

**ESTILL COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2022

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Estill County School District
Irvine, Kentucky

And the State Committee for School District Audits

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 Estill County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Estill County School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Estill County School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund 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 *Auditor Responsibilities and State Compliance Requirements* sections contained 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 Estill County 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.

Change in Account Principle

As described in Note 1, New Accounting Pronouncements, to the financial statements, in fiscal year ending 2022, the Estill County School District adopted new accounting guidance, GASB No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Estill

County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

We are required to communicate with those charged with governance 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, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents 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 Estill County 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 December 15, 2022, on our consideration of the Estill County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Estill County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estill County School District's internal control over financial reporting and compliance.

White & Associates, PSC

Richmond, Kentucky

December 15, 2022

ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022

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

FINANCIAL HIGHLIGHTS

- The beginning balance for the General Fund was \$2.38 million, the ending fund balance was \$2.05 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The District continues to have strong financial position.
- The General Fund had \$20.39 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were \$20.73 million in General Fund expenditures.

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 are comprised of 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 private sector businesses.

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022

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

The government-wide financial statements can be found in the table of contents 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. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found in the table of contents 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Estill County Schools, assets exceeded liabilities by \$20 million for Governmental Activities. Liabilities exceeded assets \$0.33 million for Business Type Activities as of June 30, 2022. The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022**

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

**Table 1
Net Position
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Current assets	\$ 11.68	\$ 14.95	\$ 0.02	\$ 0.05	\$ 11.70	\$ 15.00
Non-current assets	56.05	66.81	-	-	56.05	66.81
Total assets	<u>67.73</u>	<u>81.76</u>	<u>0.02</u>	<u>0.05</u>	<u>67.75</u>	<u>81.81</u>
Deferred outflows	4.06	3.46	0.19	0.08	4.25	3.54
Current liabilities	3.42	3.42	-	-	3.42	3.42
Non-current liabilities	47.29	56.06	0.45	0.36	47.74	56.42
Total liabilities	<u>50.71</u>	<u>59.48</u>	<u>0.45</u>	<u>0.36</u>	<u>51.16</u>	<u>59.84</u>
Deferred inflows	2.80	5.73	0.03	0.11	2.83	5.84
Net position:						
Invested in capital assets, net of debt	24.65	22.57	-	-	24.65	22.57
Restricted	7.12	11.26	-	-	7.12	11.26
Unrestricted (deficit)	(13.50)	(13.83)	(0.35)	(0.33)	(13.85)	(14.16)
Total net position	<u>\$ 18.27</u>	<u>\$ 20.00</u>	<u>\$ (0.35)</u>	<u>\$ (0.33)</u>	<u>\$ 17.92</u>	<u>\$ 19.67</u>

GOVERNMENTAL ACTIVITIES

Ending net position was \$19.67 million for the District. This was an increase of \$1.75 million from last year.

SEE SCHEDULE ON NEXT PAGE

**ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022**

**Table 2
Changes in Net Position
(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change <u>2021-2022</u>
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Revenues:							
Charges for services	\$ 0.11	\$ 0.26	\$ -	\$ 0.10	\$ 0.11	\$ 0.36	227%
Operating grants and contributions	14.57	11.70	0.68	1.94	15.25	13.64	-11%
Capital grants and contributions	-	2.62	-	-	-	2.62	0%
General revenues	14.07	15.39	(0.08)	(0.08)	13.99	15.31	9%
Total revenue	28.75	29.97	0.60	1.96	29.35	31.93	9%
Expenses:							
Instruction	\$ 13.66	\$ 14.08	\$ -	\$ -	\$ 13.66	\$ 14.08	3%
Student	1.98	2.44	-	-	1.98	2.44	23%
Instructional staff	0.94	0.89	-	-	0.94	0.89	-5%
District administration	0.96	1.15	-	-	0.96	1.15	20%
School administration	1.34	1.40	-	-	1.34	1.40	4%
Business	0.83	1.43	-	-	0.83	1.43	72%
Plant operation & maintenance	2.38	2.70	-	-	2.38	2.70	13%
Student transportation	1.95	1.87	-	-	1.95	1.87	-4%
Community services operations	0.31	0.32	-	-	0.31	0.32	3%
Food Service Operations	0.68	0.02	0.88	1.95	1.56	1.96	26%
Depreciation/Amortization	0.76	0.87	-	-	0.76	0.87	100%
Loss on retirement of assets	-	-	-	-	-	-	100%
Interest on long-term debt	0.84	1.07	-	-	0.84	1.07	27%
Total Expenses	\$ 26.63	\$ 28.24	\$ 0.88	\$ 1.95	\$ 27.51	\$ 30.19	10%
Change in net position	\$ 2.12	\$ 1.73	\$ (0.28)	\$ 0.01	\$ 1.84	\$ 1.74	-5%

CAPITAL ASSETS

At the end of fiscal year 2022, the District had \$66.81 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net increase (including additions, deductions construction in progress) of \$10.68 million.

**ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022**

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2022	2021	2022	2021	2022
Land	\$ 0.77	\$ 0.77	\$ -	\$ -	\$ 0.77	\$ 0.77
Land Improvements	0.14	0.11	-	-	0.14	0.11
Buildings	39.71	39.24	-	-	39.71	39.24
Technology Equipment	0.04	0.01	-	-	0.04	0.01
Vehicles	0.54	0.54	-	-	0.54	0.54
General Equipment	0.01	0.01	0.01	-	0.02	0.01
Construction in Progress	14.83	26.11	-	-	14.83	26.11
Finance Purchases	0.08	0.02	-	-	0.08	0.02
Totals	\$ 56.12	\$ 66.81	\$ 0.01	\$ -	\$ 56.13	\$ 66.81

DEBT

The following describes our outstanding obligation for the fiscal year 2022.

Table 4

**Outstanding Debt at Year-End
(in Millions)**

	Government Activities	
	2021	2022
General Obligation Bonds	\$ 31.40	\$ 44.24
Finance Purchase Obligations	0.09	0.04
KSBIT Obligations	-	-
Total Obligations	\$ 31.49	\$ 44.28

ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of \$2.05 million, which is a decrease of \$329,902. The unassigned portion of the fund balance in fiscal year 2022 was \$1.43 million, compared to the \$2.13 million from the preceding year. The amount of local taxes collected in 2022 in the amount of \$3.95 million and the amount collected for 2021 was \$3.22 million which resulted in an increase in local tax collections in the amount of \$0.73 million. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2022 for selected funds.

SEE SCHEDULE ON NEXT PAGE

**ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022**

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 3,387,925	\$ 291,391	\$ -	\$ 593,390	\$ -	\$ 94,698	\$ 98,089
State Revenue Sources	16,960,838	1,382,489	351,470	1,322,740	37,000	910,512	296,090
Federal Revenue Sources	46,213	4,256,171	-	-	-	-	1,642,037
Other	17,100	-	-	-	14,120,925	-	-
Transfers	82,000	93,929	-	-	62,454	1,731,346	-
TOTALS	\$ 20,494,076	\$ 6,023,980	\$ 351,470	\$ 1,916,130	\$ 14,220,379	\$ 2,736,556	\$ 2,036,216
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	\$ 10,409,417	\$ 3,616,032	-	\$ -	\$ -	\$ -	\$ -
Student Support Services	1,830,286	612,322	-	-	-	-	-
Instructional Staff Support Services	624,145	266,799	-	-	-	-	-
District Admin Support	1,100,325	46,776	-	-	-	-	-
School Admin Support	1,323,534	79,609	-	-	-	-	-
Business Support Services	842,209	585,654	-	-	-	-	-
Plant Operation & Management	2,437,790	261,589	-	-	-	-	-
Student Transportation	2,094,601	49,584	-	-	-	-	-
Food Service Operations	22,236	2,017	-	-	-	-	1,939,602
Community Services	-	316,472	-	-	-	-	-
Land Improvements	-	-	-	-	14,146	-	-
Architectural/engineering	-	-	-	-	22,432	-	-
Building acquisitions	-	-	-	-	11,092,510	-	-
Building improvements	-	-	-	-	139,587	-	-
Other facilities	-	-	-	-	10,677	-	-
Debt Service	43,855	-	-	-	99,340	2,012,168	-
Other	1,651	-	-	-	211,633	-	-
Transfers	93,929	62,454	146,247	1,585,099	-	-	82,000
TOTALS	\$ 20,823,978	\$ 5,899,308	\$ 146,247	\$ 1,585,099	\$ 11,590,325	\$ 2,012,168	\$ 2,021,602
Excess / (Deficit)	(329,902)	124,672	205,223	331,031	2,630,054	724,388	14,614

**ESTILL COUNTY SCHOOL DISTRICT - IRVINE, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2022**

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was more than the budget by \$1,050,096. This does include the on-behalf payments made by the state for insurances, teachers' retirement, etc. for the benefit of the district and its employees. General Fund budget compared to actual revenue varied slightly in most line items. The line item that varied most significantly was utilities tax and earnings on investments.

- Actual General Fund expenditures were more than the budget by \$552,631.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2022-2023 with a 7% contingency as calculated by the Kentucky Department of Education.

