

FULTON COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2022

FULTON COUNTY SCHOOL DISTRICT TABLE OF CONTENTS

Introductory Section

Board of Education and Administrative Staff

Financial Section

Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Position – Proprietary Funds.....	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22
Required Supplementary Information Section	
Statement of Budgetary Comparison – General Fund.....	56
Statement of Budgetary Comparison – Special Revenue Fund	57
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employee's Retirement System	58
Schedule of the District's Pension Contributions – County Employee's Retirement System.....	59
Schedule of the District's Proportionate Share of the Net OPEB Liability – County Employee's Retirement System	60
Schedule of the District's OPEB Contributions – County Employee's Retirement System.....	61
Schedule of the Commonwealth of Kentucky's Proportionate Share of the Net Pension Liability Associated with Fulton County School District – Special Funding Situation – Kentucky Teachers' Retirement System	62
Schedule of the District's Pension Contributions – Kentucky Teachers' Retirement System	63
Schedule of the District's Proportionate Share of the Net OPEB Liability – Medical Insurance Fund – Special Funding Situation – Kentucky Teachers' Retirement System	64
Schedule of the District's OPEB Contributions – Medical Insurance Fund – Kentucky Teachers' Retirement System.....	65
Schedule of the Commonwealth of Kentucky's Proportionate Share of the Net OPEB Liability – Life Insurance Fund Associated with Fulton County School District – Special Funding Situation – Kentucky Teachers' Retirement System	66

**FULTON COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

Schedule of the District's OPEB Contributions – Life Insurance Fund – Kentucky
Teachers' Retirement System..... 67
Notes to Required Supplementary Information..... 68

Supplementary and Other Information Section

Combining Balance Sheet – Nonmajor Governmental Funds 72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –
Nonmajor Governmental Funds 73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Special Revenue Student Activity Funds 74
Schedule of Expenditures of Federal Awards 75
Notes to Schedule of Expenditures of Federal Awards 77

Internal Control and Compliance Section

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*..... 78
Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance..... 80
Schedule of Findings and Questioned Costs..... 83

Management Letter Points
Independent Auditor's Transmittal Letter for Management Letter Points..... 84
Management Letter Points..... 85

Summary Schedule of Prior Audit Findings 86
Summary Schedule of Prior Management Letter Points..... 87

INTRODUCTORY SECTION

FULTON COUNTY SCHOOL DISTRICT

June 30, 2022

BOARD OF EDUCATION

Perry Turner, Chairperson
Kimberly Hagler, Vice-Chair
Barry Patrick, Member
Rob Garrigan, Member
Brian Emmons, Member

ADMINISTRATIVE STAFF

Patrice Chambers, Superintendent
Jennifer Davis, Finance Officer

FINANCIAL SECTION



Independent Auditor's Report

Kentucky State Committee for School District Audits
Fulton County Board of Education
Hickman, Kentucky

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 Fulton 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 Fulton 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 Fulton County School District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fulton 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fulton 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 Fulton 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 Fulton 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, budgetary comparison information, pension information, OPEB information and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fulton County School District's basic financial statements. The combining nonmajor fund financial statements and combining statement of revenues and expenditures, and changes in fund balance – special revenue activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to schedule of expenditures of federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. 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 nonmajor fund financial statements, combining statement of revenues and expenditures, and changes in fund balance – special revenue activity funds, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the introductory section. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2022, on our consideration of the Fulton 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 Fulton 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 Fulton County School District's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 14, 2022

FULTON COUNTY SCHOOLS

Proficiency, Positive Relationships, & Pilot Pride

2780 Moscow Avenue

Hickman, Kentucky 42050

Telephone: (270) 236-3923 Fax: (270) 236-2184 Site: www.fulton.kyschools.us

FULTON COUNTY SCHOOL DISTRICT – HICKMAN, KY MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2022

The discussion and analysis of the Fulton County School District (District) provides a narrative overview and analysis of the District’s financial statements and activities for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,803,088, and the ending cash balance was \$4,745,470. This total incorporates all funds. This is an increase of \$2,942,382. The General Fund cash balance at the beginning of the year was \$1,096,855. The General Fund cash balance at year-end was \$2,543,507, this is an increase of \$1,446,652. These increases are predominantly due to an increase of General Fund revenues of \$765,189 and Special Revenue Fund revenues of \$999,526 related to ESSER funding compared to the previous year.
- The General Fund had \$6,052,329 in revenue, which primarily consisted of the state program (SEEK), property, franchise, utilities, and motor vehicle taxes, in which the local tax revenue increased \$258,293 while SEEK increased \$306,868. The General Fund expenditures were \$5,396,811 which was higher by \$275,019 over the previous year.
- The total net position of governmental activities for the year was \$3,090,322 compared to \$1,802,179 last year. The change resulted directly from the increase in local tax revenues, SEEK revenues and indirect cost reimbursements related to ESSER grant administration.
- Capital Assets decreased from \$9,744,248 to \$9,417,758. Other than depreciation expense, there were capital asset additions that included a new school bus, flooring and installation, an intercom system at the high school and concrete at the board office entrance. Business-type capital assets decreased from \$60,084 to \$53,050 due to depreciation expense. All capital assets are listed net of depreciation expense.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These financial statements are organized so the reader can understand the Fulton County School District as a whole or as one operating entity (government-wide financial statements). The statements then proceed to provide an increasingly detailed look at the District’s operations by providing information about the District’s most significant funds (fund financial statements).

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.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances. These statements include the Statement of Net Position and the Statement of Activities. The District is divided into two distinct types of activities:

- **Governmental activities** – All of the District's programs and services are reported here, including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Total Revenues for governmental activities are \$9,957,130. The sources of the revenue are; 76% State aid and state and federal grants, 21% Local Tax Revenue, and 3%, indirect costs reimbursements, interest, and donations. Total Expenditures are \$8,668,987, comprised of 60% Instruction, 20% Student Support and Administration, 12% Plant Operations and Management, 4% Student Transportation and 4% Non-instructional and interest. Revenues exceed expenditures by \$1,288,143.
- **Proprietary (Business-Type) Activity** – This service is provided on a charge for goods or services basis to recover all the expenses on the goods or services provided. The Food Service enterprise fund is reported as a business activity. Total Revenues are \$793,129, with 96% being funded by the federal nutrition program, and 4% from A La Carte food items purchased and investment earnings. Total Expenditures are \$839,850, with expenditures exceeding revenues by \$46,721.
- **General Fund Activity** – Total Revenues are \$6,052,329, with 66% being from State or federal sources, 32% being from Local Tax, and 2% from Interest and Donations. Total Expenditures are \$5,396,811, comprised of 48% Instruction, 31% Student Support and Administration, 21% Plant Operations and Management and Student Transportation, with revenues exceeding expenditures by \$655,517. The ending fund balance is \$2,547,774, with \$24,000 restricted for Sick Leave, \$49,137 Assigned for Encumbered purchase obligations, \$10,985 Nonspendable for Prepaid Expenses, and \$2,463,652 Unassigned at the end of the year.

General Fund Budgetary Highlights: The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a cash basis for receipts, expenditures and encumbrances. The most significant budgeted fund is the General Fund. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expenditure in the budgeting process. The budget is adjusted during the year as necessary. The main adjustment made during the year was related to increased instructional expenditures related to increased purchases made with special federal COVID-19 funding received.

Budgeted Revenues were \$3,869,696 and Actual Revenues were \$4,519,687 with the variance being \$649,991. Budgeted Expenditures were \$4,884,420 and Actual Expenses were \$3,864,169 with the variance being \$1,020,251. \$975,821 was budgeted for as Contingency and for Miscellaneous Debt Service in case there was an emergent need. The variance of \$377,429 that was in instruction was due to certain expenditures being moved to Fund 2 to be paid with ESSER funds. There was a variance of (\$273,107) in plant operations and management due to various repairs, installation of door card readers, board office flooring and utilities no longer being paid out of Special Revenue as in the prior year. The originally budgeted to final budgeted plant operations and management line item decreased from \$579,438 to \$377,398 due to the originally being based on prior year actual expenditures and the District not expecting to have the volume of repairs and maintenance expenditures that it did during the year.

Future Budgetary Implications: The District's contingency amount for FY 22-23 is \$484,764 which exceeds the Kentucky minimum requirement of 2% of expenditures. Pay increases for classified employees are 1 ½% each year, and the certified employees pay scale increases accordingly with years of experience and rank. We are anticipating tax revenue to increase in the upcoming year due to an increase in the property assessment and the board took the 4% increase on property taxes. State SEEK funding is expected to remain constant. Enrollment numbers have been constant and we may see a slight increase in enrollment with changes in state law as to where students may attend school.

The Statement of Net Position presents information on all the District's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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 flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. The only proprietary funds are our food service operations and the fiduciary funds include our school activity funds and private purpose trust funds. All other activities of the district are included in the governmental funds.

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

THE SCHOOL DISTRICT AS A WHOLE – GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,103,991 as of June 30, 2022.

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.

Capital Assets: The largest portion of the District's assets reflects its investment in capital assets (e.g., land and improvements, building and improvements, vehicles and 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 capital assets total \$9,470,808. \$9,100,334 or 96% is Building and improvements. Comparatively last year total assets were \$9,804,332 with Building and improvements being \$9,512,827 or 97% of the total.

