ 59,522

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Food Service Fund</u>
Operating Revenues:	
Lunchroom sales	\$ 7,982
Other operating revenues	<u>7,762</u>
Total operating revenues	<u>15,744</u>
Operating Expenses:	
Salaries and wages	70,206
Material and supplies	348,082
Depreciation	7,558
Other operating expenses	<u>2,508</u>
Total operating expenses	<u>428,354</u>
Operating loss	<u>(412,610)</u>
Non-Operating Revenues (Expenses):	
Federal grants	613,017
Donated commodities	15,205
On behalf payments	105,708
State funding	4,095
Interest income	<u>674</u>
Total non-operating revenues	<u>738,699</u>
Transfers out	<u>(30,162)</u>
Change in net position	295,927
Net position, July 1, 2021	<u>(236,405)</u>
Net position, June 30, 2022	<u><u>\$ 59,522</u></u>

See accompanying notes to basic financial statements.

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

Cash Flows From Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 7,982
Other activities	7,762
Cash paid to/for:	
Employees	(270,574)
Supplies	<u>(356,183)</u>
Net cash provided (used) by operating activities	<u>(611,013)</u>
Cash Flows from NonCapital Financing Activities:	
Cash received for operating grants	617,112
Transfers (out)	<u>(30,162)</u>
Net cash provided (used) by noncapital and related financing activities	<u>586,950</u>
Cash Flows from Capital Financing Activities:	
Purchase of capital assets	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>
Cash Flows from Investing Activities:	
Receipt of interest income	<u>674</u>
Net cash provided (used) by investing activities	<u>674</u>
Net increase (decrease) in cash and cash equivalents	(23,389)
Balances, beginning of year	<u>329,162</u>
Balances, end of year	<u>\$ 305,773</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating loss	\$ (412,610)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	7,558
On-behalf revenues	105,708
Donated commodities used in operations	15,205
Change in assets and liabilities	
Accounts receivable	14,355
Inventory	2,414
Accounts payable	3,179
Deferred outflow	67,778
Net Pension and OPEB liability	(444,471)
Deferred inflow	<u>29,871</u>
Net cash provided (used) by operating activities	<u>\$ (611,013)</u>
Schedule of non-cash transactions:	
On-Behalf payments	<u>\$ 105,708</u>
Donated commodities received from federal government	<u>\$ 15,205</u>

See accompanying notes to basic financial statements.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022**

1. Summary of Significant Accounting Policies:

Reporting Entity

The Caverna Board of Education, ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Caverna 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 account groups relevant to the operation of the Caverna Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

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

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

Caverna Independent School District Finance Corporation - On August 30, 1989, the Caverna Board of Education resolved to authorize the establishment of the Caverna 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.

Basis of Presentation:

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The District-wide statements are prepared using the economic resources measurement focus. This focus 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 a reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. Summary of Significant Accounting Policies, Continued:

The District-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 service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District allocates certain indirect costs to be included in the program expenses reported for individual functions and activities in the District-Wide Statement of Activities.

In the District-wide Statement of Net Position and Statement of Activities both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

The District has the following funds:

I. Governmental Fund Types:

- a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Reservations have been placed on the fund balance for accrued sick leave and other contingencies.
- b. The Special Revenue (Grant) Fund accounts 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 specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. Summary of Significant Accounting Policies, Continued:

1. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.
2. The Special Revenue Student Activity Fund includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Uniform Program of Accounting for School Activity Funds.
3. The Special Revenue Student Activity Fund includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Uniform Program of Accounting for School Activity Funds.
4. The Student Fund includes funds restricted to expenditures for purposes specified by the Kentucky Department of Education requirements. These funds are generated externally by the District.

The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. The Special Revenue Grant Fund is a major fund of the District. The Kentucky Department of Education has deemed this fund to always be classified as a major fund.

- c. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary 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 Fund (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.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. Summary of Significant Accounting Policies, Continued:

II. Proprietary Funds (Enterprise Funds):

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund. The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with other GASB pronouncements.

District-Wide Financial Statements:

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, or laws or regulations, or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements:

Under GASB Statement 54, fund balance is separated into five categories, as follows:

Nonspendable - Permanently nonspendable by decree of the donor, such as endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already purchased inventory on hand.

Restricted – Legally restricted under federal or state law, bond authority, or grantor contract.

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

It is the District’s practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. 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 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.

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2022-2023 school year have been classified as deferred revenues. Likewise, all awards requested as a result of 2021-2022 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

Grants and entitlements received before the eligibility requirements are met are recognized as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

**CAVERNA INDEPENDENT SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
 June 30, 2022**

1. Summary of Significant Accounting Policies Continued:

Property Tax Revenues

Property taxes are levied each November 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 60 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 \$.826 per \$100 valuation for real property, \$.828 per \$100 valuation for business personal property and \$.627 per \$100 valuation for motor vehicles.

Date Event

January 1, year of levy	Assessment date
November 1, year of levy	Taxes levied
November 30, year of levy	2% discount allowed
December 31, year of levy	Gross amount due
January 1, following year	Delinquent date, 5% penalty added
February 1, following year	21% penalty added

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

1. Summary of Significant Accounting Policies, Continued:

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

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The district had no internal balances at June 30, 2022.

Compensated Absences

The District policies regarding sick leave permit employees to accumulate earned but unused sick leave. 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 and has no maximum accumulation.

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

The entire compensated absence liability is reported on the government-wide financial statements. The balance is estimated based on employees having twenty-seven years of service or more and eligible for retirement as of June 30, 2022. The current portion is the portion that is allocable to employees who have twenty-seven years of service or more.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the general fund. The noncurrent portion of the liability is not reported and no portion is allocated to the Proprietary Fund.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. Summary of Significant Accounting Policies, Continued:

Budgetary Process

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

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

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

Once the budget is approved, it can be amended.

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

Cash and Cash Equivalents

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

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the Proprietary Fund. Inventory consists of donated and purchased foods held for resale and are expensed when used. Purchased food is valued at the lower of cost or net realizable value (first-in, first-out method) and U.S. Government donated commodities value is determined by the U.S. Department of Agriculture.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2022 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

New Accounting Principle

For 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency information of the government's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

1. Summary of Significant Accounting Policies, Concluded:

Accrued Liabilities and Long-Term Obligations

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

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

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 and for child care services provided.