Issues which will impact future budgets include:

- Increased staffing expenses to meet federal and state academic mandates.
- The decline of attendance rates as a result of COVID-19, which will impact funding for the district.
- With the ESSER funding ending in fiscal year 2024, the district will need to reassess several staffing positions that have been funded with ESSER funds.
- The need of improving programming and meeting the academic audit recommendations and ESSA requirements.
- Continued effects of COVID-19

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Contact Angela Howell at 606-723-2181 or by mail at Estill County Board of Education, P.O. Box 930, Irvine, KY 40336.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

Primary Government

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,046,032	\$ 1,820	\$ 9,047,852
Prepaid expenses	50,537		50,537
Receivables (net)	5,855,450	36,939	5,892,389
Inventories		14,787	14,787
Land and construction in progress	26,881,479		26,881,479
Other capital assets, net of depreciation	39,903,561		39,903,561
Finance purchases, net of depreciation	26,725		26,725
Total capital assets	<u>66,811,765</u>	<u>-</u>	<u>66,811,765</u>
Total assets	<u>81,763,784</u>	<u>53,546</u>	<u>81,817,330</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,152,800	41,946	1,194,746
Deferred outflows related to OPEB	2,249,942	44,103	2,294,045
Deferred savings from refunding bonds	52,816		52,816
Total deferred outflows of resources	<u>3,455,558</u>	<u>86,049</u>	<u>3,541,607</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>85,219,342</u>	<u>139,595</u>	<u>85,358,937</u>
LIABILITIES			
Accounts payable and accrued expenses	367,954	6,624	374,578
Accrued salaries and benefit payable	404,007		404,007
Accrued interest payable	427,038		427,038
Unearned revenue	737,482		737,482
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,445,000		1,445,000
Finance purchase obligations	36,933		36,933
Total due within 1 year	<u>1,481,933</u>	<u>-</u>	<u>1,481,933</u>
Due in more than 1 year:			
Bond obligations	42,796,398		42,796,398
Sick leave	434,686		434,686
Net pension liability	7,409,581	269,605	7,679,186
Net OPEB liability	5,425,350	80,935	5,506,285
Total due in more than 1 year	<u>56,066,015</u>	<u>350,540</u>	<u>56,416,555</u>
Total liabilities	<u>59,484,429</u>	<u>357,164</u>	<u>59,841,593</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,840,652	66,974	1,907,626
Deferred inflows related to OPEB	3,888,197	48,910	3,937,107
Total deferred inflows of resources	<u>5,728,849</u>	<u>115,884</u>	<u>5,844,733</u>
NET POSITION			
Net Investment in capital assets	22,570,367	-	22,570,367
Restricted for:			
Capital projects	7,477,446		7,477,446
School activities	251,577		251,577
Debt service	3,534,690		3,534,690
Unrestricted (deficit)	<u>(13,828,016)</u>	<u>(333,453)</u>	<u>(14,161,469)</u>
Total net position (deficit)	<u>20,006,064</u>	<u>(333,453)</u>	<u>19,672,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 85,219,342</u>	<u>\$ 139,595</u>	<u>\$ 85,358,937</u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 14,080,043	\$ 10,155	\$ 6,637,039	\$ -	\$ (7,432,849)	\$ -	\$ (7,432,849)
Support services							
Student	2,442,608	239,575	1,011,776		(1,191,257)		(1,191,257)
Instructional staff	890,944		369,046		(521,898)		(521,898)
District administration	1,147,101		475,152		(671,949)		(671,949)
School administration	1,403,143		581,209		(821,934)		(821,934)
Business	1,427,863		591,449		(836,414)		(836,414)
Plant operation & maintenance	2,699,379	14,944	1,118,136	1,711,210	144,911		144,911
Student transportation	1,866,477		773,131		(1,093,346)		(1,093,346)
Community services operations	316,472		131,089		(185,383)		(185,383)
Food service	24,253		10,046		(14,207)		(14,207)
Other instructional	1,651		684		(967)		(967)
Interest on general long-term debt	1,068,696			910,512	(158,184)		(158,184)
Depreciation*	874,256				(874,256)		(874,256)
Total governmental activities	<u>28,242,886</u>	<u>264,674</u>	<u>11,698,757</u>	<u>2,621,722</u>	<u>(13,657,733)</u>		<u>(13,657,733)</u>
Business-type activities:							
Food service operations	1,938,462	98,089	1,938,127			97,754	97,754
Depreciation*	1,140					(1,140)	(1,140)
Total business-type activities	<u>1,939,602</u>	<u>98,089</u>	<u>1,938,127</u>	<u>-</u>	<u>-</u>	<u>96,614</u>	<u>96,614</u>
Total primary government	<u>\$ 30,182,488</u>	<u>\$ 362,763</u>	<u>\$ 13,636,884</u>	<u>\$ 2,621,722</u>	<u>(13,657,733)</u>	<u>96,614</u>	<u>(13,561,119)</u>
General revenues:							
Taxes:							
Property taxes					2,280,176		2,280,176
Motor vehicle taxes					682,464		682,464
Franchise taxes					288,832		288,832
Utility taxes					699,242		699,242
State and formula grants					10,946,954		10,946,954
Other local revenue					297,220		297,220
Unrestricted investment earnings					109,315		109,315
Transfers					82,000	(82,000)	-
Total general revenues and transfers					<u>15,386,203</u>	<u>(82,000)</u>	<u>15,304,203</u>
Change in net position					1,728,470	14,614	1,743,084
Net position - beginning					18,273,699	(348,067)	17,925,632
Prior period adjustment					3,895		3,895
Restated net position - beginning					<u>18,277,594</u>	<u>(348,067)</u>	<u>17,929,527</u>
Net position - ending					<u>\$ 20,006,064</u>	<u>\$ (333,453)</u>	<u>\$ 19,672,611</u>

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2022

	Governmental Funds						Total
	General	Special Revenue	Debt Service	FSPK	Construction	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ 2,025,433	\$ 124,672	\$ 3,534,690	\$ 1,827,339	\$ 1,035,440	\$ 498,458	\$ 9,046,032
Receivables							
Interfund					2,718,160		2,718,160
Taxes	108,924						108,924
Accounts	356,214	352,784					708,998
Intergovernmental-state		459,079					459,079
Intergovernmental-federal		2,892,196			1,686,253		4,578,449
Prepaid expenditures	50,537						50,537
Total assets	<u>2,541,108</u>	<u>3,828,731</u>	<u>3,534,690</u>	<u>1,827,339</u>	<u>5,439,853</u>	<u>498,458</u>	<u>17,670,179</u>
LIABILITIES							
Accounts payable	82,910	248,417			36,600	27	367,954
Interfund payable		2,718,160					2,718,160
Payroll taxes payable	404,007						404,007
Unearned revenue		737,482					737,482
Total liabilities	<u>486,917</u>	<u>3,704,059</u>	<u>-</u>	<u>-</u>	<u>36,600</u>	<u>27</u>	<u>4,227,603</u>
FUND BALANCE							
Restricted		124,672	3,534,690	1,827,339	5,403,253	246,854	11,136,808
Committed						251,577	251,577
Assigned	624,231						624,231
Unassigned	1,429,960						1,429,960
Total fund balance	<u>2,054,191</u>	<u>124,672</u>	<u>3,534,690</u>	<u>1,827,339</u>	<u>5,403,253</u>	<u>498,431</u>	<u>13,442,576</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,541,108</u>	<u>\$ 3,828,731</u>	<u>\$ 3,534,690</u>	<u>\$ 1,827,339</u>	<u>\$ 5,439,853</u>	<u>\$ 498,458</u>	<u>\$ 17,670,179</u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2022