Long-term Debt: The District's total of outstanding bonds is \$6,613,767, of which \$438,716 is current bonds and \$6,171,836 is noncurrent. \$1,933,280 is the amount the Kentucky School Construction Commission will pay. 97% of the debt is for Building Improvements and Renovations and 3% is KISTA bonds for buses. Long-term debt decreased due to regular bond payments being made. The District approved a new KISTA bond to finance a portion of a new school bus. This is considered a lease under GASB No. 87, a new lease accounting standard. The present value of the initial liability was \$58,850.

Table 1 provides a comparison of the District's net position for 2022 and 2021:

Table 1

<u>Net Position as of June 30,</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets			
Current assets	\$ 5,372,807	\$ 2,554,127	\$ 2,818,680
Capital assets	9,283,295	9,647,894	(364,599)
Property under capital lease	187,513	156,438	31,075
Total Assets	14,843,615	12,358,459	2,485,156
Deferred Outflows of Resources			
Deferred amount on refunding	32,839	39,753	(6,914)
Pension related	217,448	298,299	(80,851)
OPEB related	553,535	565,117	(11,582)
Total Deferred Outflows of Resources	803,822	903,169	(99,347)
Liabilities			
Current liabilities	2,475,906	706,550	1,772,571
Noncurrent liabilities	9,193,650	10,216,143	(1,025,708)
Total Liabilities	11,669,556	10,922,693	746,863
Deferred Inflows of Resources			
Pension related	216,517	31,524	184,993
OPEB related	657,373	444,842	212,531
Total Deferred Inflows of Resources	873,890	476,366	397,524
Net Position			
Net investment in capital assets	2,944,524	2,916,585	27,939
Restricted	298,938	308,598	(9,660)
Unrestricted	(139,471)	(1,362,614)	1,223,143
Total Net Position	\$ 3,103,991	\$ 1,862,569	\$ 1,241,422

The variance in current assets is due to the increase in cash as noted in the Financial Highlights section on page 4. The decrease in capital assets is due to current year depreciation expense decreasing the net book value of capital assets. Changes in the deferred outflows and inflows line items represent year to year actuarial changes in the District's Pension and OPEB liabilities. The increase in current liabilities is due to an influx of ESSER grant funding in the Special Revenue fund during the year that remains unspent, along with other grant monies, as of June 30, 2022. The decrease in noncurrent liabilities is due to regular debt payments being made during the year.

Table 2 shows changes in net position for the fiscal years 2022 and 2021:

Table 2

<u>Statement of Activities for the</u> <u>year ended June 30,</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for services	\$ 28,442	\$ 13,107	\$ 15,335
Operating grants and contributions	3,887,022	2,983,370	903,652
General Revenues:			
Local taxes	2,044,712	1,789,248	255,464
State revenues	4,414,243	4,423,381	(9,138)
Investment earnings	29,378	24,982	4,396
Other revenues	346,462	216,454	130,008
Total Revenues	10,750,259	9,450,542	1,299,717
Expenses			
Instruction	5,130,782	4,774,314	356,468
Support services:			
Student	204,114	182,499	21,615
Instructional staff	155,112	153,107	2,005
District administration	561,066	429,219	131,847
School administration	474,004	592,894	(118,890)
Business	364,173	336,249	27,924
Plant operations and management	1,065,770	881,795	183,975
Student transportation	370,505	290,514	79,991
Non-instructional	124,733	79,720	45,013
Interest on long-term debt	190,953	200,113	(9,160)
Amortization - unallocated	27,775	21,891	5,884
Food service	839,850	820,125	19,725
Total Expenses	9,508,837	8,762,440	746,397
Change in Net Position	\$ 1,241,422	\$ 688,102	\$ 553,320

The increase in operating grants and contributions from the prior year is predominantly due to special federal COVID-19 funding received. Local tax revenues increased due to increased in tax assessments from the prior year. Instructional expenditures increased significantly due to purchases made with the special federal COVID-19 funding.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Table 3 provides a comparison of the District's General Fund Statement of Revenue, Expenditures, and Changes in Fund Balance for 2022 and 2021:

Table 3

**Table 3: General Fund: Statement of
Revenues, Expenditures and Changes in
Fund Balance for the year ended June 30,**

	2022	2021	Change
Revenues			
Taxes	\$1,910,685	\$1,652,392	\$ 258,293
Earnings on investment	24,347	20,010	4,337
Other local revenue	98,177	51,659	46,517
Intergovernmental – State	4,006,729	3,869,717	137,012
Intergovernmental – Federal	12,391	7,397	4,994
Total Revenues	6,052,329	5,601,175	451,153
Expenditures			
Current			
Instruction	2,558,277	3,143,183	(584,906)
Support services			
Student	162,221	154,913	7,308
Instructional staff	156,141	134,238	21,903
District administration	527,871	404,746	123,125
School administration	510,505	553,408	(42,903)
Business	342,004	299,091	42,913
Plant operation and mgt.	682,039	166,686	515,353
Student transportation	457,753	265,527	192,226
Total Expenditures	5,396,811	5,121,792	275,019
Excess (Deficit) of Revenues Over Expenditures	655,518	479,383	176,134
Other Financing Sources (Uses)			
Capital lease proceeds	58,850	-	58,850
Transfers in	214,369	146,014	68,356
Transfers out	(83,256)	(84,211)	955
Indirect cost reimbursements	219,680	32,850	186,830
Total Other Financing Sources (Uses)	409,643	94,653	314,991
Net Change in Fund Balance	1,065,161	574,036	491,125
Fund Balance, July 1	1,482,613	908,577	574,036
Fund Balance, end of year	\$ 2,547,774	\$ 1,482,613	\$ 1,065,161

Questions regarding this report should be directed to Patrice Chambers, Superintendent or Jennifer Davis, Finance Officer, at (270) 236-3923 or by mail at 2780 Moscow Avenue, Hickman, KY 42050

BASIC FINANCIAL STATEMENTS

**FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION**

June 30, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,344,356	\$ 401,114	\$ 4,745,470
Receivables			
Accounts	531,746	-	531,746
Intergovernmental - Federal	-	76,765	76,765
Prepaid expenses	10,985	-	10,985
Inventories	-	7,841	7,841
Capital assets not being depreciated			
Land	11,000	-	11,000
Capital assets, net of accumulated depreciation			
Land improvements	16,636	-	16,636
Buildings and improvements	9,100,334	-	9,100,334
Technology equipment	27,472	-	27,472
Vehicles	59,193	-	59,193
General equipment	15,610	53,050	68,660
Property under capital lease	187,513	-	187,513
Total assets	<u>14,304,845</u>	<u>538,770</u>	<u>14,843,615</u>
Deferred Outflows of Resources			
Deferred amount on refunding	32,839	-	32,839
Pension related	160,324	57,124	217,448
OPEB related	487,556	65,979	553,535
Total deferred outflows of resources	<u>680,719</u>	<u>123,103</u>	<u>803,822</u>
Liabilities			
Accounts payable	49,299	435	49,734
Unearned revenue	1,902,250	-	1,902,250
Accrued interest	44,827	-	44,827
Long-term liabilities			
Portion due or payable within one year			
Bonds and leases	438,716	-	438,716
Accrued sick leave	40,379	-	40,379
Portion due or payable after one year			
Bonds and leases	6,120,407	-	6,120,407
Accrued sick leave	151,385	26,390	177,775
Pension liability	1,090,742	388,631	1,479,373
OPEB liability	1,299,431	116,664	1,416,095
Total liabilities	<u>11,137,436</u>	<u>532,120</u>	<u>11,669,556</u>
Deferred Inflows of Resources			
Pension related	159,638	56,879	216,517
OPEB related	598,168	59,205	657,373
Total deferred inflows of resources	<u>757,806</u>	<u>116,084</u>	<u>873,890</u>
Net Position			
Net investment in capital assets	2,891,474	53,050	2,944,524
Restricted for			
Accumulated sick leave	24,000	-	24,000
SFCC escrow	25,059	-	25,059
Future construction	78,817	-	78,817
District activity	167,736	-	167,736
Debt service	3,326	-	3,326
Unrestricted	(100,090)	(39,381)	(139,471)
Total net position	<u>\$ 3,090,322</u>	<u>\$ 13,669</u>	<u>\$ 3,103,991</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 5,130,782	\$ -	\$ 3,127,366	\$ -	\$ (2,003,416)	\$ -	\$ (2,003,416)
Support services							
Student	204,114	-	-	-	(204,114)	-	(204,114)
Instructional staff	155,112	-	-	-	(155,112)	-	(155,112)
District administration	561,066	-	-	-	(561,066)	-	(561,066)
School administration	474,004	-	-	-	(474,004)	-	(474,004)
Business	364,173	-	-	-	(364,173)	-	(364,173)
Plant operations and management	1,065,770	-	-	-	(1,065,770)	-	(1,065,770)
Student transportation	370,505	-	-	-	(370,505)	-	(370,505)
Non-instructional services	124,733	-	-	-	(124,733)	-	(124,733)
Interest on long-term debt	190,953	-	-	-	(190,953)	-	(190,953)
Amortization - unallocated	27,775	-	-	-	(27,775)	-	(27,775)
Total governmental activities	<u>8,668,987</u>	<u>-</u>	<u>3,127,366</u>	<u>-</u>	<u>(5,541,621)</u>	<u>-</u>	<u>(5,541,621)</u>
Business-Type Activities							
Food service	839,850	28,442	759,656	-	-	(51,752)	(51,752)
Total business-type activities	<u>839,850</u>	<u>28,442</u>	<u>759,656</u>	<u>-</u>	<u>-</u>	<u>(51,752)</u>	<u>(51,752)</u>
Total primary government	<u>\$ 9,508,837</u>	<u>\$ 28,442</u>	<u>\$ 3,887,022</u>	<u>\$ -</u>	<u>(5,541,621)</u>	<u>(51,752)</u>	<u>(5,593,373)</u>
General revenues:							
Taxes							
Property					1,503,505	-	1,503,505
Motor vehicle					162,988	-	162,988
Utilities					326,128	-	326,128
Other					52,091	-	52,091
Investment earnings					24,347	5,031	29,378
Other local revenue					292,726	-	292,726
Indirect costs reimbursements					41,345	-	41,345
State aid - formula grants					4,414,243	-	4,414,243
Medicaid reimbursement					12,391	-	12,391
Total general revenues					<u>6,829,764</u>	<u>5,031</u>	<u>6,834,795</u>
Change in net position					1,288,143	(46,721)	1,241,422
Net position, beginning of year					<u>1,802,179</u>	<u>60,390</u>	<u>1,862,569</u>
Net position, end of year					<u>\$ 3,090,322</u>	<u>\$ 13,669</u>	<u>\$ 3,103,991</u>