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.

Donated Commodities

The fair value of donated commodities received during the year is reported in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position as an expense and as donated commodities revenue (non-operating revenue).

Pensions and OPEB

CERS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov. KRS prepares its financial statements in accordance with GASB statements and generally accepted accounting principles. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

2. 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.

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has amounts that qualify for reporting in this category in the amount of \$1,203,618.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has amounts that qualify for reporting in this category in the amount of \$1,253,778.

4. Cash and Cash Equivalents:

At June 30, 2022 the carrying amount of the District's cash and cash equivalents was \$4,600,155 and bank balance was \$4,968,309. All cash balances were covered by Federal Depository insurance, or collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2022.

Category 1 – Insured by FDIC or collateralized with securities held by the District or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized with no writer or approved collateral agent.

	Category			Total Bank Balance	Carrying Amount
	One	Two	Three		
Deposits with Financial institutions	\$ 250,000	\$ 4,718,309	-	\$ 4,968,309	\$ 4,600,155

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

4. Cash and Cash Equivalents, Concluded:

In accordance with GASB No. 72, Fair Value Measurement and Application, the District provides the additional disclosure regarding the fair value of its investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Level 1

Quoted prices (unadjusted) in an active market for identical assets or liabilities that the District has the ability to access at the measurement date.

Level 2

Inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability.

Level 3

Unobservable inputs for the asset or liability used to measure fair value that rely on the District's own assumptions about the market participant's assumptions that may be used in pricing the asset or liability.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, different methodologies or assumptions used to determine the fair value of certain financial instruments could result in different fair value measurement at the reporting date.

Interest Rate Risk

The District invests in certificates of deposits with numerous financial institutions with maturities typically less than one year. No certificates of deposits are obtained from any financial institution in excess of FDIC limits.

Currently, there are no Certificates of Deposits held by the District.

Credit Risk

Credit Risk the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or the financial institution in the District's name. As a means of managing the District's exposure to fair value losses arising from increasing interest rates, the district primarily purchases investments with a maturity of less than three months. No investments in Money Market Accounts or Certificates of Deposit were in excess of federally insured limits.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

5. Capital Assets:

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

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

<u>Governmental Activities</u>	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Capital Assets, not being Depreciated:				
CIP	\$ -	\$ 850,461	\$ -	850,461
Land	121,636	-	-	121,636
Total Capital, not being Depreciated	<u>121,636</u>	<u>850,461</u>	<u>-</u>	<u>972,097</u>
Capital Assets, being Depreciated:				
Land Improvements	779,870	-	-	779,870
Buildings and Improvements	8,750,408	352,865	-	9,103,273
Technology Equipment	477,099	10,461	(8,994)	478,566
Vehicles	921,584	97,716	(47,629)	971,671
General Equipment	172,706	207,449	(96,788)	283,367
Total Capital Assets, being Depreciated	<u>11,101,667</u>	<u>668,491</u>	<u>(153,411)</u>	<u>11,616,747</u>
Less: Accumulated Depreciation				
Land Improvements	(779,091)	(779)	-	(779,870)
Buildings and Improvements	(5,204,229)	(244,630)	-	(5,448,859)
Vehicles	(723,475)	(49,794)	47,629	(725,640)
Technology Equipment	(450,859)	(6,208)	8,885	(448,182)
General Equipment	(168,462)	(11,590)	96,788	(83,264)
Total Accumulated Depreciation	<u>(7,326,116)</u>	<u>(313,001)</u>	<u>153,302</u>	<u>(7,485,815)</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 3,897,187</u>	<u>\$ 1,205,951</u>	<u>\$ (109)</u>	<u>\$ 5,103,029</u>
<u>Business-Type Activities</u>				
Capital Assets, being Depreciated:				
Food service and Equipment	\$ 163,731	\$ -	\$ (11,441)	\$ 152,290
Technology Equipment	4,397	-	-	4,397
Total Capital Assets, being Depreciated	<u>168,128</u>	<u>-</u>	<u>(11,441)</u>	<u>156,687</u>
Less: Accumulated Depreciation				
Food Service and Equipment	(89,465)	(7,558)	11,441	(85,582)
Technology Equipment	(4,397)	-	-	(4,397)
Total Accumulated Depreciation	<u>(93,862)</u>	<u>(7,558)</u>	<u>11,441</u>	<u>(89,979)</u>
Business-Type Activities				
Capital Assets - Net	<u>\$ 74,266</u>	<u>\$ (7,558)</u>	<u>\$ -</u>	<u>\$ 66,708</u>

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

6. Bonded Debt and Lease Obligations:

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

Issue Date	Proceeds	Rates	Maturity Date
2012	\$ 1,185,000	1.1% - 6.25%	June 1, 2024
2014 QZAB	\$ 2,150,000	1.00%	February 1, 2033

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 Caverna Independent School District 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 connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

Year	Principal	Interest	Participation	District's Portion
2022-23	\$ 170,000	\$ 24,382	\$ 68,972	\$ 125,410
2023-24	170,000	20,732	68,971	121,761
2024-25	180,000	17,000	38,716	158,284
2025-26	185,000	15,200	38,716	161,484
2026-27	185,000	13,350	38,715	159,635
2027-28	185,000	11,500	38,716	157,784
2028-29	190,000	9,650	38,717	160,933
2029-30	190,000	7,750	38,716	159,034
2030-31	195,000	5,850	38,716	162,134
2031-32	195,000	3,900	38,715	160,185
2032-33	195,000	1,950	38,717	158,233
	<u>\$ 2,040,000</u>	<u>\$ 131,264</u>	<u>\$ 486,387</u>	<u>\$ 1,684,877</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

6 Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2022, are as follows:

	Balance June 30, 2021	Additions	Debt Payments and Reductions	Balance June 30, 2022	Amount Due within one year
Series 2014	\$ 365,000	\$ -	\$ 120,000	\$ 245,000	\$ 120,000
QZAB Series 2014	1,840,000	-	45,000	1,795,000	50,000
	2,205,000	-	165,000	2,040,000	170,000
Bond Premiums/ discounts	(24,552)	-	(3,034)	(21,518)	(3,034)
Total bonds, net with premium	<u>\$ 2,180,448</u>	<u>\$ -</u>	<u>\$ 161,966</u>	<u>\$ 2,018,482</u>	<u>\$ 166,966</u>

7. Capital Lease Payable

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2022:

Year Ending <u>June 30</u>	Capital Lease <u>Payable</u>
2023	\$ 8,948
2024	8,989
2025	-
2026	-
2027	-
Thereafter	-
Total Minimum Lease Payments	17,937
Less: Amount representing interest	<u>(756)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 17,181</u>

The following is an analysis of the leased property under capital lease by class:

<u>Class of Property</u>	<u>Book Value as of June 30, 2022</u>
Vehicles, at cost	\$ 91,464
Accumulated Depreciation	<u>(73,933)</u>
Net Book Value	<u>\$ 17,531</u>

8. Accumulated Unpaid Sick Leave Benefits:

Accrued sick leave is payable upon retirement at 30% of the value of the accumulated sick leave. In accordance with GAAP, the District has recorded approximately \$229,000 in accrued sick leave liability in the District-Wide Statement of Net Position. The current year portion is \$50,791. This amount is anticipated to be funded with current year's economic financial resources and is the District's amount associated with employees that have notified the District of retirement within the next year.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

9. Retirement Plans:

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

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher or the normal death benefit and \$10,000 plus 75% of the decedent's average rate of pay and any dependent child will receive 50% of the decedent's average rate of pay up to 75% for three dependent children. Five years' service is required for nonservice related disability benefits.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

9. Retirement Plans, Continued:

There have been no actuarial assumption changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. There were no other material plan provision changes.

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

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 Kentucky 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/05_publications/index.htm.

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

1. Attain age fifty-five (55) and complete five (5) years of Kentucky
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 2.0% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. 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 is 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.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

9. Retirement Plans, Continued:

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.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the plan for fiscal years ending June 30, 2022 and 2021. This applies to employees hired prior to July 1, 2008 and those hired afterwards. The District's contractually required contribution rate for the year ended June 30, 2022 and 2021 for KTRS was 16.105% for employees hired prior to July 1, 2008 and those hired afterwards.

The CERS nonhazardous contribution rate for the employer was 19.30% of annual compensation for the years ended June 30, 2022 and 2021, respectively. Employees hired before July 1, 2008 are required to contribute 5% of their salary and employees hired after that date are required to contribute 6%.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school districts 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 for fiscal years ending June 30, 2022 and 2021. 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. 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 CERS net pension liability	\$ 2,474,442
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>13,726,794</u>
	<u>\$ 16,201,236</u>

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

9. Retirement Plans, Continued:

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

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 0.038810%.

For the year ended June 30, 2022, the District recognized pension expense of \$171,158 related to CERS. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience in the measurement of the TPL	\$ 28,414	\$ 24,016
Changes in assumptions	33,210	-
Net difference between projected and actual investment earnings on pension plan investments	95,990	395,487
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,705	15,897
Contributions to pension plan after measurement date	<u>259,852</u>	<u>-</u>
Total	<u>\$ 459,171</u>	<u>\$ 435,400</u>

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Net Deferred Outflows/(Inflows)</u>
2023	\$ (60,039)
2024	(72,763)
2025	(103,279)
2026	-
2027	-
Total	<u>\$ (236,081)</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
 June 30, 2022**

9. Retirement Plans, Continued:

There have been no assumption changes since June 30, 2019. Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization bases. This change does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 passed during the 2020 legislative session and removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse.

It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, we did not make any adjustment to the total pension liability to reflect this legislation. There were no other material plan provision changes.

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

	CERS	KTRS
Inflation	2.30%	2.50%
Projected Salary Increases	3.3-11.55%	3-7.5%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back 1 year for females).

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with a set forward two years for males and one year for females. For disabled members the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set forward two years for males and seven years for females) is used for the period after disability retirement. There is a margin for future mortality improvement in the tables used by the system.

Long-term rate of return - For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

9. Retirement Plans, 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.

Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>CERS</u>		<u>KTRS</u>	
	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.75%	5.70%	40.0%	4.60%
Non-US Equity	21.75%	6.35%	22.0%	5.60%
Fixed Income	0.00%	0.00%	15.0%	0.00%
Additional Categories	0.00%	0.00%	7.0%	2.50%
Private Equity	10.00%	9.70%	7.0%	7.70%
Specialty Credit/High Yield	15.00%	2.80%	0.0%	0.00%
Core Bonds	10.00%	0.00%	0.0%	0.00%
Cash	1.50%	-0.60%	2.0%	-0.50%
Real Estate	10.00%	5.40%	7.0%	4.30%
Opportunistic	0.00%	0.00%	0.0%	0.00%
Real Return	<u>10.00%</u>	4.55%	<u>0.0%</u>	0.00%
Total	<u>100.00%</u>		<u>100.00%</u>	

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 each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

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 Actuarially Determined Contribution rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Periods of projected benefit payments – For both CERS and KTRS, projected future benefit payments for all current plan members were projected through all periods to determine the total pension liability.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

9. Retirement Plans, Concluded:

Sensitivity Analysis for CERS and KTRS: The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, 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 and 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	3,173,589	2,474,442	1,895,914

A one percent decrease and a one percent increase for the KTRS proportionate share of the net pension liability is not shown because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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.

The District's payroll for employees covered under KTRS was \$6,921,234 and for CERS was \$1,227,457.

The contribution requirement for CERS for the year ended June 30, 2022, was \$400,664 which consisted of \$330,799 from the District and \$69,865 from employees.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2022, employees contributed approximately \$23,270 to the plans.

10. Other Post-Employment Benefits (OPEB):

General information about the County Employees Retirement System (CERS) OPEB plan:

The County Employees Retirement System (CERS) covers classified employees whose position does not require a college degree or teaching certification. CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. CERS is cost-sharing multiple employer defined benefit plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of KRS 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. KRS issues a stand-alone financial report, which may be obtained from Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky, 40601 or on-line at www.kyret.ky.gov.