Fund balances-total governmental funds	\$	13,442,576
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>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.</p>		66,811,765
<p>Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus</p>		52,816
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(427,038)
Bonds payable		(44,241,398)
Finance purchase obligations		(36,933)
Sick leave liability		(434,686)
Net pension liability		(7,409,581)
Net OPEB liability		(5,425,350)
<p>Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows related to pension		1,152,800
Deferred outflows related to OPEB		2,249,942
Deferred inflows related to pensions		(1,840,652)
Deferred inflows related to OPEB		(3,888,197)
		(3,888,197)
Net position of governmental activities	\$	<u><u>20,006,064</u></u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>FSPK</u>	<u>Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
From local sources							
Taxes							
Property	\$ 1,686,786	\$ -	\$ -	\$ 593,390	\$ -	\$ -	\$ 2,280,176
Motor vehicle	682,464						682,464
Franchise	288,832						288,832
Utilities	699,242						699,242
Earnings on investments	14,445	172	94,698				109,315
Student activities						239,575	239,575
Tuition		10,155					10,155
Other local revenue	16,156	281,064					297,220
Intergovernmental - state	16,960,838	1,382,489	910,512	1,322,740	37,000	351,470	20,965,049
Intergovernmental - federal	46,213	4,256,171					4,302,384
Total revenues	<u>20,394,976</u>	<u>5,930,051</u>	<u>1,005,210</u>	<u>1,916,130</u>	<u>37,000</u>	<u>591,045</u>	<u>29,874,412</u>
EXPENDITURES							
Instruction	10,409,417	3,616,032				221,334	14,246,783
Support services							
Student	1,830,286	612,322					2,442,608
Instructional staff	624,145	266,799					890,944
District administration	1,100,325	46,776					1,147,101
School administration	1,323,534	79,609					1,403,143
Business	842,209	585,654					1,427,863
Plant operation & maintenance	2,437,790	261,589					2,699,379
Student transportation	2,094,601	49,584					2,144,185
Other instructional	1,651						1,651
Food service	22,236	2,017					24,253
Community services operations		316,472					316,472
Land improvements					14,146		14,146
Architectural/engineering					22,432		22,432
Building acquisitions					11,092,510		11,092,510
Building improvements					139,587		139,587
Other facilities					10,677		10,677
Debt service	43,855		2,012,168		99,340		2,155,363
Total expenditures	<u>20,730,049</u>	<u>5,836,854</u>	<u>2,012,168</u>	<u>-</u>	<u>11,378,692</u>	<u>221,334</u>	<u>40,179,097</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPE	(335,073)	93,197	(1,006,958)	1,916,130	(11,341,692)	369,711	(10,304,685)
OTHER FINANCING SOURCES (USES)							
Sale of assets	17,100						17,100
Bond proceeds					13,885,000		13,885,000
Bond discount					(211,633)		(211,633)
Bond premium					235,925		235,925
Operating transfers in	82,000	93,929	1,731,346		62,454		1,969,729
Operating transfers (out)	(93,929)	(62,454)		(1,585,099)		(146,247)	(1,887,729)
Total other financing sources and (uses)	<u>5,171</u>	<u>31,475</u>	<u>1,731,346</u>	<u>(1,585,099)</u>	<u>13,971,746</u>	<u>(146,247)</u>	<u>14,008,392</u>
NET CHANGE IN FUND BALANCE	(329,902)	124,672	724,388	331,031	2,630,054	223,464	3,703,707
FUND BALANCE-BEGINNING	<u>2,384,093</u>	<u>-</u>	<u>2,810,302</u>	<u>1,496,308</u>	<u>2,773,199</u>	<u>274,967</u>	<u>9,738,869</u>
FUND BALANCE-ENDING	<u>\$ 2,054,191</u>	<u>\$ 124,672</u>	<u>\$ 3,534,690</u>	<u>\$ 1,827,339</u>	<u>\$ 5,403,253</u>	<u>\$ 498,431</u>	<u>\$ 13,442,576</u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**
Year ended June 30, 2022

Net change in fund balances-total governmental funds	\$	3,703,707
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
District pension contributions less costs of benefits earned net employee contributions		(79,998)
<p>Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.</p>		
District OPEB contributions less costs of benefits earned net employee contributions		382,211
<p>Discount/premium on the sale of bonds are expensed in the fund financials but are amortized over the life of the bond in the statement of activities.</p>		
		(29,352)
<p>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 statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.</p>		
		10,680,648
<p>The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.</p>		
		(18,160)
<p>Bond and 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.</p>		
		(12,681,593)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Accrued interest payable		(93,520)
Noncurrent sick leave payable		(135,473)
		(229,000)
Change in net position of governmental activities	\$	1,728,470

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 1,810,000	\$ 1,810,000	\$ 1,686,786	\$ (123,214)
Motor vehicle	475,000	475,000	682,464	207,464
Franchise	110,000	110,000	288,832	178,832
Utilities	675,000	675,000	699,242	24,242
Earnings on investments			14,445	14,445
Other local revenue	4,505	4,505	16,156	11,651
Intergovernmental - state	16,252,375	16,252,375	16,960,838	708,463
Intergovernmental - federal	18,000	18,000	46,213	28,213
Total revenues	<u>19,344,880</u>	<u>19,344,880</u>	<u>20,394,976</u>	<u>1,050,096</u>
EXPENDITURES				
Instruction	11,215,815	11,559,295	10,409,417	1,149,878
Support services				
Student	1,321,957	1,321,957	1,830,286	(508,329)
Instructional staff	648,156	661,106	624,145	36,961
District administration	801,408	801,408	1,100,325	(298,917)
School administration	1,213,467	1,218,164	1,323,534	(105,370)
Business	684,880	664,880	842,209	(177,329)
Plant operation & maintenance	2,103,129	1,982,152	2,437,790	(455,638)
Student transportation	1,891,620	1,891,620	2,094,601	(202,981)
Food service	32,840	32,840	22,236	10,604
Other instructional		350	1,651	(1,301)
Debt service	43,646	43,646	43,855	(209)
Total expenditures	<u>19,956,918</u>	<u>20,177,418</u>	<u>20,730,049</u>	<u>(552,631)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(612,038)	(832,538)	(335,073)	497,465
OTHER FINANCING SOURCES (USES)				
Sale of equipment			17,100	17,100
Operating transfers in	389,000	389,000	82,000	(307,000)
Operating transfers out	(120,000)	(120,000)	(93,929)	26,071
Total other financing sources and (uses)	<u>269,000</u>	<u>269,000</u>	<u>5,171</u>	<u>(263,829)</u>
NET CHANGE IN FUND BALANCE	(343,038)	(563,538)	(329,902)	233,636
FUND BALANCE-BEGINNING	<u>1,870,944</u>	<u>2,384,093</u>	<u>2,384,093</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ 1,527,906</u>	<u>\$ 1,820,555</u>	<u>\$ 2,054,191</u>	<u>\$ 233,636</u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
	\$	\$	\$	\$
Tuition	-	-	172	172
Other local revenue	61,364	61,364	281,064	219,700
Intergovernmental - state	964,029	964,029	1,382,489	418,460
Intergovernmental - federal	18,115,605	18,115,605	4,256,171	(13,859,434)
Total revenues	<u>19,140,998</u>	<u>19,140,998</u>	<u>5,930,051</u>	<u>(13,210,947)</u>
EXPENDITURES				
Instruction	5,318,429	5,318,429	3,616,032	1,702,397
Support services				
Student	1,763,938	1,763,938	612,322	1,151,616
Instructional staff	228,081	228,081	266,799	(38,718)
District administration	1,399,000	1,399,000	46,776	1,352,224
School administration	73,000	73,000	79,609	(6,609)
Business support	604,890	604,890	585,654	19,236
Plant operation & maintenance	521,742	521,742	261,589	260,153
Student transportation	1,408,239	1,408,239	49,584	1,358,655
Community services	254,689	254,689	316,472	(61,783)
Food services	-	-	2,017	(2,017)
Total expenditures	<u>11,572,008</u>	<u>11,572,008</u>	<u>5,836,854</u>	<u>5,735,154</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	7,568,990	7,568,990	93,197	(7,475,793)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	120,000	120,000	93,929	(26,071)
Operating transfers (out)	(12,191,090)	(12,191,090)	(62,454)	12,128,636
Total other financing sources and (uses)	<u>(12,071,090)</u>	<u>(12,071,090)</u>	<u>31,475</u>	<u>12,102,565</u>
NET CHANGE IN FUND BALANCE	(4,502,100)	(4,502,100)	124,672	4,626,772
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ (4,502,100)</u>	<u>\$ (4,502,100)</u>	<u>\$ 124,672</u>	<u>\$ 4,626,772</u>

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2022

**School
Food
Services**

ASSETS

Cash and cash equivalents	\$	1,820
Receivables (net)		36,939
Inventories		14,787
Capital assets:		
Other capital assets, net of depreciation		-
Total assets		53,546

DEFERRED OUTFLOWS OF RESOURCES

District outflows related to pensions		44,103
District outflows related to OPEB		41,946
Total deferred outflows of resources		86,049

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

139,595

LIABILITIES

Accounts payable		6,624
Net pension payable		269,605
Net OPEB payable		80,935
Total liabilities		357,164

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions		66,974
Deferred inflows related to OPEB		48,910
Total deferred inflows of resources		115,884

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

473,048

NET POSITION

Net Investment in capital assets		-
Unrestricted (deficit)		(333,453)
Total net position (deficit)		(333,453)

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

\$ 139,595

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2022

	School Food Services
OPERATING REVENUES	
Lunchroom sales	\$ 98,089
Total operating revenues	98,089
OPERATING EXPENSES	
Depreciation	1,140
Food service operations	
Salaries and benefits	1,007,876
Operational	930,586
Total operating expenses	1,939,602
Operating income (loss)	(1,841,513)
NONOPERATING REVENUES (EXPENSES)	
Federal grants	1,642,037
State grants	296,090
Transfers	(82,000)
Total nonoperating revenues (expenses)	1,856,127
CHANGE IN NET POSITION	14,614
NET POSITION-BEGINNING (DEFICIT)	(348,067)
NET POSITION-ENDING (DEFICIT)	\$ (333,453)

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year ended June 30, 2022

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 98,089
Payments to suppliers	(944,520)
Payments to employees	(1,007,876)
Net cash provided (used) by operating activities	<u>(1,854,307)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers	(82,000)
Operating grants and contributions	1,938,127
Net cash provided (used) by noncapital financing activities	<u>1,856,127</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,820
CASH AND CASH EQUIVALENTS-BEGINNING	<u>-</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,820</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,841,513)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,140
Changes in assets and liabilities:	
Receivables	(36,939)
Inventory	1,133
Outflow deferrals	32,560
Inflow deferrals	84,442
Pensions	(74,081)
OPEB	(27,673)
Accounts payable	6,624
Net cash provided (used) by operating activities	<u>\$ (1,854,307)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$79,060 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$283,006 for school food services which is by state government.

See accompanying notes to the financial statements.