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

FULTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,543,507	\$ 1,417,084	\$ 383,765	\$ 4,344,356
Receivables				
Accounts	34,129	493,617	4,000	531,746
Prepaid expenditures	10,985	-	-	10,985
Total assets	<u>\$ 2,588,621</u>	<u>\$ 1,910,701</u>	<u>\$ 387,765</u>	<u>\$ 4,887,087</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 40,847	\$ 8,451	\$ -	\$ 49,298
Unearned revenue	-	1,902,250	-	1,902,250
Total liabilities	<u>40,847</u>	<u>1,910,701</u>	<u>-</u>	<u>1,951,548</u>
Fund Balances				
Nonspendable	10,985	-	-	10,985
Restricted	24,000	-	274,938	298,938
Committed	-	-	112,827	112,827
Assigned	38,152	-	-	38,152
Unassigned	2,474,637	-	-	2,474,637
Total fund balances	<u>2,547,774</u>	<u>-</u>	<u>387,765</u>	<u>2,935,539</u>
Total liabilities and fund balances	<u>\$ 2,588,621</u>	<u>\$ 1,910,701</u>	<u>\$ 387,765</u>	<u>\$ 4,887,087</u>

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

FULTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total fund balances - governmental funds	\$	2,935,539
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and inventories used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$18,490,257, and the accumulated depreciation is \$9,072,499.		9,417,758
Certain long-term assets related to deferred amounts on refunding bonds are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.		32,839
Deferred outflows of resources related to pensions and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.		647,879
Deferred inflows of resources related to pensions and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.		(757,806)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued interest on the bonds	(44,827)	
Bonds and leases payable	(6,559,123)	
Accrued sick leave payable	(191,764)	
Pension liability	(1,090,742)	
OPEB liability	(1,299,431)	
	(9,185,887)	(9,185,887)
Total net position - governmental activities	\$	<u>3,090,322</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
From local sources				
Taxes				
Property	\$ 1,369,478	\$ -	\$ 134,026	\$ 1,503,504
Motor vehicle	162,988	-	-	162,988
Utilities	326,128	-	-	326,128
Other	52,091	-	-	52,091
Earnings on investments	24,347	-	-	24,347
Other local revenues	98,177	1,411	217,582	317,170
Intergovernmental - State	4,006,729	547,805	407,515	4,962,049
Intergovernmental - Indirect Federal	12,391	2,555,118	-	2,567,509
Total revenues	<u>6,052,329</u>	<u>3,104,334</u>	<u>759,123</u>	<u>9,915,786</u>
Expenditures				
Current				
Instruction	2,558,277	2,357,783	212,329	5,128,389
Support Services				
Student	162,221	49,584	-	211,805
Instructional staff	156,141	-	-	156,141
District administration	527,871	15,845	-	543,716
School administration	510,505	-	-	510,505
Business	342,004	34,480	-	376,484
Plant operation and management	682,039	111,798	-	793,837
Student transportation	457,753	25,380	-	483,133
Non-instructional services	-	128,004	-	128,004
Facilities acquisition and construction	-	-	896	896
Debt service				
Debt service & miscellaneous	-	-	419,629	419,629
Interest & issuance costs	-	-	193,924	193,924
Total expenditures	<u>5,396,811</u>	<u>2,722,874</u>	<u>826,778</u>	<u>8,946,463</u>
Excess (deficit) of revenues over expenditures	<u>655,518</u>	<u>381,460</u>	<u>(67,655)</u>	<u>969,323</u>
Other Financing Sources (Uses)				
Capital lease proceeds	58,850	-	-	58,850
Transfers in	214,369	11,244	370,765	596,378
Transfers out	(83,256)	(214,369)	(298,753)	(596,378)
Indirect cost reimbursements	219,680	-	-	219,680
Indirect cost transfers	-	(178,335)	-	(178,335)
Total other financing sources (uses)	<u>409,643</u>	<u>(381,460)</u>	<u>72,012</u>	<u>100,195</u>
Net change in fund balances	1,065,161	-	4,357	1,069,518
Fund balances, beginning of year	<u>1,482,613</u>	<u>-</u>	<u>383,408</u>	<u>1,866,021</u>
Fund balances, end of year	<u>\$ 2,547,774</u>	<u>\$ -</u>	<u>\$ 387,765</u>	<u>\$ 2,935,539</u>

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

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

Total net change in fund balances - governmental funds	\$	1,069,518
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures and capital dispositions are not recorded. However, in the statement of activities, the cost of assets purchased is allocated over their estimated useful lives as depreciation expense, amortization expense and the excess of the sales price, if any, over the net book value of dispositions are recorded as a gain (loss) on disposal of assets. This is the amount by which depreciation and amortization expense (\$504,224) exceeds capital outlay (\$177,734) in the period.		(326,490)
Governmental funds report the effect of discounts and deferred amounts on refunding bonds when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities as a component of interest expense. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(6,914)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		2,287
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		368,377
In the statement of activities, certain operating expenses - accumulated sick leave - are recognized when they are incurred during the year. In the governmental funds, however, expenditures for these items are limited to only those that use current financial resources.		9,646
The actuarially determined pension and OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities.		579,288
Some expenses related to pension and OPEB reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		(407,569)
Change in net position of governmental activities	\$	<u>1,288,143</u>

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 401,114
Accounts receivable - Federal	76,765
Inventories	<u>7,841</u>
Total current assets	<u>485,720</u>
Noncurrent Assets	
Technology equipment	5,458
General equipment	169,063
Accumulated depreciation	<u>(121,471)</u>
Total noncurrent assets	<u>53,050</u>
Total assets	<u>538,770</u>
Deferred Outflows of Resources	
Pension related	57,124
OPEB related	<u>65,979</u>
Total deferred outflows of resources	<u>123,103</u>
Liabilities	
Current Liabilities	
Accounts payable	<u>435</u>
Total current liabilities	<u>435</u>
Long-term Liabilities	
Accrued sick leave	26,390
Pension liability	388,631
OPEB liability	<u>116,664</u>
Total long-term liabilities	<u>531,685</u>
Total liabilities	<u>532,120</u>
Deferred Inflows of Resources	
Pension related	56,879
OPEB related	<u>59,205</u>
Total deferred inflows of resources	<u>116,084</u>
Net Position	
Investment in capital assets	53,050
Unrestricted	<u>(39,381)</u>
Total net position	<u>\$ 13,669</u>

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

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

	Food Service Fund
Operating Revenues	
Lunchroom sales	\$ 28,442
Total operating revenues	28,442
Operating Expenses	
Salaries, wages, and benefits	451,956
Contract services	10,918
Materials and supplies	328,597
Depreciation	7,034
Total operating expenses	798,505
Operating loss	(770,063)
Non-Operating Revenues (Expenses)	
Interest income	5,031
Donated commodities	24,464
Grants - child nutrition program	601,759
State funding - on-behalf payments	129,503
State matching	3,930
Transfer out only - indirect costs	(41,345)
Total non-operating revenues (expenses)	723,342
Change in net position	(46,721)
Total net position, beginning of year	60,390
Total net position, end of year	\$ 13,669