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS)—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.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

10. Other Post-Employment Benefits (OPEB), Continued:

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). 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 <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 KTRS Medical Insurance and Life Insurance Plans.

Medical Insurance Plan - CERS

Plan Description: The Kentucky Retirement Systems' Insurance Fund is a cost sharing multiple-employer defined benefit Other Post-Employment Benefit plan for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state departments, board, agency, county, District, school board, and any additional eligible local agencies electing to participate.

Funding Policy: In order to fund the post-retirement healthcare benefit, (6%) of the gross annual payroll of employees hired before July 1, 2008 is contributed, (3%) is paid by member contributions, (.75%) from Commonwealth appropriation and (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Benefits Provided: The plan was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS and SPRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in healthcare costs. There were no other material assumption changes. Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using there updated benefit provisions. There were no other material plan provision changes.

Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See chart for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows.

<u>Dollar Contribution for Fiscal Year 2021</u>		<u>Portion Paid by Insurance Fund</u>	
For Member participation date on or after July 1, 2003			
<u>System</u>	(in whole dollars)	<u>Years of service</u>	<u>% Paid by Insurance Fund</u>
KERS Non-hazardous	\$ 13.79	20+ years	100.00%
KERS Hazardous	\$ 20.68	15-19 years	75.00%
CERS Non-hazardous	\$ 13.78	10-14 years	50.00%
CERS Hazardous	\$ 20.68	4-9 years	25.00%
SPRS	\$ 20.68	Less than 4 years	0.00%

Medical Insurance Plan – CERS, Continued

Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period and the actuarial assumptions and methods adopted by the Board of Trustees. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362.

Medical Insurance Plan - KTRS

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. 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.

Benefits provided - To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. KTRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a contribution supplement table approved by the KTRS Board of Trustees.

The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

Contributions—The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is .75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010 in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years credited service, accumulated member contributions to the retirement annuity plan plus interest are refunded upon the member's request.

Life Insurance Plan - KTRS

Plan description – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

Benefits provided – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS 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, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the District reported a liability of \$742,823 for CERS, \$1,201,000 for KTRS Medical Insurance Plan and \$0 for KTRS Life Insurance Plan for its proportionate share of the net OPEB liability. The District did not report a liability for its proportionate share of the collective net OPEB liability for the Life Insurance Plan because the Commonwealth provides OPEB support directly to KTRS on behalf of the District. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial value as of June 30, 2020. At June 30, 2021, the District's proportionate share was .038801% for CERS, .055974% for KTRS Medical Insurance plan and 0% for KTRS Life Insurance Plan.

The amount recognized by the District as its proportionate share of the net OPEB liability for CERS and KTRS, 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 CERS net OPEB liability	\$	742,823
District's proportionate share of KTRS net OPEB liability		1,201,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		988,000
	\$	2,931,823

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of \$115,623 for CERS. For KTRS Medical Insurance Plan the District recognized OPEB expense of \$(295,320). At June 30, 2022, the District reported deferred inflows and deferred outflows of resources related to the net OPEB liability from the following sources:

	CERS		KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the net OPEB liability	\$ 116,810	\$ 221,783	\$ -	\$ 314,600
Changes in assumptions	184,069	691	173,306	-
Net difference between projected and actual investment earnings on pension plan investments	37,426	153,631	-	70,647
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,229	23,358	20,421	33,668
Contributions to pension plan after measurement date	<u>95,389</u>	<u>-</u>	<u>107,797</u>	<u>-</u>
Total	<u>\$ 442,923</u>	<u>\$ 399,463</u>	<u>\$ 301,524</u>	<u>\$ 418,915</u>

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

	Net Deferred Outflows/(Inflows)	
	CERS	KTRS
2023	\$ (4,775)	\$ (79,478)
2024	(4,903)	(70,095)
2025	(42,251)	(62,368)
2026	-	(14,350)
2027	-	1,103
Total	<u>\$ (51,929)</u>	<u>\$ (225,188)</u>

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021 using generally accepted actuarial principles.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

For CERS, the KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2020:

CERS	
Board adopted - interim	
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Trend Post-65	Initial trend starting at 5.5% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

KTRS	
Investment Rate of Return:	
Medical Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases:	
Medical Insurance Plan	3.0-7.5%, including wage inflation
Life Insurance Plan	3.0-7.5% including wage inflation
Inflation	
Medical Insurance Plan	2.50%
Life Insurance Plan	2.50%
Real wage growth	0.25%, for both Medical and Life Insurance Plans.
Wage inflation	
Medical Insurance Plan	2.75%, for both Medical and Life Insurance Plans.
Healthcare cost trend rates:	
Healthcare Trend Pre-65	Initial trend starting at 7.0% for fiscal year 2022 and decreasing to an ultimate trend rate of 4.5% by fiscal year 2034
Healthcare Trend Post-65	Initial trend starting at 5.125% for fiscal year 2022 decreasing to an ultimate trend rate of 4.5% by fiscal year 2034
Medicare Part B Premiums	6.97% for fiscal year 2022 with ultimate rate of 4.5% by 2034
Municipal Bond Index Rate	2.13%, for both Medical and Life Insurance Plans.
Discount Rate	
Medical Insurance Plan	7.10%
Life Insurance Plan	7.10%
Single equivalent interest rate:	
Medical Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.1%, net of OPEB plan investment expense, including inflation

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

For CERS, mortality rates were based on the RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (setback 1 year for females).