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit

Estill County Board of Education Finance Corporation

The Board authorized establishment of the Estill County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Estill County Board of Education.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

(D) Capital Project Funds

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

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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 of the District.

The District applies all GASB pronouncements to proprietary funds.

Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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 the 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 unearned revenue.

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

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

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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 expenditure/expense is reported in the year in which services are consumed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the government funds. These assets are reported in the government activities column of the government-wide financial 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 asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

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

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 judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB 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.

Accumulated Unpaid Sick Leave Benefits

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

- Nonspendable: Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
- Restricted: Legally restricted under legislation, bond authority, or grantor contract.
- Committed: Commitments of future funds for specific purposes passed by the Board.
- Assigned: Funds that are intended by management to be used for a specific purpose, including encumbrances.
- Unassigned: Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited in 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 \$.511 per \$100 valuation of real property, \$.511 per \$100 valuation for business personal property and \$.548 per \$100 valuation for motor vehicles.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

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

Inter-fund Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

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 (“TRS”) 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.

Other Postemployment Benefits (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, all amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

The District's General Fund expenditures exceeded its budget appropriations by \$552,631.

New Accounting Pronouncements

GASB Statement No. 87-In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of the governments. This Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. As a result of implementation of GASB Statement No. 87, capital assets and liabilities have been restated to reflect the inclusion of finance purchases. Therefore, net position-beginning was \$18,273,699, a prior period adjustment was made in the amount of \$3,895 and restated net position-beginning is now \$18,277,594 for Governmental Activities.

GASB Statement No. 89-In June, 2018, GASB issued Statement No. 89, *Accounting For Interest Cost Incurred Before The End Of A Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91-In May, 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by users, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB Statement No. 92-In January, 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2021.

GASB Statement No. 98-In October, 2021, the GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

There is no effect on current year financial statements for GASB 89, GASB 91, GASB 92, or GASB 98.

Effective in Future Years:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99-In April, 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023.

The impact of these pronouncements on the District's financial statement has not been determined.

NOTE B – CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name, FDIC insurance and by securities as part of a repurchase agreement. At year end, the carrying amount of the District's cash and cash equivalents and certificates of deposit was \$9,047,852. The bank balance for the same time was \$10,367,351.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, Special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Land	\$ 770,458	\$ -	\$ -	\$ 770,458
Land improvements	1,170,421	-	-	1,170,421
Buildings	51,178,692	-	2,949	51,175,743
Technology equipment	3,274,331	-	2,715,910	558,421
Vehicles	2,738,590	277,708	-	3,016,298
General equipment	683,829	-	126,586	557,242
Construction in progress	14,831,669	11,279,352	-	26,111,021
Total at historical cost	<u>\$ 74,647,990</u>	<u>\$ 11,557,060</u>	<u>\$ 2,845,445</u>	<u>\$ 83,359,605</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,032,198	\$ 27,040	\$ -	\$ 1,059,238
Buildings	11,465,036	476,813	2,949	11,938,900
Technology equipment	3,229,570	32,152	2,714,689	547,033
Vehicles	2,199,833	277,922	-	2,477,755
General equipment	670,034	7,256	125,652	551,639
Total accumulated depreciation	<u>\$ 18,596,672</u>	<u>\$ 821,183</u>	<u>\$ 2,843,290</u>	<u>\$ 16,574,565</u>
Finance Purchases				
General equipment	\$ 265,370	\$ -	\$ -	\$ 265,370
Less: Accumulated depreciation	(185,571)	(53,074)	-	(238,645)
Finance Purchases-net	<u>\$ 79,799</u>	<u>\$ (53,074)</u>	<u>\$ -</u>	<u>\$ 26,725</u>
Governmental Activities				
Capital Assets-net	<u>\$ 56,131,117</u>	<u>\$ 10,682,803</u>	<u>\$ 2,156</u>	<u>\$ 66,811,765</u>
<u>Business-Type Activities</u>	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2022</u>
Technology equipment	\$ 107,327	\$ -	\$ 6,698	\$ 100,630
Vehicles	14,589	-	-	14,589
General equipment	348,033	-	-	348,033
Total at historical cost	<u>\$ 469,949</u>	<u>\$ -</u>	<u>\$ 6,698</u>	<u>\$ 463,252</u>
Less: Accumulated depreciation				
Technology equipment	107,327	-	6,698	100,630
Vehicles	14,589	-	-	14,589
General equipment	346,893	1,140	-	348,033
Total accumulated depreciation	<u>\$ 468,810</u>	<u>\$ 1,140</u>	<u>\$ 6,698</u>	<u>\$ 463,252</u>
Business-Type Activities				
Capital Assets-net	<u>\$ 1,140</u>	<u>\$ (1,140)</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Estill County School District Finance Corporation.

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

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2022 are summarized below:

<u>Bond Issue Date</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2021 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2022 Outstanding Balance</u>
2007A Issue	6,275,000	1/1/2027	3.625-3.875%	\$ 360,000	\$ -	\$ 360,000	\$ -
2010 QSCB	7,350,000	9/1/2027	4.94%	7,350,000	-	-	7,350,000
2012R	1,690,000	6/1/2024	1.0 - 2.25%	620,000	-	200,000	420,000
2013 Issue	1,555,000	11/1/2033	1.4 - 4.25%	1,370,000	-	40,000	1,330,000
2007B Issue	440,000	1/1/2028	4.15-4.2%	195,000	-	25,000	170,000
2015R	5,295,000	9/1/2030	2.0 - 3.0%	4,685,000	-	115,000	4,570,000
2015	1,095,000	8/1/2035	1.0-3.625%	870,000	-	50,000	820,000
2015R2	2,155,000	1/1/27	1.75-3.00%	2,060,000	-	15,000	2,045,000
2018	6,380,000	6/1/2028	3.0-3.75%	6,275,000	-	35,000	6,240,000
2020	8,030,000	2/1/2040	2.0-3.0%	7,680,000	-	230,000	7,450,000
2021	13,885,000	9/1/2044	2.00-4.00%	-	13,885,000	-	13,885,000
				31,465,000	13,885,000	1,070,000	44,280,000
Add:		Premium		72,701	235,925	10,479	298,147
Less:		Discount		(140,655)	(211,633)	(15,539)	(336,749)
Totals				\$ 31,397,046	\$ 13,909,292	\$ 1,064,940	\$ 44,241,398

The District has entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Fiscal Year Ended at June 30,	Principal			Interest			Principal Total	Interest Total
	Local	KSFCC	Local	KSFCC	Federal			
2023	\$ 725,539	\$ 719,461	\$ 870,074	\$ 135,632	\$ 363,090	\$ 1,445,000	\$ 1,368,796	
2024	735,692	744,308	849,096	119,619	363,090	1,480,000	1,331,805	
2025	670,793	619,207	827,786	100,606	363,090	1,290,000	1,291,483	
2026	691,383	633,617	807,374	84,242	363,090	1,325,000	1,254,706	
2027	1,255,954	649,046	779,524	66,278	363,090	1,905,000	1,208,893	
2028-2032	13,974,517	1,815,483	3,292,302	175,640	181,545	15,790,000	3,649,486	
2033-2037	8,644,294	540,706	2,180,216	66,265	-	9,185,000	2,246,481	
2038-2042	7,329,645	115,355	953,217	5,139	-	7,445,000	958,356	
2043-2045	4,415,000	-	150,469	-	-	4,415,000	150,469	
	<u>\$ 38,442,817</u>	<u>\$ 5,837,183</u>	<u>\$ 10,710,059</u>	<u>\$ 753,421</u>	<u>\$ 1,996,995</u>	<u>\$ 44,280,000</u>	<u>\$ 13,460,475</u>	

Finance Purchases

The following is an analysis of the financed property under financed purchases by class

Finance Purchases	Original Amount	Maturity Date	Interest Rates	2021			2022	
				Outstanding Balance	Additions	Retirements	Outstanding Balance	
KISTA SERIES 2012	463,299	3/1/2022	2.0 - 2.625%	\$ 42,733	\$ -	\$ 42,733	\$ -	
Chromebooks	46,153	8/1/2020	6.20%	-	-	-	-	
Chromebooks	57,283	8/1/2021	6.20%	14,967	-	14,967	-	
Chromebooks	70,953	9/1/2022	6.20%	36,736	-	18,042	18,694	
Copier	66,813	9/1/2017	2.00%	35,414	-	17,174	18,239	
Copier	198,557	7/1/2017	2.00%	40,490	-	40,490	-	
				<u>\$ 170,340</u>	<u>\$ -</u>	<u>\$ 133,406</u>	<u>\$ 36,933</u>	

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

Fiscal Year Ended 30-Jun	Principal Local	Interest Local	Total
2023	\$ 36,933	\$ 1,807	\$ 38,740
Total minimum payments			\$ 38,740
Less: Amount representing interest			<u>1,807</u>
Present Value of Net Minimum Payments			<u>\$ 36,933</u>

In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

Accumulated Sick Leave Liability

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. The activity during fiscal year 2022 for accumulated sick leave is as follows:

		2021 Outstanding Balance		Additions		Retirements		2022 Outstanding Balance
Sick Leave	\$	299,213	\$	135,473	\$	-	\$	434,686

Net Pension & OPEB Liability

The net pension liability is \$7,409,581 for governmental activities and \$269,605 for business-type activities for a total of \$7,679,186 as of June 30, 2022. (See Note E for additional information) The net OPEB liability is \$5,425,350 for governmental activities and \$80,935 for business-type activities for a total of \$5,506,285 as of June 30, 2022. (See Note F for additional information)

<u>Description</u>		2021 Outstanding Balance		Additions		Retirements		2022 Outstanding Balance		Amount Due in One Year
Bonds, Net of Premium and Discount	\$	31,397,046	\$	13,909,292	\$	1,064,940	\$	44,241,398	\$	1,445,000
Finance Purchases		170,340		-		133,407		36,933		36,933
Sick Leave		299,213		135,473		-		434,686		-
Net Pension Liability		10,064,159		-		2,384,973		7,679,186		-
Net OPEB Liability		7,036,372		-		1,530,087		5,506,285		-
Totals	\$	<u>48,967,130</u>	\$	<u>14,044,765</u>	\$	<u>5,113,407</u>	\$	<u>57,898,488</u>	\$	<u>1,481,933</u>

NOTE E – RETIREMENT PLANS

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—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 state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

Benefits provisions

For Members before July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

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

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

For Members On or After July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable of r life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

Other Benefits

TRS provides disability benefits for vested members is equal to the greater of the service retirement allowance or 60% of the final average salary.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the system effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter.