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2022

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 28,442
Total cash received	<u>28,442</u>
Cash paid for:	
Salaries, wages and benefits	(251,914)
Contract services	(10,918)
Indirect costs	(41,345)
Materials and supplies	<u>(314,209)</u>
Total cash paid	<u>(618,386)</u>
Net cash used by operating activities	<u>(589,944)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>-</u>
Net cash used by capital and related financing activities	<u>-</u>
Cash Flows from Noncapital Financing Activities	
Federal grants received	631,442
State grants received	<u>3,930</u>
Net cash provided by noncapital financing activities	<u>635,372</u>
Cash Flows from Investing Activities	
Interest income	<u>5,031</u>
Net cash provided by investing activities	<u>5,031</u>
Net increase in cash and cash equivalents	50,459
Cash and cash equivalents, beginning of year	<u>350,655</u>
Cash and cash equivalents, end of year	<u>\$ 401,114</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (770,063)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	7,034
Commodities used	24,464
Transfers out only - indirect costs	(41,345)
Salaries, wages, and benefits (on-behalf payments)	129,503
Changes in assets and liabilities	
Inventories	445
Accounts payable	(10,521)
Accrued sick leave	822
Pension related - changes in deferred outflows/inflows and net pension liability	54,487
OPEB related - changes in deferred outflows/inflows and net OPEB liability	<u>15,230</u>
Net cash used by operating activities	<u>\$ (589,944)</u>
Noncash Noncapital Financing Activities	
Donated food commodities received from the U.S. Department of Agriculture	\$ 24,464
State funding - on-behalf payments	<u>\$ 129,503</u>

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

**FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2022**

	Private Purpose Trust Funds	Custodial Fund
Assets		
Cash and cash equivalents	\$ 114,707	\$ 1,856
Capital assets, net of accumulated depreciation	<u>-</u>	<u>97,200</u>
Total assets	<u>114,707</u>	<u>99,056</u>
Liabilities		
Due to Area Technology Center	<u>-</u>	<u>99,056</u>
Total liabilities	<u>-</u>	<u>\$ 99,056</u>
Net Position		
Assets held in trust	<u>114,707</u>	
Total net position	<u>\$ 114,707</u>	

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

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2022

	Private Purpose Trust Funds	Custodial Fund
Additions		
Interest	\$ 1,406	\$ -
Donations	100	-
Total additions	1,506	-
Deductions		
Non-instructional services	(2,000)	-
Change in net position	(494)	-
Net position, beginning of year	115,201	-
Net position, end of year	\$ 114,707	\$ -

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

NOTES TO FINANCIAL STATEMENTS

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fulton County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

A. Reporting Entity

The Fulton 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 Fulton County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Fulton County School District Finance Corporation – In 1993, the Fulton County, Kentucky, Board of Education resolved to authorize the establishment of the Fulton County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Fulton County Board of Education also comprise the Corporation's Board of Directors.

B. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial 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 function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- b. The Special Revenue Funds account for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes.
 - 1. Special Revenue (Grant) Fund 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.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

2. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Redbook requirements. Project accounting is employed to maintain integrity for the various sources of funds.
 3. The Special Revenue Student Activity Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. Project accounting is employed to maintain the integrity for the various sources of funds.
- c. Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by proprietary funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Funds account for proceeds from sales of bonds and other revenues to be used for authorized construction.
- d. The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Type (Enterprise Fund)

- a. The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type

- a. The Board also has the responsibility for custody and safekeeping of the Area Technology Center custodial fund.
- b. The Private Purpose Trust Fund is used to report trust arrangements which benefit individuals, private organizations, or other governments.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

C. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 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. Property taxes levied to finance fiscal year 2020 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

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 received, payments made by the State on behalf of the District, and changes in accrued sick leave liability during the year are reported in the statement of cash flows of the proprietary fund as a noncash, noncapital financing activity.

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.

D. Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are that revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP), and expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). A reconciliation is provided on the budgetary statements when these differences are material.

An approved budget can be amended by the Board and all budget appropriations lapse at year-end.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

E. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

F. Impact of Recently Issued Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87 – Leases, effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District adopted the new accounting standard beginning July 1, 2021 and has determined that it does not have a material effect on the District's financial statements.

G. Cash and Cash Equivalents

The Board considers demand deposits, money market accounts, and time deposits that are nonnegotiable, to be cash and cash equivalents, for the governmental, proprietary, and fiduciary funds. For purposes of the statement of cash flows, the District also considers all investments with a maturity of three months or less when purchased to be cash equivalents.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky, however, such investments must be approved by the Kentucky Department of Education.

H. Inventories

Inventories are stated at cost using the first-in, first-out method for both the governmental fund types and proprietary funds. Inventories are expensed when used in the government-wide financial statements and recorded as an expenditure in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and, when applicable, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed rather than when purchased.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed as a current operating expenditure.

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

Description	Estimated Lives
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	12 years
General equipment	10-20 years

K. Interfund Activity

Interfund transactions are reflected as loans or transfers. Loans are reported as receivables and payables as appropriate, and are referred to as either "due to/from other funds". These loans are subject to elimination upon consolidation. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate 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 then. The District reports pension-related items, OPEB related items and deferred charges on refunding bonds in this category.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District records pension-related items and OPEB related items as deferred inflows of resources.

M. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee's Retirement System Non-Hazardous (CERS) and Teachers' Retirement System (KTRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Accrued and Long-Term Liabilities

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities, if any, payable from proprietary funds are reported in the proprietary fund financial statements. Bond premiums and discounts, as well as deferred amounts on refunding, are deferred and amortized over the life of the bond.

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. In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, during the current period.

P. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Education of the Fulton County School District. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution).

Assigned fund balance

This classification includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Q. Net Position

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

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

R. Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Property taxes were levied on August 26, 2021, on the assessed values. Taxes were due with a discount by October 31 and without a discount from November 2 through December 31. Taxes become delinquent after December 31. Liens are assessed on April 16, 2022.

The property tax rates for the year ended June 30, 2022 to finance the General Fund operations were \$.569 per \$100 valuation for real property, \$.557 per \$100 valuation for business tangible personal property, and \$.557 per \$100 valuation for motor vehicles.

S. Estimates

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

NOTE 2 - DETAILED NOTES ON ACCOUNTS

A. Deposits

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At fiscal year-end, the carrying amount of the District's deposits was \$4,862,033 and the bank balance was \$4,932,808. All bank balances were insured or collateralized as of June 30, 2022.

For purposes of the Statement of Cash Flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Reconciliation to Government-wide Statement of Net Position:	
Unrestricted cash, including time deposits	\$ 4,745,470
Fiduciary fund cash (not included in government-wide statement)	<u>116,563</u>
	<u>\$ 4,862,033</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

These amounts are reported in the financial statements, as follows:

Governmental activities	\$ 4,344,356
Business-type activities	401,114
Fiduciary funds	<u>116,563</u>
	<u>\$ 4,862,033</u>

B. Capital Assets

Changes in the capital assets during the year are summarized below:

Governmental Activities	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
Non-depreciable				
Land	\$ 11,000	\$ -	\$ -	\$ 11,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Depreciable				
Land improvements	172,048	10,300	-	182,348
Buildings and improvements	16,606,373	35,416	-	16,641,789
Technology equipment	216,733	16,870	-	233,603
Vehicles	946,692	56,298	-	1,002,990
General equipment	139,392	-	-	139,392
Property under capital lease	<u>220,285</u>	<u>58,850</u>	<u>-</u>	<u>279,135</u>
Totals	<u>18,301,523</u>	<u>177,734</u>	<u>-</u>	<u>18,479,257</u>
Less: Accumulated depreciation				
Land improvements	\$ 164,732	\$ 980	\$ -	\$ 165,712
Buildings and improvements	7,093,546	447,909	-	7,541,455
Technology equipment	201,013	5,118	-	206,131
Vehicles	930,298	13,499	-	943,797
General equipment	114,839	8,943	-	123,782
Property under capital lease	<u>63,847</u>	<u>27,775</u>	<u>-</u>	<u>91,622</u>
Totals	<u>8,568,275</u>	<u>504,224</u>	<u>-</u>	<u>9,072,499</u>
Net Book Value	<u>9,733,248</u>	<u>(326,490)</u>	<u>-</u>	<u>9,406,758</u>
Governmental activities capital assets - net	<u>\$ 9,744,248</u>	<u>\$ (326,490)</u>	<u>\$ -</u>	<u>\$ 9,417,758</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

<u>Business-Type Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
Depreciable				
Technology equipment	\$ 5,458	\$ -	\$ -	\$ 5,458
General equipment	<u>169,063</u>	<u>-</u>	<u>-</u>	<u>169,063</u>
Totals	<u>174,521</u>	<u>-</u>	<u>-</u>	<u>174,521</u>
Less: Accumulated depreciation				
Technology equipment	5,458	-	-	5,458
General equipment	<u>108,979</u>	<u>7,034</u>	<u>-</u>	<u>116,013</u>
Totals	<u>114,437</u>	<u>7,034</u>	<u>-</u>	<u>121,471</u>
Business-type activities capital assets - net	<u>\$ 60,084</u>	<u>\$ (7,034)</u>	<u>\$ -</u>	<u>\$ 53,050</u>
<u>Custodial Fund</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>
Depreciable				
General equipment	\$ 226,585	\$ -	\$ -	\$ 226,585
Totals	<u>226,585</u>	<u>-</u>	<u>-</u>	<u>226,585</u>
Less: Accumulated depreciation				
General equipment	<u>97,434</u>	<u>31,951</u>	<u>-</u>	<u>129,385</u>
Totals	<u>97,434</u>	<u>31,951</u>	<u>-</u>	<u>129,385</u>
Custodial fund capital assets - net	<u>\$ 129,151</u>	<u>\$ (31,951)</u>	<u>\$ -</u>	<u>\$ 97,200</u>

Amortization expense of \$27,775 related to a capital lease was not allocated to governmental activities. It appears on the statement of activities as "unallocated".