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

Long-term expected rate of return: For CERS was determined by using a building-block method in which the best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	CERS		KTRS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	21.75%	5.70%	0.00%	0.00%
Non-US Equit	21.75%	6.35%	58.00%	5.10%
Fixed Income	0.00%	0.00%	9.00%	-0.10%
Additional Cai	0.00%	0.00%	9.00%	2.20%
Private Equity	10.00%	9.70%	8.50%	6.90%
Specialty Cre	15.00%	2.80%	8.00%	1.70%
Core Bonds	10.00%	0.00%	0.00%	0.00%
Cash	1.50%	-0.60%	1.00%	-0.30%
Real Estate	10.00%	5.40%	6.50%	4.00%
Opportunistic	0.00%	0.00%	0.00%	0.00%
Real Return	<u>10.00%</u>	4.55%	<u>0.00%</u>	0.00%
	<u>100.00%</u>		<u>100.00%</u>	

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Continued:

Discount Rate: The single discount rate of 5.20% for non-hazardous and was used to measure the total OPEB liability as of June 30, 2021. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2021. The following presents the City's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - CERS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS - Nonhazardous	4.20%	5.20%	6.20%
District's proportionate share of the net OPEB liability	\$ 1,019,894	\$ 742,823	\$ 515,445

Discount Rate: For KTRS - Medical Insurance Plan, the single discount rate of 7.10% was used to measure the total OPEB liability as of June 30, 2021. 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 presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - KTRS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
KTRS	6.10%	7.10%	8.10%
District's proportionate share of the net OPEB liability	\$ 1,538,000	\$ 1,201,000	\$ 923,000

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 6.25% at January 1, 2021 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. For those over 65 years of age the trend rate starts at 5.50% at January 1, 2021 and gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. The following table presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - CERS

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS - Nonhazardous	4.20%	5.20%	6.20%
District's proportionate share of the net OPEB liability	\$ 534,746	\$ 742,823	\$ 993,981

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

10. Other Post-Employment Benefits (OPEB), Concluded:

Healthcare Trend Rate: For KTRS, the initial trend rate for participants under 65 years of age starts at 7.00% and gradually decreases to an ultimate trend rate of 4.50% by 2034. For those over 65 years of age the trend rate starts at 5.125% and gradually decreases to an ultimate trend rate of 5.0% by 2022. Medicare Part B premiums starts at 6.97% with an ultimate rate of 4.50% by 2034. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - KTRS

KTRS	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
District's proportionate share of the net OPEB liability	\$ 873,000	\$ 1,201,000	\$ 1,610,000

OPEB Plan Fiduciary Net Position: For both CERS and KTRS, detailed information about the Plan's fiduciary net position is available in the separately issued KRS and KTRS issued financial statements.

11. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and at June 30, 2021 does not expect to incur a liability.

12. Contingencies:

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor's may request a refund of monies advanced, or refuse to reimburse the District for its disbursements.

The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022

12. Contingencies, Concluded:

In addition, the District operates in a heavily regulated environment. The operations of the District are subjected to the administrative directives, rules and regulations of federal and state regulatory agencies, including but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

13. Insurance and Risk Management:

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Worker's Compensation Insurance.

14. Deficit Operating Balances:

The governmental fund operating deficits are summarized in the following Table:

District Activity Fund	\$ 30
Capital Outlay	\$ 84,101
Building Fund	\$ 84,589
General Fund	\$460,654
Construction Fund	\$531,953

15. 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).

16. Litigation:

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

17. Transfer of Funds:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Payments made from the general fund checking account, which may or may not have the legal liability for the expenditure cause payable from the fund having the legal liability to the general fund is established at such time. All interfund receivables and payables have been eliminated on the District-wide Statement of Net Position.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS, CONTINUED
June 30, 2022**

17. Transfer of Funds, Concluded:

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Technology Match	\$ 11,783
Operating	General	Special Revenue	Grant Match	\$ 223,843
Operating	Building	Construction	Construction	\$ 217,839
Operating	Building	Debt Service	Debt Service	\$ 123,739
Operating	Special Revenue	Construction	Construction	\$ 81,555
Operating	Food Service	General Fund	Indirect Costs	\$ 30,161
Operating	Capital Outlay	General Fund	Property	\$ 99,300
Operating	Capital Outlay	Construction	Construction	\$ 40,912

18. On Behalf Payments

During the year ended June 30, 2022, the Kentucky Division of Finance made payments on behalf of Caverna Independent School District in the amount of \$2,237,118. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2022 as follows:

Health Insurance	\$ 1,092,490
KTRS Employer Match	1,095,720
KTRS Employer Match	82,674
Health Reimbursement Account	32,813
State Administration Fees	11,760
Life Insurance	1,473
Federal Reimbursement on Health Benefits	(225,658)
Technology	76,874
School Facilities Construction Commission Debt Service	68,972
	<u>\$ 2,237,118</u>
Recorded as follows:	
General Fund	\$ 2,062,438
Food Service Fund	105,708
Debt Service	68,972
	<u>\$ 2,237,118</u>