For local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2022 the District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

TRS

State's proportionate share of the TRS net pension liability associated with the District	\$ 36,408,192
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.2798%.

Actuarial Methods and Assumptions

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	2.13%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

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

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

Target Allocations

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.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	40 %	4.60 %
Non US Equity	22 %	5.60 %
Credit Fixed	15 %	0.00 %
Private Equity	7 %	7.70 %
Real Estate	7 %	4.30 %
Cash	2 %	-0.50 %
High Yield Non US Developed Bonds and Private Equity	7 %	2.50 %

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) 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.

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 48,828,758	\$ 36,408,192	\$ 25,574,066

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

County Employees Retirement System

Non-Hazardous

Plan description

Substantially all full-time classified employees of the District participate in the County Employees Retirement System (“CERS”). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

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

Benefits provided

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

Contributions

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2022, employers were required to contribute 26.95% of the member’s salary. During the year ending June 30, 2022, the District contributed \$612,140 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 on an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2021. The District’s proportion was 0.120443%.

CERS

District's proportionate share of CERS net pension liability	\$	7,679,186
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Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer’s proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

For the year ended June 30, 2022, the District recognized pension expense of \$91,159 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,182	\$ 74,532
Changes of assumptions	103,064	-
Net difference between projected and actual earnings on pension plan investments	297,901	1,321,408
Changes in proportion and differences between District contributions and proportionate share of contributions	128,841	511,686
District contributions subsequent to the measurement date	576,758	-
	\$ 1,194,746	\$ 1,907,626

The \$576,758 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.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

	Year Ended June 30,
Year 1	\$ (256,441)
Year 2	(465,907)
Year 3	(246,782)
Year 4	(320,508)
	\$ (1,289,638)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability, and sensitivity information were based on an actuarial valuation date June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using generally accepted accounting principles. The financial reporting actuarial valuation used the following actuarial principles.

The actuarial assumptions are:

Valuation Date	June 30, 2020
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

The mortality table used for active members was Pub-2010 General Mortality Table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Discount rate

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

Target Asset Allocation

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class is summarized in the table below.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class:	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	15.75 %	4.50 %
Non US Equity	15.75 %	5.25 %
Core Bonds	20.5 %	-0.25 %
Private Equity	7 %	5.15 %
Real Estate	5 %	5.30 %
Opportunistic	3 %	2.25 %
Real Return	15 %	3.95 %
Cash	3 %	-0.75 %

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contributions

The following actuarial methods and assumptions were used to determine the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over Separate closed 20-year amortization bases</i>
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Phase-in Provision	Board certified rate is phased into the actuarially determined rate In accordance with HB 362 enacted in 2018

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

Sensitivity of the District’s proportionate share of net pension liability to changes in the discount rate

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 9,848,920	\$ 7,679,186	\$ 5,883,782

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2022, there are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the other postemployment benefits for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers 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.

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

The District reported a liability of \$3,201,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .149180%.

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

MIF		
District's proportionate share of TRS net OPEB liability	\$	3,201,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>2,600,000</u>
	\$	<u>5,801,000</u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MIF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,904,000
Changes of assumptions	837,000	-
Net difference between projected and actual earnings on pension plan investments	-	341,000
Changes in proportion and differences between District contributions and proportionate share of contributions	6,000	299,000
District contributions subsequent to the measurement date	<u>194,860</u>	<u>-</u>
	\$ <u>1,037,860</u>	\$ <u>2,544,000</u>

The \$194,860 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 collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

MIF	Year Ended June 30,
Year 1	\$ (435,000)
Year 2	(436,000)
Year 3	(390,000)
Year 4	(341,000)
Year 5	(96,000)
Thereafter	<u>(3,000)</u>
	\$ <u>(1,701,000)</u>

Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized).

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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

The long-term expected rate of return on OPEB 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.40
Fixed Income	9.00	0.00
Real Estate	6.50	4.30
Private Equity	8.50	7.70
Additional Categories	17.00	2.50
Cash	1.00	(0.50)
Total	100.00	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 8.00%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.50%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$7.44 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS’s actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

Based on these assumptions, the Health Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

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

MIF	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 4,098,000	\$ 3,201,000	\$ 2,459,000

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

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,326,000	\$ 3,201,000	\$ 4,098,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

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.

Net OPEB Liability

The District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows:

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	35,000
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Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.6
International Equity	23.0	5.6
Fixed Income	18.0	---
Real Estate	6.0	4.3
Private Equity	5.0	7.7
Other Additional Categories	6.0	2.5
Cash	2.0	(0.5)
	<u>100.0</u>	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.5%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2019. In addition to actuarial methods and assumptions of the June 30, 2019, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.5%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2022, the District recognized OPEB revenue in the amount of \$429,239 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides health insurance benefits to plan members.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

The District reported a liability of \$2,305,285 for its proportionate share of the collective net OPEB liability which is .120415%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2021, is based on the June 30, 2020, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

year period. For the year ended June 30, 2022, the District recognized OPEB expense of \$51,115. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 362,507	\$ 688,281
Changes of assumptions	611,175	2,144
Net difference between projected and actual earnings on pension plan investments	116,147	476,777
Changes in proportion and differences between District contributions and proportionate share of contributions	55,121	225,905
District contributions subsequent to the measurement date	111,235	-
	\$ 1,256,185	\$ 1,393,107

The \$111,235 (includes \$75,853 Implicit Subsidy) 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 collective net OPEB liability for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	Year Ended June 30,
Year 1	\$ 15,846
Year 2	(38,875)
Year 3	(44,226)
Year 4	(180,902)
	\$ (248,157)

Implicit Employer Subsidy- The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms

None

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2021, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2021, were based on an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021, using the generally accepted actuarial principles.

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

Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.0%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
Mortality Pre-retirement	PUB-2010 General Mortality table, projected with the ultimate Rates from the MP-2014 mortality improvement scale using a Base year of 2010
Mortality Post-retirement (non-disabled)	System-specific mortality table based on mortality Experience from 2013-2018, projected with the ultimate Rates from MP-2014 mortality improvement scale using a Base year of 2019
Mortality Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-Forward for both male and female rates, projected with The ultimate rates from the MP-2014 mortality Improvement scale using a base year of 2010

The single discount tables 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 plan's anticipated long-term healthcare costs.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Discount rate

Single discount rates of 5.20% were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20 Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. 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 must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session, in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

If there is a pattern of legislation that has a resulting effect of employers making contributions less than the actuarially determined rate, GRS may be required to project contributions that are reflective of recent actual contribution efforts regardless of the stated funding policy (as required by paragraph 50 of GASB Statement No. 74).

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

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 3,165,139	\$ 2,305,285	\$ 1,599,632

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2021

The following actuarial assumptions were used in performing the actuarially determined contributions effective for fiscal year ending June 30, 2021:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Remaining Amortization Period	25 years, closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth Rate	2.0%
Asset Valuation Method	20% of the difference between the market value of assets And the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 Mortality Improvement scale using a base year of 2019
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.25% at January 1, 2021, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Trend Rates (Post-65)	Initial trend starting at 5.50% at January 1, 2020, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in Provision	Board certified rate is phased into the actuarially Determined rate in accordance with HB 362 enacted in 2018.