Depreciation expense has been recorded as a direct expense in the applicable governmental activity functions, as follows:

Instruction	\$ 121,576
Support services:	
District administration	14,722
Plant operations and management	325,021
Student transportation	<u>15,130</u>
	<u>\$ 476,449</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

C. Long-Term Liabilities

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Fulton County and the Fulton County School Board Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements. The District does not have any notes from direct borrowings or direct placement.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond and lease payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Fulton County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

The original amount of each bond issue, the bond issue dates, interest rates, and maturity dates are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2015	3,350,000	2.00% - 3.00%	2035
2015	1,236,000	2.00% - 3.25%	2035
2016 (Refunding)	1,580,000	2.00% - 2.25%	2028
2017 (KISTA)	86,997	2.55%	2027
2019 (KISTA)	137,618	3.00%	2029
2019	1,955,000	2.00% - 3.25%	2039
2021	58,850	1.25% - 1.50%	2031

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund), is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fulton County Fiscal Court 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 KISTA project bonds provided funds for projects of the Board. The Board leases and rents the projects from KISTA on an annual basis. The semi-annual bond interest and principal payments constitute the lease payments. The Board is also obligated to maintain the projects in good repair over the life of the lease terms.

In 1998, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Changes in the bond issues during the year are summarized below:

Issue	Balance July 1, 2021	New Issues	Retirements	Balance June 30, 2022
2015	\$ 2,795,000	\$ -	\$ 175,000	\$ 2,620,000
2015	977,000	-	54,000	923,000
2017 KISTA	51,842	-	8,560	43,282
2016 Ref.	1,115,000	-	150,000	965,000
2019	1,920,000	-	20,000	1,900,000
2019 KISTA	108,028	-	13,183	94,845
2021 KISTA	-	58,850	6,483	52,367
	<u>\$ 6,966,870</u>	<u>\$ 58,850</u>	<u>\$ 427,226</u>	<u>\$ 6,598,494</u>

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

Year	Fulton County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2023	245,408	128,940	193,308	48,820	616,476
2024	251,947	123,633	197,788	44,742	618,110
2025	260,986	118,378	201,447	40,483	621,294
2026	266,377	112,717	206,315	36,087	621,496
2027	279,045	106,670	211,382	31,493	628,590
2028-2032	1,471,864	422,238	530,627	96,790	2,521,519
2033-2037	1,444,345	193,564	362,655	29,787	2,030,351
2038-2039	445,242	21,778	29,758	1,460	498,238
	<u>\$ 4,665,214</u>	<u>\$ 1,227,918</u>	<u>\$ 1,933,280</u>	<u>\$ 329,662</u>	<u>\$ 8,156,074</u>

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The District has the option to terminate the lease by electing to not renew and surrendering the equipment to KISTA. The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

For GASB 87 purposes, the District's capitalization threshold is \$5,000 and the lease must be longer than one year including possible extension(s). The buses have a historical cost and accumulated amortization of \$279,135 and \$91,622, respectively, under the capital lease agreements. These amounts are included in the Property under capital lease line item amounts in Note 2B. Amortization is included in Amortization – unallocated on the Statement of Activities.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Future minimum lease payments at June 30, 2022, are as follows:

Fiscal Year	Principal	Interest	Total
2022-23	\$ 28,716	\$ 4,790	\$ 33,506
2023-24	28,735	3,893	32,628
2024-25	29,433	3,174	32,607
2025-26	28,692	2,433	31,125
2026-27	29,427	1,712	31,139
2027-2031	45,491	1,756	47,247
	<u>\$ 190,494</u>	<u>\$ 17,758</u>	<u>\$ 208,252</u>

Changes in the long-term liability accounts during the year are summarized below:

	Balance at July 1, 2021	Increases	Decreases	Balance at June 30, 2022	Due in One Year
Bonds	\$ 6,966,870	\$ 58,850	\$ 427,226	\$ 6,598,494	\$438,716
Discount on bond issue	(57,858)	-	(3,214)	(54,644)	-
Premium on bond issue	18,488	-	3,215	15,273	-
	<u>6,927,500</u>	<u>58,850</u>	<u>427,227</u>	<u>6,559,123</u>	<u>438,716</u>
Accrued sick leave:					
Governmental activities	201,410	-	9,646	191,764	40,379
Proprietary activities	25,568	822	-	26,390	-
	<u>226,978</u>	<u>822</u>	<u>9,646</u>	<u>218,154</u>	<u>40,379</u>
	<u>\$ 7,154,478</u>	<u>\$ 59,672</u>	<u>\$ 436,873</u>	<u>\$ 6,777,277</u>	<u>\$479,095</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The insurance assessment and compensated absences will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

D. Compensated Absences and Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 15 - 30%, depending on the employee's position, of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of the accumulated benefits for all employees eligible to retire as of September 15, 2021. The total amount of accumulated benefits for all employees eligible to retire at this date is \$55,768. The District has a General Fund Balance restriction of \$24,000 at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee.

Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

E. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2022, are as follows:

	General Fund	Special Revenue Fund	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund
Nonspendable	\$ 10,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:								
Sick leave	24,000	-	-	-	-	-	-	-
SFCC escrow	-	-	-	-	25,059	-	-	-
Future construction	-	-	-	-	-	5,434	73,383	-
Debt service	-	-	-	-	-	-	-	3,326
District Activity	-	-	-	167,736	-	-	-	-
	<u>34,985</u>	<u>-</u>	<u>-</u>	<u>167,736</u>	<u>25,059</u>	<u>5,434</u>	<u>73,383</u>	<u>3,326</u>
Assigned for:								
Encumbrances	\$ 38,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	112,827	-	-	-	-	-
Unassigned	<u>2,474,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 2,547,774</u>	<u>\$ -</u>	<u>\$ 112,827</u>	<u>\$ 167,736</u>	<u>\$ 25,059</u>	<u>\$ 5,434</u>	<u>\$ 73,383</u>	<u>\$ 3,326</u>

F. Deficit Operating/Fund Balances

The following funds had operations that resulted in a current year deficit of revenues/transfers-in over expenditures/transfers-out:

Food Service Fund	\$ 46,721
District Activity Fund	\$ 9,661

G. Interfund Transactions

Transfers

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue	KETS Match	\$ 11,244
General Fund	Debt Service	Debt Service	72,012
Special Revenue	General Fund	ESSER	56,298
Special Revenue	General Fund	Headstart	158,071
Building Fund	Debt Service	Debt Service	245,213
Capital Outlay	Debt Service	Debt Service	<u>53,540</u>
		Total governmental fund transfers	596,378
		Governmental fund transfer eliminations	<u>(596,378)</u>
		Net transfers reported on Statement of Activities	<u>\$ -</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Indirect cost transfers included in the District's annual financial reports are reported in these final statements as other financing sources and uses. The following indirect costs were paid during the year:

Food Service	General Fund	Indirect Costs	\$ 41,345
Special Revenue	General Fund	Indirect Costs	<u>178,335</u>
			<u>\$ 219,680</u>

H. On-Behalf Payments

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, :

Contributions to Kentucky Teachers' Retirement System	\$ 954,600
Health insurance, life insurance, flexible Spending accounts (includes administrative fee)	643,408
Technology	64,137
Debt Service	<u>242,788</u>
	<u>\$ 1,904,933</u>

The District does not include on-behalf payments in their budgets. The total of these payments, has been included in revenues and the applicable expenditure functions in these financial statements, as follows:

Governmental activities	
General Fund	\$ 1,532,642
Debt Service Fund	242,788
Business-type activities	<u>129,503</u>
	<u>\$ 1,904,933</u>

NOTE 3 - OTHER INFORMATION

A. Pension Plan

General Information about the Pension Plan

Plan description: All eligible District employees participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the CERS Board of Trustees. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the CERS Board of Trustees.

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011

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

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the CERS Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 members' account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The members' account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the members' account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2022, the District's required contribution rate was 21.17% (non-hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to CERS from the District were \$143,767 for non-hazardous employees for the year ended June 30, 2022.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

At June 30, 2022, the District reported a liability of \$1,479,373 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.023203% for non-hazardous employee pensions, an increase of 0.000394% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$139,570 for non-hazardous employee pensions. The net pension expense in aggregate for all plans was \$1,027,279, with revenue of \$887,709 for support provided by the State, for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,988	\$ 14,358
Changes of assumptions	19,855	-
Net difference between projected and actual earnings on pension plan investments	-	197,175
Changes in proportion and differences between District contributions and proportionate share of contributions	36,838	4,984
District contributions subsequent to the measurement date	143,767	-
	\$ 217,448	\$ 216,517

Of the total amount reported as deferred outflows of resources related to pensions, \$143,767 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

Year ended June 30:	
2023	\$ (2,730)
2024	(34,755)
2025	(43,608)
2026	(61,743)

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Actuarial assumptions: The CERS Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2021, was determined using the following updated assumptions:

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

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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 long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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). The discount rate determination does not use a municipal bond rate.