19. Subsequent Events

Management has evaluated subsequent events through October 25, 2022, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 2,557,135	\$ 2,557,135	\$ 2,875,129	\$ 317,994
Motor vehicles	150,000	150,000	204,180	54,180
Other	258,000	258,000	224,384	(33,616)
Earnings on investments	17,500	17,500	7,775	(9,725)
Other local revenues	-	-	134,192	134,192
Intergovernmental-state	2,180,735	2,180,735	4,234,102	2,053,367
Intergovernmental-direct federal	33,000	33,000	32,587	(413)
Total revenues	<u>5,196,370</u>	<u>5,196,370</u>	<u>7,712,349</u>	<u>2,515,979</u>
Expenditures:				
Instruction	3,296,018	3,296,018	4,289,265	(993,247)
Support services:				
Student	707,715	707,715	583,821	123,894
Instructional staff	363,771	363,771	397,359	(33,588)
District administration	2,598,380	2,598,380	673,091	1,925,289
School administration	479,431	479,431	608,273	(128,842)
Business	21,991	21,991	88,598	(66,607)
Plant operations and maintenance	1,090,993	1,090,993	851,768	239,225
Student transportation	632,315	632,315	586,641	45,674
Community service activities	5,232	5,232	1,658	3,574
Other	28,030	28,030	10,803	17,227
Total expenditures	<u>9,223,876</u>	<u>9,223,876</u>	<u>8,091,277</u>	<u>1,132,599</u>
Excess (deficit) of revenues over expenditures	<u>(4,027,506)</u>	<u>(4,027,506)</u>	<u>(378,928)</u>	<u>3,648,578</u>
Other financing sources (uses):				
Proceeds from sale of fixed assets	-	-	24,438	24,438
Operating transfers in	19,000	19,000	129,462	110,462
Operating transfers out	(11,340)	(11,340)	(235,626)	(224,286)
Total other financing sources (uses)	<u>7,660</u>	<u>7,660</u>	<u>(81,726)</u>	<u>(89,386)</u>
Net Change in Fund Balance	(4,019,846)	(4,019,846)	(460,654)	3,559,192
Fund balance, July 1, 2021	<u>4,084,477</u>	<u>4,084,477</u>	<u>4,084,477</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 64,631</u>	<u>\$ 64,631</u>	<u>\$ 3,623,823</u>	<u>\$ 3,559,192</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
Revenues:				
Other local revenues	\$ -	\$ -	\$ 28,212	\$ 28,212
Intergovernmental-state	392,741	392,741	397,298	4,557
Intergovernmental-indirect federal	<u>2,095,827</u>	<u>2,095,827</u>	<u>2,786,382</u>	<u>690,555</u>
Total revenues	<u>2,488,568</u>	<u>2,488,568</u>	<u>3,211,892</u>	<u>723,324</u>
Expenditures:				
Instruction	1,830,547	1,830,547	2,502,794	(672,247)
Support services:				
Student	50,895	50,895	273,286	(222,391)
Instructional staff	164,483	164,483	225,362	(60,879)
District administration	-	-	800	(800)
Business	574,172	574,172	50,241	523,931
Student transportation	-	-	4,950	(4,950)
Community service activities	82,737	82,737	82,737	-
Other Non-Instruction	<u>25,779</u>	<u>25,779</u>	<u>-</u>	<u>25,779</u>
Total expenditures	<u>2,728,613</u>	<u>2,728,613</u>	<u>3,140,170</u>	<u>(411,557)</u>
Excess (deficit) of revenues over expenditures	<u>(240,045)</u>	<u>(240,045)</u>	<u>71,722</u>	<u>311,767</u>
Other financing sources (uses):				
Operating transfers in	235,183	235,183	235,626	443
Operating transfers out	<u>-</u>	<u>-</u>	<u>(81,555)</u>	<u>(81,555)</u>
Total other financing sources (uses)	<u>235,183</u>	<u>235,183</u>	<u>154,071</u>	<u>(81,112)</u>
Net Change in Fund Balance	(4,862)	(4,862)	225,793	230,655
Fund balance, July 1, 2021	<u>41,690</u>	<u>41,690</u>	<u>41,690</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 36,828</u>	<u>\$ 36,828</u>	<u>\$ 267,483</u>	<u>\$ 230,655</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY – COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.038810%	0.038040%	0.038635%	0.039515%	0.040213%	0.041698%	0.043340%	0.042089%
District's proportionate share of the net pension liability	\$ 2,474,442	\$ 2,917,637	\$ 2,717,216	\$ 2,406,583	\$ 2,353,790	\$ 2,053,051	\$ 1,863,397	\$ 1,366,000
District's covered-employee payroll	\$ 1,227,457	\$ 992,398	\$ 949,622	\$ 995,826	\$ 1,029,312	\$ 1,009,750	\$ 1,024,648	\$ 987,074
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	201.59%	294.00%	286.14%	241.67%	228.68%	203.32%	181.86%	138.39%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET PENSION LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 259,852	\$ 191,503	\$ 184,920	\$ 154,029	\$ 144,196	\$ 137,968	\$ 125,411	\$ 125,852
Contributions in relation to the contractually required contribution	<u>(259,852)</u>	<u>(191,503)</u>	<u>(184,920)</u>	<u>(154,029)</u>	<u>(144,196)</u>	<u>(137,968)</u>	<u>(125,411)</u>	<u>(125,852)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,227,457	\$ 992,398	\$ 958,132	\$ 949,622	\$ 995,826	\$ 1,029,312	\$ 1,009,750	\$ 1,024,648
Contributions as a percentage of covered-employee payroll	21.17%	19.30%	19.30%	16.22%	14.48%	13.40%	12.42%	12.28%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability	0.038801%	0.038029%	0.038626%	0.039513%	0.040213%
District's proportionate share of the net OPEB liability	\$ 742,823	\$ 918,285	\$ 649,672	\$ 701,545	\$ 808,419
District's covered-employee payroll	\$ 1,227,457	\$ 992,398	\$ 949,622	\$ 995,826	\$ 1,029,312
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	60.52%	92.53%	68.41%	70.45%	78.54%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS OF THE NET OPEB LIABILITY-
COUNTY EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 70,947	\$ 47,231	\$ 45,607	\$ 49,950	\$ 46,804
Contributions in relation to the contractually required contribution	(70,947)	(47,231)	(45,607)	(49,950)	(46,804)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,227,457	\$ 992,398	\$ 949,622	\$ 995,826	\$ 1,029,312
Contributions as a percentage of covered-employee payroll	5.78%	4.76%	4.80%	5.37%	4.80%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY – KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-	-
Commonwealth's proportion of the net pension liability associated with the District	0.01055%	0.10360%	0.10530%	0.10600%	0.14630%	0.10880%	0.12500%	0.12050%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>\$ 13,726,794</u>	<u>\$ 14,689,744</u>	<u>\$ 14,366,598</u>	<u>\$ 13,881,499</u>	<u>\$ 29,858,565</u>	<u>\$ 32,195,828</u>	<u>\$ 25,320,648</u>	<u>\$ 24,752,021</u>
Total	<u>\$ 13,726,794</u>	<u>\$ 14,689,744</u>	<u>\$ 14,366,598</u>	<u>\$ 41,681,030</u>	<u>\$ 89,270,790</u>	<u>\$ 32,195,828</u>	<u>\$ 25,320,648</u>	<u>\$ 24,752,021</u>
District's covered-employee payroll	\$ 6,921,234	\$ 3,971,838	\$ 3,524,424	\$ 3,662,749	\$ 3,820,765	\$ 3,795,223	\$ 3,734,772	\$ 3,771,769
District's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	-	-	-	-	-	-	-	-
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	198.33%	369.85%	407.63%	378.99%	781.48%	848.33%	677.97%	656.24%
Plan fiduciary net position as a percentage of the total pension liability	65.60%	58.30%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS OF THE NET PENSION LIABILITY-
KENTUCKY TEACHERS RETIRMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,921,234	\$ 3,971,838	\$ 3,524,424	\$ 3,662,749	\$ 3,820,765	\$ 3,795,223	\$ 3,734,772	\$ 3,771,769
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET OPEB LIABILITY-
KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
District's proportion of the net OPEB liability					
Medical Insurance	0.055974%	0.055620%	0.056356%	0.054985%	0.058345%
Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net OPEB liability					
Medical Insurance	\$ 1,201,000	\$ 1,404,000	\$ 1,649,000	\$ 1,908,000	\$ 2,080,000
Life Insurance	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's portion of the net OPEB liability associated with the District					
Medical Insurance	0.045457%	0.044553%	0.045512%	0.047385%	0.047660%
Life Insurance	0.099159%	0.097945%	0.099558%	0.099991%	0.103636%
Commonwealth's proportionate share of the net OPEB liability associated with the District					
Medical Insurance	\$ 975,000	\$ 1,124,000	\$ 1,332,000	\$ 1,644,000	\$ 1,699,000
Life Insurance	<u>13,000</u>	<u>34,000</u>	<u>31,000</u>	<u>28,000</u>	<u>23,000</u>
Total	<u>\$ 988,000</u>	<u>\$ 1,158,000</u>	<u>\$ 1,363,000</u>	<u>\$ 1,672,000</u>	<u>\$ 1,722,000</u>
District's covered-employee payroll	\$ 6,921,234	\$ 3,971,838	\$ 3,524,424	\$ 3,662,749	\$ 3,820,765
District's proportionate share of the net OPEB Liability as a percentage of its covered-employee payroll	17.35%	35.35%	46.79%	52.09%	54.44%
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered-employee payroll	14.27%	29.16%	38.67%	45.62%	47.49%
Plan fiduciary net position as a percentage of the total OPEB liability	51.70%	39.10%	32.58%	25.50%	21.18%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS OF THE NET OPEB LIABILITY-
KENTUCKY TEACHERS RETIREMENT SYSTEM**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution					
Medical Insurance	\$ 107,797	\$ 99,354	\$ 112,650	\$ 105,733	\$ 109,882
Life Insurance	-	-	-	-	-
Contributions in relation to the contractually required contribution					
Medical Insurance	(107,797)	(99,354)	(112,650)	(105,733)	(109,882)
Life Insurance	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,921,234	\$ 3,971,838	\$ 3,524,424	\$ 3,662,749	\$ 3,820,765
Contributions as a percentage of covered-employee payroll	1.56%	2.50%	3.20%	2.73%	2.70%

** Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Assets and resources:						
Cash and cash equivalents	\$ -	\$ 85,833	\$ 85,201	\$ 79,454	\$ -	\$ 250,488
Total Assets and Resources	\$ -	\$ 85,833	\$ 85,201	\$ 79,454	\$ -	\$ 250,488
Liabilities and fund balance:						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund balances:						
Nonspendable						
Restricted:						
School activity funds	-	85,833	-	-	-	85,833
Capital outlay-debt service	-	-	85,201	-	-	85,201
Building fund	-	-	-	79,454	-	79,454
Total fund balances	-	85,833	85,201	79,454	-	250,488
Total Liabilities and Fund Balances	\$ -	\$ 85,833	\$ 85,201	\$ 79,454	\$ -	\$ 250,488

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:						
Other local revenues	\$ -	\$ 192,172	\$ -	\$ 201,093	\$ -	\$ 393,265
Intergovernmental-State	-	-	56,111	55,896	68,972	180,979
Total revenues	<u>-</u>	<u>192,172</u>	<u>56,111</u>	<u>256,989</u>	<u>68,972</u>	<u>574,244</u>
Expenditures:						
Instruction	30	181,458	-	-	-	181,488
Student Support Services	-	2,894	-	-	-	2,894
Debt Service	-	-	-	-	192,711	192,711
Total expenditures	<u>30</u>	<u>184,352</u>	<u>-</u>	<u>-</u>	<u>192,711</u>	<u>377,093</u>
Excess (deficit) of revenues over expenditures	<u>(30)</u>	<u>7,820</u>	<u>56,111</u>	<u>256,989</u>	<u>(123,739)</u>	<u>197,151</u>
Other financing sources (uses):						
Operating transfers in	-	-	-	-	123,739	123,739
Operating transfers out	-	-	(140,212)	(341,578)	-	(481,790)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(140,212)</u>	<u>(341,578)</u>	<u>123,739</u>	<u>(358,051)</u>
Net Change in Fund Balance	(30)	7,820	(84,101)	(84,589)	-	(160,900)
Fund balance, July 1, 2021	<u>30</u>	<u>78,013</u>	<u>169,302</u>	<u>164,043</u>	<u>-</u>	<u>411,388</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ 85,833</u>	<u>\$ 85,201</u>	<u>\$ 79,454</u>	<u>\$ -</u>	<u>\$ 250,488</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
CAVERNA HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2022**