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability calculated using the discount rate of 5.2%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.2%) or 1-percentage-point higher (6.2%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,659,531	\$ 2,305,285	\$ 3,084,720

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

OPEB plan fiduciary net position

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

NOTE G – COMMITMENTS

The District had \$12,208,847 committed for various construction projects in process and \$251,577 committed in Special Revenue Student Activity for student activities at June 30, 2022.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2022.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, illegal acts, 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 include Workers' Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

The District purchases unemployment insurance through the Kentucky School Districts Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L - COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Indirect Cost	Food Service	General Fund	Indirect Cost	\$ 82,000
Debt	Building Fund	Debt Service	Debt Payments	1,585,099
Debt	Capital Outlay	Debt Service	Debt Payments	146,247
Operating	General Fund	Special Revenue	KETS	43,929
Operating	General Fund	Special Revenue	Operating	50,000
Construction	Special Revenue	Construction	Capital Projects	\$ 62,454

NOTE N – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$ (329,902)	\$ -
School Food Service	\$ -	\$ (333,453)

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2022, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 & 75)	\$ 3,126,569
Health Insurance	2,291,485
Life Insurance	4,168
Administrative Fee	33,320
HRA/Dental/Vision	204,575
Federal Reimbursement	-
Technology	98,659
SFCC Debt Service Payments	<u>910,512</u>
Total	\$ <u><u>6,669,288</u></u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE P – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	\$ 3,534,690	Debt Service Payments
Special Revenue	124,672	ATC Partners in Education
Construction	5,403,253	Future Construction
Capital Outlay	246,854	SFCC Requirements
FSPK Fund	\$ 1,827,339	SFCC Requirements

NOTE Q – PRIOR PERIOD ADJUSTMENT

As a result of implementation of GASB Statement No. 87, capital assets and liabilities have been restated to reflect the inclusion of finance purchases. Therefore, net position-beginning was \$18,273,699, a prior period adjustment was made in the amount of \$3,895 and restated net position-beginning is now \$18,277,594 for Governmental Activities.

NOTE R – UNCERTAINTY

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the District, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact on the District's operations and finances.

NOTE S – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 15, 2022, the date the financial statements were available to be issued.

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):							
Districts' proportion of the net pension liability	0.120443%	0.131216%	0.12597%	0.12960%	0.13000%	0.140000%	0.14000%
District's proportionate share of the net pension liability	\$ 7,679,186	\$ 10,064,159	\$ 8,859,175	\$ 7,892,730	\$ 7,605,261	\$ 6,649,006	\$ 5,887,005
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-
Total	<u>\$ 7,679,186</u>	<u>\$ 10,064,159</u>	<u>\$ 8,859,175</u>	<u>\$ 7,892,730</u>	<u>\$ 7,605,261</u>	<u>\$ 6,649,006</u>	<u>\$ 5,887,005</u>
District's covered-employee payroll	\$ 3,089,179	\$ 3,313,205	\$ 3,265,706	\$ 3,267,513	\$ 3,205,401	\$ 3,247,082	\$ 3,196,336
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	248.58%	303.76%	271.28%	241.55%	237.26%	204.77%	184.18%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):							
Districts' proportion of the net pension liability	0.2798%	0.2841%	0.288%	0.298%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>36,408,192</u>	<u>40,259,710</u>	<u>39,338,003</u>	<u>39,985,731</u>	<u>84,263,333</u>	<u>93,552,217</u>	<u>74,192,005</u>
Total	<u>\$ 36,408,192</u>	<u>\$ 40,259,710</u>	<u>\$ 39,338,003</u>	<u>\$ 39,985,731</u>	<u>\$ 84,263,333</u>	<u>\$ 93,552,217</u>	<u>\$ 74,192,005</u>
District's covered-employee payroll	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570	\$ 10,463,717	\$ 10,262,496	\$ 10,618,113
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the year ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):							
Contractually required contribution	\$ 576,758	\$ 701,062	\$ 750,630	\$ 668,084	\$ 473,136	\$ 598,769	\$ 553,663
Contributions in relation to the contractually required contributions	<u>576,758</u>	<u>701,062</u>	<u>750,630</u>	<u>668,084</u>	<u>473,136</u>	<u>598,769</u>	<u>553,663</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,203,593	\$ 3,089,179	\$ 3,313,205	\$ 3,265,706	\$ 3,267,513	\$ 3,205,401	\$ 3,247,082
District's contributions as a percentage of it's covered-employee payroll	26.17%	22.69%	22.66%	20.46%	14.48%	18.68%	17.05%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,014,031	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570	\$ 10,463,717	\$ 10,262,496
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS
For the year ended June 30, 2022

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

None.

Changes of assumptions

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

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	2.13%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

None.

Changes of assumptions

None.

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSIONS
For the year ended June 30, 2022

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2020
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN					
District's proportion of the collective net OPEB liability (asset)	0.149180%	0.152785%	0.15446%	0.16872%	0.17000%
District's proportionate share of the collective net OPEB liability (asset)	\$ 3,201,000	\$ 3,856,000	\$ 4,521,000	\$ 5,347,000	\$ 5,899,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>2,600,000</u>	<u>3,089,000</u>	<u>3,651,000</u>	<u>4,608,000</u>	<u>4,819,000</u>
Total	<u>\$ 5,801,000</u>	<u>\$ 6,945,000</u>	<u>\$ 8,172,000</u>	<u>\$ 9,955,000</u>	<u>\$ 10,718,000</u>
District's covered-employee payroll	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570	\$ 10,463,717
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	31.00%	37.26%	44.69%	51.75%	56.38%
Plan fiduciary net position as a percentage of the total OPEB liability	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN					
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>35,000</u>	<u>93,000</u>	<u>85,000</u>	<u>79,000</u>	<u>64,000</u>
Total	<u>\$ 35,000</u>	<u>\$ 93,000</u>	<u>\$ 85,000</u>	<u>\$ 79,000</u>	<u>\$ 64,000</u>
District's covered-employee payroll	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570	\$ 10,463,717
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	71.57%	71.60%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN					
Contractually required contribution	\$ 194,860	\$ 264,621	\$ 269,828	\$ 267,290	\$ 309,947
Contributions in relation to the contractually required contribution	<u>194,860</u>	<u>264,621</u>	<u>269,828</u>	<u>267,290</u>	<u>309,947</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,014,031	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570
District's contributions as a percentage of it's covered-employee payroll	1.77%	2.56%	2.61%	2.64%	3.00%
LIFE INSURANCE PLAN					
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 11,014,031	\$ 10,327,285	\$ 10,349,096	\$ 10,116,723	\$ 10,331,570
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year ended June 30, 2022

	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN					
District's proportion of the collective net OPEB liability (asset)	0.120415%	0.131709%	0.12593%	0.12959%	0.13000%
District's proportionate share of the collective net OPEB liability (asset)	\$ 2,305,285	\$ 3,180,372	\$ 2,118,120	\$ 2,300,845	\$ 2,612,058
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-
Total	<u>\$ 2,305,285</u>	<u>\$ 3,180,372</u>	<u>\$ 2,118,120</u>	<u>\$ 2,300,845</u>	<u>\$ 2,612,058</u>
District's covered-employee payroll	\$ 3,089,179	\$ 3,313,205	\$ 3,265,706	\$ 3,267,513	\$ 3,267,513
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	74.62%	95.99%	64.86%	70.42%	79.94%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ESTILL COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN					
Contractually required contribution	\$ 111,235	\$ 121,060	\$ 91,528	\$ 70,507	\$ 153,573
Contributions in relation to the contractually	<u>111,235</u>	<u>121,060</u>	<u>91,528</u>	<u>70,507</u>	<u>153,573</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered-employee payroll	\$ 2,203,593	\$ 3,089,179	\$ 3,313,205	\$ 3,265,706	\$ 3,267,513
District's contributions as a percentage of it's covered-employee payroll	5.05%	3.92%	2.76%	2.16%	4.70%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
 For the year ended June 30, 2022

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

Updated Health Care Cost Trend Rates

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized).

Life Insurance Trust

Changes of Benefit Terms

None.

Changes of Assumptions

None.

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
For the year ended June 30, 2022

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

None.

Changes of Assumptions

The single discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20%. Additional information regarding the single discount rates is provided in Section 1 of this report. 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.

Actuarial Methods and Assumptions

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

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-OPEB
 For the year ended June 30, 2022

Inflation	2.30%
Salary Increase	3.30 – 10.3%, varies by service
Investment Rate of Return	6.25%
Payroll Growth Rate	2.0%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.30% at January 1, 2023, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 13 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
Mortality Pre-retirement	PUB-2010 General Mortality table, projected with the Ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Mortality Post-retirement (non-disabled)	System-specific mortality table based on mortality Experience from 2013-2018, projected with the ultimate Rates from MP-2014 mortality improvement scale using a base year of 2019
Mortality Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-Forward for both male and female rates, projected with The ultimate rates from the MP-2014 mortality Improvement scale using a base year of 2010

ESTILL COUNTY SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2022

	Other Governmental Funds		
	Capital Outlay	School Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 246,854	\$ 251,604	\$ 498,458
Total assets	246,854	251,604	498,458
Liabilities			
Accounts payable		27	27
Total liabilities	-	27	27
Fund Balances			
Restricted	246,854		246,854
Committed		251,577	251,577
Total fund balances	246,854	251,577	498,431
Total liabilities and fund balances	\$ 246,854	\$ 251,604	\$ 498,458

ESTILL COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2022

	Other Governmental Funds		
	Capital Outlay	School Activities Fund	Total
Revenues			
Student activities	\$ -	\$ 239,575	\$ 239,575
Intergovernmental - state	351,470		351,470
Total revenues	351,470	239,575	591,045
Expenditures			
Instruction		221,334	221,334
Total expenditures	-	221,334	221,334
Excess (Deficit) of Revenues Over Expenditures	351,470	18,241	369,711
Other Financing Sources (Uses)			
Transfers (out)	(146,247)		(146,247)
Total other financing sources (uses)	(146,247)	-	(146,247)
Net Change in Fund Balances	205,223	18,241	223,464
Fund Balance Beginning	41,631	233,336	274,967
Fund Balance Ending	\$ 246,854	\$ 251,577	\$ 498,431