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

	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
CERS District's proportionate share of net pension liability	\$ 1,897,366	\$ 1,479,373	\$ 1,133,494

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

Teachers' Retirement System of the Commonwealth of Kentucky

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

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

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

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

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

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008 and 14.105 percent for those who joined thereafter. For employees whose salaries are federally funded, the employer contributes 16.105 percent of salary. If an employee leaves covered employment before accumulating five years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2022, the District did not report a liability for the District's proportionate share of the collective net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

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

District's proportionate share of the net Pension liability	\$ -
State's proportionate share of the net Pension	
Liability associated with the District	<u>11,120,966</u>
Total	\$ <u>11,120,966</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard actuarial techniques. 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 percent, no change from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$887,709 and revenue of \$887,709 for support provided by the State.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

Inflation	2.5 percent
Salary increases, including inflation	3.00 – 7.50 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.19 percent
Measurement Date	2.13 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.50 percent
Measurement Date	7.10 percent
Post-Retirement Benefit Increases	1.50 percent annually

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 rate of return by the target asset allocation percentage and by adding expected inflation.

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.0%	4.00%
Private Equity	7.0%	6.90%
Cash	2.0%	(0.30)%
Total	100%	

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

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

B. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description: In addition to the pension benefits described in Note 3, Kentucky Public Pensions Authority provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan. The Insurance Fund was established by KRS 61.701 to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). The responsibility for the general administration and operation of the Insurance Fund is vested with the KRS and CERS Board of Trustees.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2021 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$3.3 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2020, insurance premiums withheld from benefit payments for members of CERS were \$24.5 million and \$3.0 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0 %

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The District is required to contribute at an actuarially determined rate. As of June 30, 2022, the District's required contribution rate was 5.78% (non-hazardous) and 10.47% (hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to the Insurance Fund from the District were \$39,258 (not including implicit subsidies reported in the amount of \$14,613 for non-hazardous employees for the year ended June 30, 2022. As described in Note 3, Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

At June 30, 2022, the District reported a liability of \$444,095 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.023197% for non-hazardous employee OPEB, an increase of 0.000395% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$51,478 for non-hazardous employee OPEB. The net OPEB expense in aggregate for all plans was \$80,369, with revenue of \$66,891 for support provided by the State, for the year ended June 30, 2022. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,834	\$ 132,592
Changes of assumptions	117,738	413
Net difference between projected and actual earnings on pension plan investments	-	69,472
Changes in proportion and differences between District contributions and proportionate share of contributions	9,715	22,896
Contributions subsequent to the measurement date	39,258	-
Implicit subsidy	14,613	-
	\$ 251,158	\$ 225,373

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and \$39,258 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follow:

Year ended June 30:	
2023	\$ 5,236
2024	(5,304)
2025	(2,287)
2026	(25,731)

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Actuarial assumptions – The CERS Board of Trustees adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the reported titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total OPEB liability as of June 30, 2021, was determined using the following actuarial assumptions:

Inflation	2.30%	
Payroll Growth Rate	2.00%	
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous	
Investment Rate of Return	6.25%	
Healthcare trend rates		
Pre-65		Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post 65		Initial trend starting at 6.30% at January 1, 2023, and decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare 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. There were no other material assumption changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	(0.60)%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Expected Real Return	100.00%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

The fully-insured premiums Kentucky Public Pensions Authority pays for the CERS Health Insurance 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 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: Single discounts rates of 5.20% were used to measure the total OPEB liability as of June 30, 2021. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system’s actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.20% (non-hazardous), as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower 4.20% or one percentage point higher 6.20% than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	\$ 609,739	\$ 444,095	\$ 308,157

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 319,696	\$ 444,095	\$ 594,247

OPEB plan fiduciary net position – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial statements.

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

Plan description – Teaching-certified employees of the Kentucky School District are provided other postemployment benefits (OPEB) through the Teachers’ Retirement System of the State of Kentucky (TRS), a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://ktrs.ky.gov>.

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

Medical Insurance Plan

Plan description: In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly. *Benefits provided:* To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions: In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75% from State appropriation and 3.00% from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District's contributions to KTRS for the year ended June 30, 2022 were \$78,377.

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

At June 30, 2022, the District reported a liability of \$972,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard actuarial techniques. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 0.045287 percent, which was a decrease of 0.001762 percent from its proportion measured as of June 30, 2020.

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

District's proportionate share of the net OPEB liability	\$ 972,000
State's proportionate share of the net OPEB liability associated with the District	<u>789,000</u>
Total	<u>\$ 1,761,000</u>

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of \$28,891 and revenue of \$66,891 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 319,000
Changes of assumptions	140,000	-
Net difference between projected and actual earnings on pension plan investments	-	58,000
Changes in proportion and differences between District contributions and proportionate share of contributions	84,000	55,000
Contributions subsequent to the measurement date	<u>78,377</u>	<u>-</u>
	<u>\$ 302,377</u>	<u>\$ 432,000</u>

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

Year ended June 30:	
2023	(104,911)
2024	(105,457)
2025	(101,706)
2026	(95,065)
2027	(21,486)
Thereafter	220,625

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

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term investment rate of return	7.10%, net of investment expense, including inflation
Healthcare care trend rates	
Pre-65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Post-65	5.00% for FY 2022* decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034

*Based on known expected increase in Medicare-eligible cost in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	58.00%	5.10%
Fixed Income	9.00%	(0.10)%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 1,244,000	\$ 972,000	\$ 747,000

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 706,000	\$ 972,000	\$ 1,302,000

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

Life Insurance Plan

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

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

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

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

At June 30, 2022, the District did not report a liability for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	<u>10,000</u>
Total	<u>\$ 10,000</u>

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020 and rolled-forward using standard roll actuarial techniques. The District's proportion of the net OPEB 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 0.000000 percent, no change from its proportion measured as of June 30, 2020.

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

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term investment rate of return	7.10%, net of 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 demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

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

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

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

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

C. Commitments and Contingencies

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

As of June 30, 2022, the District had committed to the purchase of two new school buses for a total of \$232,790. These buses are being purchase with funds received from the West Kentucky State Aid Funding for Emergencies Grant.

D. 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, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include worker's compensation insurance.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2022

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases general and auto liability, physical damage insurance, errors and omissions, and general liability coverage from EMC Insurance. The District purchases worker's compensation insurance through EMC Insurance. The District pays an annual premium to each fund for coverage.

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

F. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

G. COVID-19 Grants

During fiscal years 2021 and 2022, the District was awarded COVID-19 grants through the CARES Act Education Stabilization Fund of the U.S. Department of Education, passed through the Kentucky Department of Education. These awards consisted of the Elementary and Secondary School Emergency Relief Fund Award (ESSER) in the amount of \$4,554,256. \$6,200 of the grants was required to be spent by June 30, 2022. \$256,253 of the grants must be spent or encumbered by September 30, 2022. \$702 of the grants must be spent or encumbered by June 30, 2023. \$1,355,247 of the grants must be spent or encumbered by September 30, 2023. \$2,935,854 of the grants must be spent or encumbered by September 30, 2024. As of June 30, 2022, a total of \$1,514,309 of these funds had been spent. The District estimates the remainder of these grants will be spent by the respective deadlines to fulfill the needs of the District.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
From local sources				
Taxes				
Property	\$ 1,092,000	\$ 1,078,000	\$ 1,369,478	\$ 291,478
Motor vehicle	145,000	160,000	162,988	2,988
Utilities	265,000	250,000	326,128	76,128
Other	62,000	60,000	52,091	(7,909)
Earnings on investments	17,000	18,000	24,347	6,347
Other local revenues	-	-	98,177	98,177
Intergovernmental - State	2,360,331	2,283,696	2,474,087	190,391
Intergovernmental - Indirect Federal	20,000	20,000	12,391	(7,609)
Total revenues	<u>3,961,331</u>	<u>3,869,696</u>	<u>4,519,687</u>	<u>649,991</u>
Expenditures				
Current				
Instruction	2,219,417	2,085,637	1,708,208	377,429
Support Services				
Student	104,181	144,753	106,478	38,275
Instructional staff	89,980	98,335	99,012	(677)
District administration	361,061	392,554	411,311	(18,757)
School administration	367,977	341,520	324,800	16,720
Business	195,972	207,527	184,992	22,535
Plant operations and management	579,438	377,398	650,505	(273,107)
Student transportation	251,873	260,875	378,863	(117,988)
Debt service and miscellaneous	400,000	550,000	-	550,000
Contingency	367,133	425,821	-	425,821
Total expenditures	<u>4,937,032</u>	<u>4,884,420</u>	<u>3,864,169</u>	<u>1,020,251</u>
Excess (deficit) of revenues over expenditures	<u>(975,701)</u>	<u>(1,014,724)</u>	<u>655,518</u>	<u>1,670,242</u>
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	58,850	58,850
Transfers in	146,013	158,071	214,369	56,298
Transfers out	(70,312)	(83,347)	(83,256)	91
Indirect cost reimbursements	-	40,000	219,680	179,680
Total other financing sources (uses)	<u>75,701</u>	<u>114,724</u>	<u>409,643</u>	<u>236,069</u>
Net change in fund balances	(900,000)	(900,000)	1,065,161	1,906,311
Fund balances, beginning of year	<u>900,000</u>	<u>900,000</u>	<u>1,482,613</u>	<u>582,613</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,547,774</u>	<u>\$ 2,488,924</u>
Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures				
Inflows/revenues:				
Actual amounts (budgetary basis)			\$ 4,519,687	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amount:				<u>1,532,642</u>
Total revenues as reported on statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 6,052,329</u>
Outflows/expenditures:				
Actual amounts (budgetary basis)			\$ 3,864,169	
Differences - budget to GAAP:				
On-behalf payments recorded under GAAP basis not included in budget amount:				<u>1,532,642</u>
Total expenditures as reported on statement of revenues, expenditures, and changes in fund balances - governmental funds				<u>\$ 5,396,811</u>