	Cash Balance	(1) Receipts	(1) Disbursements	Cash Balance	Accounts Receivable	Accounts Payable	Student Activity Fund Balance
	<u>July 1, 2021</u>			<u>June 30, 2022</u>			<u>June 30, 2022</u>
7000 General	\$ 3,092	\$ 60	\$ 452	\$ 2,700	\$ -	\$ -	\$ 2,700
7010 Book Club	27	-	-	27	-	-	27
7020 Key Club	2,945	4,417	5,199	2,163	-	-	2,163
7040 STLP	272	-	-	272	-	-	272
7050 Faculty and Staff	122	178	71	229	-	-	229
7060 Reach and Teach	50	350	391	9	-	-	9
7070 School Concessions	131	25	-	156	-	-	156
7080 Athletic Concessions	1,630	8,361	8,037	1,954	-	-	1,954
7110 Class of 2019	72	-	-	72	-	-	72
7130 Prom	708	5,225	5,291	642	-	-	642
7140 Art	766	250	375	641	-	-	641
7150 Drama	315	-	-	315	-	-	315
7160 Chemistry	3	-	-	3	-	-	3
73000 Athletics (All Accounts)	7,709	48,911	47,060	9,560	-	-	9,560
7310 Baseball	1,053	1,741	2,193	601	-	-	601
7320 Boys Basketball	970	4,032	1,230	3,772	-	-	3,772
7330 Girls Basketball	1,292	11,962	10,879	2,375	-	-	2,375
7340 Football	1,069	5,386	5,077	1,378	-	-	1,378
7350 Golf	772	-	-	772	-	-	772
7360 Softball	3,370	6,401	1,610	8,161	-	-	8,161
7370 Tennis	117	-	-	117	-	-	117
7380 Track	383	-	112	271	-	-	271
7390 Volleyball	1,333	4,810	5,385	758	-	-	758
7400 Cross Country	442	-	148	294	-	-	294
7450 Class of 2022	-	10,488	10,488	-	-	-	-
7500 Band	879	3,597	1,261	3,215	-	-	3,215
7510 Library	80	-	-	80	-	-	80
7520 Cheerleaders	940	7,837	8,668	109	-	-	109
7530 Beta Club	341	10,767	8,662	2,446	-	-	2,446
7540 FCCLA	687	1,102	1,782	7	-	-	7
7550 Culinary	21	100	-	121	-	-	121
7560 Broadcasting Club	7	-	-	7	-	-	7
7570 PTSO	737	5,973	6,222	488	-	-	488
7580 Yearbook	336	86	-	422	-	-	422
7590 FFA	1	-	-	1	-	-	1
	<u>\$ 32,672</u>	<u>\$ 142,059</u>	<u>\$ 130,593</u>	<u>\$ 44,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,138</u>

**CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED
For the Year Ended June 30, 2022**

	Cash Balance <u>July 1, 2021</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash Balance <u>June 30, 2022</u>	<u>Accounts Receivable</u>	<u>Accounts Payable</u>	Student Activity Fund Balance <u>June 30, 2022</u>
Caverna Elementary	\$ 23,864	\$ 29,560	\$ 29,340	\$ 24,084	\$ -	\$ -	\$ 24,084
Caverna Middle School	21,477	20,553	24,419	17,611	-	-	17,611
Caverna High School	<u>32,672</u>	<u>142,059</u>	<u>130,593</u>	<u>44,138</u>	<u>-</u>	<u>-</u>	<u>44,138</u>
	<u>\$ 78,013</u>	<u>\$ 192,172</u>	<u>\$ 184,352</u>	<u>\$ 85,833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,833</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 21/22	\$ 141,252
School Lunch Program	10.555	7750002 21/22	408,465
Summer Food Service Program	10.559	7740023 21/22	<u>15,330</u>
Total Child Nutrition Cluster			<u>565,047</u>
Other Programs			
Child and Adult Care	10.558	7790021 22	843
State Administrative Expense	10.560	7700001 21	233
Fresh Fruit and Vegetable Program	10.582	7720012 21	17,263
State Pandemic Electronic Benefit	10.649	9990000 21	614
Commodity Supplement Food Program	10.051	057502-02	<u>15,205</u>
Total Other Programs			<u>34,158</u>
Total U.S. Department of Agriculture			<u>\$ 599,205</u>
<u>U.S. Department of Education:</u>			
Passed-through State Department of Education:			
Title I, Part A Cluster			
Title I Grants	84.010	3100002	<u>\$ 639,000</u>
Total Title I, Part A Cluster			<u>639,000</u>
Special Education Cluster (IDEA)			
Special Education Grants	84.027	3810002	233,293
Special Education Preschool Grants	84.173	3800002	<u>23,342</u>
Total Special Education Cluster (IDEA)			<u>256,635</u>
Other Programs			
Career and Technical Education	84.048	3710002	9,195
Education Stabilization	84.425U	4300002	812,973
Education Stabilization	84.425D	4200003	954,864
Education Stabilization	84.425D	4000003	2,539
Student Support and Academic	84.424	3420002	33,102
Rural Education	84.358	3140002	14,573
Supporting Effective Instruction	84.367	3230002	<u>63,502</u>
Total Other Programs			<u>1,890,748</u>
Total U.S. Department of Education			<u>\$ 2,786,383</u>
Total expenditures of federal awards			<u>\$ 3,385,588</u>

CAVERNA INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2022

1. Basis of Presentation:

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

2. Summary of Significant Accounting Policies:

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

3. Food Distribution:

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

4. Indirect Cost Rate:

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

5. Subrecipients:

There were no awards passed through to subrecipients.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs :Unmodified

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

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

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

Identification of Major Programs:

Federal Grantor/Program Title	CFDA Number
U.S. Department of Education	
Passed Through Kentucky Department of Education:	
Education Stabilization Fund	84.425

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONCLUDED
For the Year Ended June 30, 2022**

II. FINANCIAL STATEMENTS FINDINGS

a. No matters were reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

a. No matters were reported.

IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

a. No matters were reported.

**CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2022**

No matters were reported.



CAMPBELL, MYERS AND RUTLEDGE, PLLC

Cindy L. Greer, CPA • R. Brent Billingsley, CPA • Ryan A. Mosier, CPA

Skip R. Campbell, CPA • L. Joe Rutledge, CPA • Jenna B. Glass, CPA • L. Caitlin Hagan, CPA • Jordan T. Constant, CPA

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

Members of the Board of Education
Caverna Independent School District
Cave City, Kentucky 42127

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the requirements prescribed by the Kentucky State Committee for School District Audits the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna 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 Caverna Independent School District's basic financial statements, and have issued our report thereon dated October 25, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Caverna 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 the Caverna Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Caverna 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Caverna 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 tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract*.

We noted other matters that we reported to management of Caverna Independent School District in a separate letter dated October 25, 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.

Campbell, Myers & Ratledge, PLLC

Glasgow, Kentucky
October 25, 2022



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

Members of the Board of Education
Caverna Independent School District
Cave City, Kentucky 42127

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caverna Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Caverna Independent School District's major federal programs for the year ended June 30, 2022. Caverna 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, Caverna Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Caverna Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Caverna Independent School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
October 25, 2022