ESTILL COUNTY SCHOOL DISTRICT
Combining Balance Sheet - School Activity Funds
 June 30, 2022

	<u>ESTILL COUNTY HIGH SCHOOL</u>	<u>ESTILL COUNTY MIDDLE SCHOOL</u>	<u>ESTILL SPRINGS ELEMENTARY</u>	<u>SOUTH IRVINE ELEMENTARY</u>	<u>WEST IRVINE ELEMENTARY</u>	<u>TOTAL</u>
ASSETS						
Cash and cash equivalents	\$ 120,208	\$ 52,857	\$ 25,858	\$ 25,040	\$ 27,641	\$ 251,604
Total assets	<u>120,208</u>	<u>52,857</u>	<u>25,858</u>	<u>25,040</u>	<u>27,641</u>	<u>251,604</u>
LIABILITIES						
Accounts payable		27				27
Total liabilities	<u>-</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
FUND BALANCE						
School activities	120,208	52,830	25,858	25,040	27,641	251,577
Total fund balance	<u>120,208</u>	<u>52,830</u>	<u>25,858</u>	<u>25,040</u>	<u>27,641</u>	<u>251,577</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 120,208</u>	<u>\$ 52,857</u>	<u>\$ 25,858</u>	<u>\$ 25,040</u>	<u>\$ 27,641</u>	<u>\$ 251,604</u>

ESTILL COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Balance - School Activity Funds
 Year ended June 30, 2022

	ESTILL COUNTY HIGH SCHOOL	ESTILL COUNTY MIDDLE SCHOOL	ESTILL SPRINGS ELEMENTARY	SOUTH IRVINE ELEMENTARY	WEST IRVINE ELEMENTARY	TOTAL
REVENUES						
Student revenues	\$ 123,007	\$ 40,026	\$ 37,639	\$ 3,671	\$ 35,232	\$ 239,575
Total revenues	<u>123,007</u>	<u>40,026</u>	<u>37,639</u>	<u>3,671</u>	<u>35,232</u>	<u>239,575</u>
EXPENDITURES						
Student activities	113,043	31,282	32,444	12,527	32,038	221,334
Total expenditures	<u>113,043</u>	<u>31,282</u>	<u>32,444</u>	<u>12,527</u>	<u>32,038</u>	<u>221,334</u>
Excess (Deficit) of Revenues Over Expenses	9,964	8,744	5,195	(8,856)	3,194	18,241
FUND BALANCE-BEGINNING	<u>110,244</u>	<u>44,086</u>	<u>20,663</u>	<u>33,896</u>	<u>24,447</u>	<u>233,336</u>
FUND BALANCE-ENDING	<u>\$ 120,208</u>	<u>\$ 52,830</u>	<u>\$ 25,858</u>	<u>\$ 25,040</u>	<u>\$ 27,641</u>	<u>\$ 251,577</u>

ESTILL COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Balance - Estill County High School
 Year ended June 30, 2022

	<u>FUND BALANCE BEGINNING</u>	<u>REVENUES</u>	<u>EXPENSES</u>	<u>TRANSFERS</u>	<u>FUND BALANCE ENDING</u>
GENERAL FUND	\$ 20,769	\$ 181	\$ 1,963	\$	\$ 18,987
PARKING PERMITS	3,385	2,150	500		5,035
MISCELLLOUS/SOCIAL	164	680	611		233
ADMINISTRATIVE FUNDS	1,204	144	1,291		57
FRESHMEN FUNDS	147	-			147
ENGINNER GUARANTY BANK	7	-			7
STUDENT VENDING	4,007	-	1,558		2,449
TEACHERS LOUNGE	-	201	111		90
ATHLETIC	29,805	84,264	72,354		41,715
AGRICULTURE	2	-			2
ACADEMIC	-	-			-
GREENHOUSE	12,075	290	1,317		11,048
MUSIC	541	2,082	1,510		1,113
SPANISH	648				648
ART CLUB	8				8
AV-READING	426		426		-
BETA CLUB	3,563		395		3,168
COMPUTER GAMES	10				10
DESIGNER TICKETS	1,078		742		336
FBLA	2,069	6,103	6,325		1,847
FCA	36				36
FCCLA	3,530	875	552		3,853
FFA	2,407	6,989	8,449		947
FRENCH CLUB	292				292
GTO/RED CROSS	3				3
KEY CLUB	905				905
LITERARY ARTS	840	2,941	1,582		2,199
PEP CLUB	455				455
S.A.D.D.	139				139
SPEECH AND DRAMA CLUB	678				678
STUDENT COUNCIL	748		339		409
CLASS OF 2017	-				-
CLASS OF 2019	1,318				1,318
CLASS OF 2020	1,077				1,077
CLASS OF 2021	1,630		566		1,064
CLASS OF 2022	423	1,372	339		1,456
CLASS OF 2023	-	8,574	6,740		1,834
CLASS OF 2024	-	213	-		213
CLASS OF 2025	-	277	92		185
LIBRARY COPIES	130	-	130		-
YEARBOOK	2,708	2,537	1,252		3,993
CHESS CLUB	237				237
GUIDANCE OFFICE	1,133				1,133
SENIOR TRIP	5,354				5,354
ECHS YOUNG DEMOCRATS	79				79
ECHS YOUNG REPUBLICANS	81				81
LOST BOOKS	716				716
SPANISH COMMUNITY	1,793	20	62		1,751
TATU	1				1
GREEN TEAM	3				3
ROTC	319	793	106		1,006
CERAMICS CLUB	64				64
HOSA	72				72
ARCHERY	10				10
TEEN AUTHOR CLUB	315				315
POSTER MARKER	33				33
ECHS JAG	1,290				1,290
HOBY	-				-
DUNGEONS & DRAGONS		609	609		
E-SPORTS	427		320		107
CHROME BOOK SALES	1,090	1,712	2,802		-
Totals	<u>\$ 110,244</u>	<u>\$ 123,007</u>	<u>\$ 113,043</u>	<u>\$ -</u>	<u>\$ 120,208</u>

ESTILL COUNTY BOARD OF EDUCATION
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	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education:					
School Breakfast Program	10.553				
Fiscal Year 21		7760005 21	\$ -	N/A	\$ 71,004
Fiscal Year 22		7760005 22	-	N/A	273,135
National School Lunch Program	10.555				
Fiscal Year 21		7750002 21	-	N/A	221,026
Fiscal Year 22		7750002 22	-	N/A	828,396
Fiscal Year 21		7970000 21	-	N/A	66,365
Fiscal Year 22		9980000 22	-	N/A	57,287
Summer Food Service Program for Children	10.559				
Fiscal Year 21		7690024 21	-	N/A	4,853
Fiscal Year 21		7740023 21	-	N/A	47,242
Child Nutrition Cluster Subtotal					<u>1,569,307</u>
State Administrative Grant for Nutrition	10.560				
Fiscal Year 21		7700001 21	-	N/A	1,231
Passed Through State Department of Agriculture:					
Food Donation-Commodities	10.565				
Fiscal Year 20		510.4950	-	N/A	79060
Pandemic Electronic Benefit Transfer Administrative Costs	10.649				
Fiscal Year 21		9990000 21	-	N/A	8,399
Total US Department of Agriculture					<u>1,657,997</u>
US Department of Education					
Passed Through State Department of Education					
* Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 20		3100002 19	-	1,020,603	9,015
Fiscal Year 21		3100002 20	-	1,243,011	101,017
Fiscal Year 22		3100002 21	-	1,243,011	1,212,712
Fiscal Year 21		320GE	-	78,621	3,377
Fiscal Year 22		320IE	-	104,942	100,404
					<u>1,426,525</u>
Special Education Grants to States	84.027A				
Fiscal Year 20		3810002 19	-	556,439	19,900
Fiscal Year 21		3810002 20	-	589,885	115,682
Fiscal Year 22		3810002 21	-	602,738	513,980
COVID-19- ARP Individuals with Disabilities Education Act	84.027X				
Fiscal Year 22		4910002 21	-	128,155	6,437
Special Education-Preschool Grants	84.173A				
Fiscal Year 21		3800002-20	-	52,141	5,813
Fiscal Year 22		3800002-21	-	52,257	17,369
COVID-19- ARP Individuals with Disabilities Education Act- Preschool	84.173X				
Fiscal Year 22		4900002 21	-	17,777	48,069
Special Education Cluster Subtotal					<u>727,250</u>
Vocation Education-Basic Grants to States	84.048				
Fiscal Year 21		3710002 20	-	25,342	5,499
Fiscal Year 22		3710002 21	-	18,917	18,437
					<u>23,936</u>
Title IV Part A	84.424A				
Fiscal Year 20		3420002-19	-	86,095	35,583
Fiscal Year 21		3420002-20	-	86,740	28,460
Fiscal Year 22		3420002-21	-	82,545	585
					<u>64,629</u>
Title V Rural Education	84.358B				
Fiscal Year 20		3140002-19	-	43,386	38,953
Fiscal Year 21		3140002-20	-	42,279	20,811
Fiscal Year 22		3140002-21	-	50,326	3,047
					<u>62,811</u>
* COVID-19- CARES Act Educational Stabilization Fund ESSER	84.425D				
Fiscal Year 20		4000002-20	-	922,104	105,796
Fiscal Year 21		4000003 20	-	2,738	2,738
Fiscal Year 21		4200002-21	-	3,756,403	1,538,147
Fiscal Year 21		4200003 21	-	151,003	119,747
* COVID-19- ARP ESSER	84.425U				
FY21 ARP Emergency Relief Fund		4300002 21	-	8,098,225	349,911
Fiscal Year 22- Virtual Library		4300003 21	-	2,463	2,463
CARES Act Cluster Subtotal					<u>2,118,803</u>
Passed Through the Workforce Development Cabinet					
Adult Education	84.002				
Fiscal Year 21		365G	-	13,979	763
Fiscal Year 20		373F	-	2,975	2,029
Fiscal Year 21		373G	-	1,168	464
Fiscal Year 21		464G	-	38,500	626
					<u>3,882</u>
Passed through Berea College					
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A				
Fiscal Year 21		3160002 21	-	N/A	35,931
Fiscal Year 22		3160002 22	-	N/A	196,415
					<u>232,346</u>
Total US Department of Education					<u>4,660,182</u>
US Department of Labor					
Passed Through State Department of Education:					
WIOA Adult Program	17.25				
Fiscal Year 21		382G	-	40,000	11,013
Fiscal Year 22		382I	-	40,000	53,775
Total US Department of Labor					<u>64,788</u>
Total Expenditure of Federal Awards					<u>\$ 6,382,967</u>
* Major Programs					