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Other local revenues	\$ -	\$ -	\$ 1,411	\$ 1,411
Intergovernmental - State	516,445	516,458	547,805	31,347
Intergovernmental - Indirect Federal	1,111,925	837,183	2,555,118	1,717,935
Total revenues	<u>1,628,370</u>	<u>1,353,641</u>	<u>3,104,334</u>	<u>1,750,693</u>
Expenditures				
Current				
Instruction	1,171,049	884,249	2,357,783	(1,473,534)
Support Services				
Student	-	-	49,584	(49,584)
District Admin	-	-	15,845	(15,845)
School Admin	15,286	15,286	-	15,286
Business	3,307	3,307	34,480	(31,173)
Plant operation and management	211,646	211,646	111,798	99,848
Student transportation	-	-	25,380	(25,380)
Non-instructional services	81,069	81,082	128,004	(46,922)
Total expenditures	<u>1,482,357</u>	<u>1,195,570</u>	<u>2,722,874</u>	<u>(1,527,304)</u>
Excess (deficit) of revenues over expenditures	<u>146,013</u>	<u>158,071</u>	<u>381,460</u>	<u>223,389</u>
Other Financing Sources (Uses)				
Transfers in	-	-	11,244	11,244
Transfers out	(146,013)	(158,071)	(214,369)	(56,298)
Indirect cost transfers	-	-	(178,335)	(178,335)
Total other financing sources (uses)	<u>(146,013)</u>	<u>(158,071)</u>	<u>(381,460)</u>	<u>(223,389)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Employee's Retirement System
Last Fiscal Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.023203%	0.022809%	0.022219%	0.023059%	0.025250%	0.37443%	0.05683%	0.04042%
District's proportionate share of the net pension liability (asset)	<u>\$ 1,479,373</u>	<u>\$ 1,749,431</u>	<u>\$ 1,562,672</u>	<u>\$ 1,404,363</u>	<u>\$ 1,477,960</u>	<u>\$ 1,843,532</u>	<u>\$ 2,443,246</u>	<u>\$ 1,311,353</u>
District's covered-employee payroll	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>	<u>\$ 762,499</u>	<u>\$ 885,780</u>	<u>\$ 941,782</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.34%	298.14%	278.60%	220.02%	238.52%	241.78%	275.83%	139.24%
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 143,767	\$ 114,362	\$ 113,250	\$ 90,509	\$ 83,887	\$ 86,438	\$ 101,331	\$ 127,222	\$ 113,763
Contributions in relation to the contractually required contribution	<u>(143,767)</u>	<u>(114,362)</u>	<u>(113,250)</u>	<u>(90,509)</u>	<u>(83,887)</u>	<u>(86,438)</u>	<u>(101,331)</u>	<u>(156,224)</u>	<u>(175,164)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,002)</u>	<u>\$ (61,401)</u>
District's covered-employee payroll	<u>\$ 678,771</u>	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>	<u>\$ 762,499</u>	<u>\$ 885,780</u>	<u>\$ 941,782</u>
Contributions as a percentage of covered-employee payroll	21.17%	19.12%	19.30%	16.14%	13.14%	13.95%	13.29%	14.36%	12.08%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
County Employee's Retirement System
Last Fiscal Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.023197%	0.022802%	0.022213%	0.023058%	0.025250%
District's proportionate share of the net OPEB liability (asset)	<u>\$ 444,095</u>	<u>\$ 550,599</u>	<u>\$ 373,613</u>	<u>\$ 409,390</u>	<u>\$ 507,611</u>
District's covered-employee payroll	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	74.25%	93.83%	66.61%	64.14%	81.92%
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 39,258	\$ 28,205	\$ 27,931	\$ 29,351	\$ 27,221	\$ 42,641
Contributions in relation to the contractually required contribution	<u>(39,258)</u>	<u>(28,205)</u>	<u>(27,931)</u>	<u>(29,351)</u>	<u>(27,221)</u>	<u>(42,641)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	<u>\$ 678,771</u>	<u>\$ 598,111</u>	<u>\$ 586,788</u>	<u>\$ 560,909</u>	<u>\$ 638,282</u>	<u>\$ 619,637</u>
Contributions as a percentage of covered-employee payroll	5.78%	4.72%	4.76%	5.23%	4.26%	6.88%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report and notes to the required supplementary information.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY ASSOCIATED WITH FULTON COUNTY
SCHOOL DISTRICT - SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>11,120,966</u>	<u>12,536,887</u>	<u>11,331,215</u>	<u>10,292,917</u>	<u>22,609,381</u>	<u>23,408,041</u>	<u>18,135,244</u>	<u>17,049,945</u>
Total proportionate share of the net pension liability (asset)	<u>\$ 11,120,966</u>	<u>\$ 12,536,887</u>	<u>\$ 11,331,215</u>	<u>\$ 10,292,917</u>	<u>\$ 22,609,381</u>	<u>\$ 23,408,041</u>	<u>\$ 18,135,244</u>	<u>\$ 17,049,945</u>
District's covered-employee payroll	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	<u>\$ 2,333,156</u>	<u>\$ 2,265,618</u>	<u>\$ 2,470,576</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.29%	45.59%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 of years information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>	<u>\$ 2,333,156</u>	<u>\$ 2,265,618</u>	<u>\$ 2,470,576</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE FUND
SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.045287%	0.047049%	0.043960%	0.040302%	0.043937%
District's proportionate share of the net OPEB liability (asset)	\$ 972,000	\$ 1,187,399	\$ 1,287,000	\$ 1,398,000	\$ 1,567,000
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>789,000</u>	<u>951,000</u>	<u>1,039,000</u>	<u>1,205,000</u>	<u>1,280,000</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 1,761,000</u>	<u>\$ 2,138,399</u>	<u>\$ 2,326,000</u>	<u>\$ 2,603,000</u>	<u>\$ 2,847,000</u>
District's covered-employee payroll	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	36.35%	42.92%	50.93%	58.78%	62.93%
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.50%	21.18%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report and notes to the required supplementary information.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - MEDICAL INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 78,377	\$ 79,979	\$ 83,006	\$ 76,683	\$ 71,353	\$ 74,706
Contributions in relation to the contractually required contribution	<u>(78,377)</u>	<u>(79,979)</u>	<u>(83,006)</u>	<u>(76,683)</u>	<u>(71,353)</u>	<u>(74,706)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	<u>\$2,608,600</u>	<u>\$2,673,672</u>	<u>\$2,766,844</u>	<u>\$2,527,153</u>	<u>\$2,378,428</u>	<u>\$2,490,211</u>
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.03%	3.00%	3.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE FUND ASSOCIATED WITH
FULTON COUNTY SCHOOL DISTRICT - SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Last Fiscal Year Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>10,000</u>	<u>29,000</u>	<u>24,000</u>	<u>21,000</u>	<u>17,000</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 10,000</u>	<u>\$ 29,000</u>	<u>\$ 24,000</u>	<u>\$ 21,000</u>	<u>\$ 17,000</u>
District's covered-employee payroll	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>
District's proportionate share of the 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	89.15%	71.57%	73.40%	75.00%	79.99%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - LIFE INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	<u>\$ 2,608,600</u>	<u>\$ 2,673,672</u>	<u>\$ 2,766,844</u>	<u>\$ 2,527,153</u>	<u>\$ 2,378,428</u>	<u>\$ 2,490,211</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

See independent auditor's report and notes to the required supplementary information.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

Pension Plan

County Employees Retirement System

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

Changes of assumptions: In the June 30, 2019, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: None.

Changes of assumptions:

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- 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 PUB 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR in an assumption change from 7.5 percent to 7.10 percent.

Other Post-Employment Benefits

County Employee's Retirement System

Changes of benefit terms: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2018 is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

See independent auditor's report

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 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 the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable 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.

Beginning with the June 30, 2017 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

Kentucky Teachers Retirement System

Medical Insurance Plan

Changes of benefit terms: The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2016:

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

Changes of assumptions:

- In 2020, health care cost trend rates were updated.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member

See independent auditor’s report

**FULTON COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2022

participation and spousal participation were adjusted to reflect actual experience more closely.

Life Insurance Plan

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 investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

SUPPLEMENTARY AND OTHER INFORMATION

**FULTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022**

	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 112,827	\$ 163,736	\$ 25,059	\$ 5,434	\$ 3,326	\$ 73,383	\$ 383,765
Receivables							
Accounts	-	4,000	-	-	-	-	4,000
Total assets	\$ 112,827	\$ 167,736	\$ 25,059	\$ 5,434	\$ 3,326	\$ 73,383	\$ 387,765
Liabilities and Fund Balances							
Due to other funds							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances							
Restricted	\$ -	\$ 167,736	\$ 25,059	\$ 5,434	\$ 3,326	\$ 73,383	\$ 274,938
Committed	112,827	-	-	-	-	-	112,827
Total fund balances	112,827	167,736	25,059	5,434	3,326	73,383	387,765
Total liabilities and fund balances	\$ 112,827	\$ 167,736	\$ 25,059	\$ 5,434	\$ 3,326	\$ 73,383	\$ 387,765

See independent auditor's report.