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

ESTILL COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Estill County School District under the 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 the Estill County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2022, the District received food commodities totaling \$79,060.

NOTE D – INDIRECT COST RATE

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

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*

To the Board of Education of the Estill County School District
Estill, Kentucky

And the State Committee for School District Audits

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

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Estill County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* as described in the accompanying schedule of findings and questioned costs as item 2022-002.

We noted certain matters that we reported to management of the Estill County School District in a separate letter dated December 15, 2022.

Estill County School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Estill County School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Estill County School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

White & Associates, PSC

Richmond, Kentucky

December 15, 2022

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

To the Board of Education of the Estill County School District
Irvine, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Estill County 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 the Estill County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Estill County School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

White & Associates, PSC

Richmond, Kentucky

December 15, 2022

ESTILL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2022

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed?	Yes
If so, was any significant deficiencies material (GAGAS)?	Yes
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	No
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs COVID-19 Educational Stabilization Fund [CFDA 84.425D, 84.425U] Title I [CFDA 84.010A]	
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	No

FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

REFERENCE NUMBER 2022-001 Internal Controls: Purchase Orders

Condition: During the course of expenditure testing, nineteen expenditures were identified with purchase orders dated after the invoice date.

Criteria: The District’s management is responsible for establishing and maintaining internal controls over purchasing such as requiring purchase orders to be completed and approved prior to purchases being made.

Cause: Internal controls over purchase orders are not being followed.

ESTILL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

Effect: Poor internal controls over purchase orders exposes the district to additional risk of fraud, noncompliance of laws and regulations and potential financial waste.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in purchasing to enhance its internal control policies and increase monitoring of purchase orders to ensure proper authorization is provided prior to purchases being made.

Views of Responsible Officials and Planned Corrective Action: Purchasing policies will be reviewed with staff. The district is also in the process of implementing electronic requisitions and purchase orders which will insure that proper authorization is given prior to purchasing.

REFERENCE NUMBER 2022-002 Internal Controls Over Compliance: KRS 65.140

Condition: During the course of expenditure testing, seventeen expenditures were identified as not being paid within 30 days as required per state law.

Criteria: The District's management is responsible for establishing and maintaining internal controls over purchasing to ensure compliance with the KRS 65.140 statute, which states invoices shall be paid within 30 working days of receipt of invoice.

Cause: Internal controls over payment of invoices per KRS statute are not being followed; therefore, district is not in compliance with state law.

Effect: Poor internal controls resulting in the lack of monitoring over the timely payment of invoices causes noncompliance of laws and regulations and potential financial waste.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in purchasing to enhance its internal control policies and increase monitoring of the payment of invoices to ensure payment is issued in accordance with state laws and regulations.

Views of Responsible Officials and Planned Corrective Action: Internal control policies will be reviewed with staff. Open purchase orders will be reviewed periodically by finance staff to stop this issue.

ESTILL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

MATERIAL WEAKNESSES

REFERENCE NUMBER 2022-003 Internal Controls: Reporting

Condition: During the course of the audit, two bank accounts were identified as omitted from the District's accounting software.

Criteria: The District's management is responsible for establishing and maintaining internal controls for proper accounting and recording of all the District's accounting transactions.

Cause: District wanted to keep these accounts separate from other district funds.

Effect: The design of internal controls over proper accounting and recording of all the District's accounting transactions did not prevent bank accounts from being excluded from accounting software and increased District's exposure to fraud risk.

Recommendation: We recommend District management and financial personnel review the procedures and processes regarding fiscal management to enhance its internal control policies to ensure proper recording of the District's accounting transactions in the accounting software.

Views of Responsible Officials and Planned Corrective Action: These two accounts, The Giving Train and Partners in Education, have been closed and documented in the General Fund Account.

REFERENCE NUMBER 2022-004 Internal Controls: Payroll

Condition: As part of the audit, we noted material adjustments would be required to adjust the payroll liabilities to actual as of the fiscal year end.

Criteria: The District's management is responsible for establishing and maintaining internal controls for the proper recording of all District's account balances at month end and fiscal year end.

Cause: The District failed to adjust the payroll liabilities to actual monthly and at fiscal year-end.

Effect: The design of the internal controls identifying adjustments required at month end and fiscal year end did not prevent material adjustments of payroll liabilities from being omitted.

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording payroll liabilities and enhance its

ESTILL COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2022

internal control policies to ensure proper recording of these items at month end and fiscal year end.

Views of Responsible Officials and Planned Corrective Action: The district finance officer will review and balance payroll liabilities monthly and at fiscal year-end.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

No findings at the major federal award programs level.

ESTILL COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2022

Finding Number 2021-001: Governmental Assets and Liabilities

Condition: Capital assets and capital leases were not recorded in prior years and prior period adjustments were required.

Recommendation: Procedures should be implemented as internal controls to ensure sure new assets and capital leases are recorded in the proper period.

Current Status: The recommendation has been adopted as of December 13, 2022.



CORRECTIVE ACTION PLAN

December 15, 2022

Kentucky Department of Education

Estill County School District respectfully submits the following corrective action plan for the year ended June 30, 2022.

White & Associates, PSC

1407 Lexington Road

Richmond, KY 40475

Audit period: July 1, 2021 to June 30, 2022

The findings from the schedule of findings and questioned costs from the year ending June 30, 2022 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS-FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

REFERENCE NUMBER 2022-001 Internal Controls: Purchase Orders

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in purchasing to enhance its internal control policies and increase monitoring of purchase orders to ensure proper authorization is provided prior to purchases being made.

Management Response to the Recommendation and Corrective Action Taken: Purchasing policies will be reviewed with staff. The district is also in the process of implementing electronic requisitions and purchase orders which will insure that proper authorization is given prior to purchasing.

REFERENCE NUMBER 2022-002 Internal Controls over Compliance: KRS 65.140

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in purchasing to enhance its internal control policies and increase monitoring of the payment of invoices to ensure payment is issued in accordance with state laws and regulations.

Management Response to the Recommendation and Corrective Action Taken:
Internal control policies will be reviewed with staff. Open purchase orders will be reviewed periodically by finance staff to stop this issue.

MATERIAL WEAKNESSES

REFERENCE NUMBER 2022-003 Internal Controls: Reporting

Recommendation: We recommend District management and financial personnel review the procedures and processes regarding fiscal management to enhance its internal control policies to ensure proper recording of the District's accounting transactions in the accounting software.

Management Response to the Recommendation and Corrective Action Taken:
These two accounts, The Giving Train and Partners in Education, have been closed and documented in the General Fund Account.

REFERENCE NUMBER 2022-004 Internal Controls: Payroll

Recommendation: We recommend District management and financial personnel review the procedures and processes involved in recording payroll liabilities and enhance its internal control policies to ensure proper recording of these items at month end and fiscal year end.

Management Response to the Recommendation and Corrective Action Taken: The district finance officer will review and balance payroll liabilities monthly and at fiscal year-end.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings were identified for major programs.

If the Kentucky Department of Education has questions regarding this plan, please call Angie Howell, Finance Officer, at 606-723-2181.

Sincerely yours,

Jeff Saylor

Superintendent

MANAGEMENT LETTER POINTS

Estill County School District
Irvine, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated December 15, 2022. This letter does not affect our report dated December 15, 2022, on the financial statements of the Estill County School District. The conditions observed are as follows:

ESTILL CO HIGH SCHOOL

No conditions.

ESTILL CO MIDDLE SCHOOL

No conditions.

ESTILL SPRINGS ELEMENTARY

No conditions.

SOUTH IRVINE ELEMENTARY

No conditions.

WEST IRVINE ELEMENTARY

No conditions.

All prior year school activity fund conditions as mentioned in the prior year management letter have been implemented and corrected.

We would like to thank the Finance Officer, Angie Howell, and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
December 15, 2022