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

	Student Activity Fund	District Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Construction Fund	Total Nonmajor Governmental Funds
Revenues							
From local sources							
Taxes							
Property	\$ -	\$ -	\$ -	\$ 134,026	\$ -	\$ -	\$ 134,026
Other Local Revenue	206,479	11,103	-	-	-	-	217,582
Intergovernmental - State	-	-	53,540	111,187	242,788	-	407,515
Total revenues	<u>206,479</u>	<u>11,103</u>	<u>53,540</u>	<u>245,213</u>	<u>242,788</u>	<u>-</u>	<u>759,123</u>
Expenditures							
Current							
Instruction							
Purchased professional and technical services	55,115	-	-	-	-	-	55,115
Supplies	137,347	19,867	-	-	-	-	157,214
Facilities acquisition and construction	-	896	-	-	-	-	896
Debt service							
Debt service & miscellaneous	-	-	-	-	419,629	-	419,629
Interest & issuance costs	-	-	-	-	193,924	-	193,924
Total expenditures	<u>192,462</u>	<u>20,763</u>	<u>-</u>	<u>-</u>	<u>613,553</u>	<u>-</u>	<u>826,778</u>
Excess (deficit) of revenues over expenditures	<u>14,017</u>	<u>(9,660)</u>	<u>53,540</u>	<u>245,213</u>	<u>(370,765)</u>	<u>-</u>	<u>(67,655)</u>
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	370,765	-	370,765
Transfers out	-	-	(53,540)	(245,213)	-	-	(298,753)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(53,540)</u>	<u>(245,213)</u>	<u>370,765</u>	<u>-</u>	<u>72,012</u>
Net change in fund balances	14,017	(9,660)	-	-	-	-	4,357
Fund balances, beginning of year	<u>98,810</u>	<u>177,396</u>	<u>25,059</u>	<u>5,434</u>	<u>3,326</u>	<u>73,383</u>	<u>383,408</u>
Fund balances, end of year	<u>\$ 112,827</u>	<u>\$ 167,736</u>	<u>\$ 25,059</u>	<u>\$ 5,434</u>	<u>\$ 3,326</u>	<u>\$ 73,383</u>	<u>\$ 387,765</u>

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES AND EXPENDITURES
SPECIAL REVENUE STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2022

Fund	July 1, 2021	Revenues	Expenditures	June 30, 2022
Activity Funds				
Fulton County High School				
Annual	\$ 2,499	\$ 4,379	\$ 3,858	\$ 3,020
Athletic	14,771	29,022	28,911	14,882
Band	621	-	621	-
Bass Fishing Club	1,105	1,255	1,681	679
Charles Speed scholarship	2,336	592	-	2,928
Class of 2019	386	-	386	-
Class of 2020	44	-	44	-
Class of 2021	688	216	904	-
Class of 2022	4,831	10,246	12,670	2,407
Cross country	1,698	200	742	1,156
Faculty snacks	951	136	115	972
FEA	446	-	-	446
Foreign language club	119	-	119	-
Four Rivers scholarship	11,890	32,522	44,412	-
Future Farmers of America	5,632	33,163	29,137	9,658
General Fund	891	1,678	1,725	844
Golf	4,856	931	1,772	4,015
High school baseball	197	235	427	5
High school beta club	1,727	8,078	8,889	916
High school cheerleaders	1,314	8,542	9,432	424
High school football	368	7,980	1,531	6,817
High school volleyball	1,424	2,220	2,175	1,469
JAM	2,911	-	109	2,802
Joey Bumpus scholarship	73	300	-	373
Jones never stop learning scholarship	-	250	250	-
Lady pilot basketball	1,069	13,203	5,606	8,666
Lady pilot softball	680	745	1,200	225
Library grant	191	-	-	191
Life Skills	1,523	2,270	1,277	2,516
Maurice Tucker scholarship	2,131	250	50	2,331
McWhirt Scholarship	1,000	2,000	1,250	1,750
Mike Hayden Scholarship	50	-	-	50
Pilot army	324	-	-	324
Pilot basketball	640	5,795	2,738	3,697
Prom	112	2,753	2,415	450
Saturday league basketball	443	-	443	-
Stem club	641	-	641	-
Track team	60	360	420	-
Vending	446	2,999	2,004	1,441
Wilson Minority Scholarship	250	1,000	250	1,000
Class of 2023	624	3,015	1,809	1,830
Technology fees	535	-	-	535
Class of 2024	2,913	2,383	1,417	3,879
Pink out shirts	-	2,714	2,670	44
Jamie Alexander Scholarship	-	1,800	1,000	800
Class of 2025	-	8,526	4,901	3,625
	<u>75,410</u>	<u>191,758</u>	<u>180,001</u>	<u>87,167</u>
Less: inter-fund transfers	-	12,949	12,949	-
Total Fulton County High School	75,410	178,809	167,052	87,167
Fulton County Elementary and Middle School	25,140	27,670	27,150	25,660
Total student activity funds	100,550	206,479	194,202	112,827

See independent auditor's report.

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	Pass-Through Grantor Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed Through State Department of Education:				
Title I Grants to Local Educational Agencies	84.010	3100002-21	\$ 387,784	\$ 373,143
Title I Grants to Local Educational Agencies	84.010	3100002-20	404,785	24,026
			<u>792,569</u>	<u>397,169</u>
Title I Grants to Local Educational Agencies - Title I School Improvement Funds	84.010A	3100202-20	90,000	51,874
Title I Grants to Local Educational Agencies - Title I School Improvement Funds	84.010A	3100202-19	196,800	15,735
			<u>286,800</u>	<u>67,609</u>
Total Title I			<u>1,079,369</u>	<u>464,778</u>
Special Education Cluster:				
Special Education_Grants to States _ ARP	84.027X	4910002-21	33,492	33,492
Special Education_Grants to States	84.027A	3810002-21	178,063	165,915
Special Education_Grants to States	84.027A	3810002-20	173,443	29,017
Special Education_Grants to States	84.027A	3810002-19	164,808	9,318
			<u>549,806</u>	<u>237,742</u>
Special Education_Preschool Grants_ARP	84.173X	4900002-21	4,646	2,893
Special Education_Preschool Grants	84.327A	3800002-21	25,223	7,551
Special Education_Preschool Grants	84.173A	3800002-20	25,155	25,187
Special Education_Preschool Grants	84.173A	3800002-19	24,969	17,792
			<u>79,993</u>	<u>53,423</u>
Total Special Education Cluster			<u>629,799</u>	<u>291,165</u>
Career and Technical Education_Basic Grants to States	84.048	3710002-21	11,726	2,419
Career and Technical Education_Basic Grants to States	84.048	3710002-20	2,213	352
			<u>13,939</u>	<u>2,771</u>
Rural and Low Income Education	84.358B	3140002-21	13,216	12,654
Student Support and Academic Enrichment Program	84.424A	3140002-21	29,781	29,781
Supporting Effective Instruction State Grants	84.367	3230002-21	38,508	38,052
Supporting Effective Instruction State Grants	84.367	3230002-20	40,977	2,323
			<u>79,485</u>	<u>40,375</u>
COVID-19:				
COVID-19 - Education Stabilization Fund	84.425D	4000002-20	256,253	34,588
COVID-19 - Education Stabilization Fund	84.425U	4300002-21	2,921,703	758,409
COVID-19 - Education Stabilization Fund	84.425D	4000002-21	1,355,247	709,505
COVID-19 - Education Stabilization Fund	84.425W	4980002-21	14,151	4,914
COVID-19 - Education Stabilization Fund	84.425D	4200003-21	702	693
COVID-19 - Education Stabilization Fund	84.425D	4200003-21	6,200	6,200
			<u>4,554,256</u>	<u>1,514,309</u>
Passed Through West KY Education Cooperative				
COVID-19-FRYSC GEERS	84.425C	CARE-21	100,000	41,295
Total COVID-19			<u>4,654,256</u>	<u>1,555,604</u>
Total U.S. Department of Education			<u>6,499,845</u>	<u>2,397,128</u>

*See independent auditor's report.
The accompanying notes are an integral part of this schedule.*

FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	Pass-Through Grantor Number	Program or Award Amount	Expenditures
U.S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7760005	150,005	150,005
National School Lunch Program	10.555	7750002	343,437	343,437
National School Lunch Program - Donated Commodities	10.555	4002244	24,464	24,464
Summer Food Service Program for Children	10.559	7740023	91,865	91,865
Fresh Fruit and Vegetable Program	10.582	7720012	37,136	37,136
			<u>646,907</u>	<u>646,907</u>
 EBT Administrative Costs for Child Nutrition	 10.649	 999000	 614	 614
 State Administrative Expenses for Child Nutrition	 10.560	 7700001	 1,281	 1,281
 Passed Through Murray Independent Board of Education				
Child and Adult Care Food Program	10.558	04CH011242-01	7,104	7,104
 Total U.S. Department of Agriculture			 <u>655,906</u>	 <u>655,906</u>
U.S. Department of Health and Human Services				
Passed Through Murray Independent Board of Education:				
Head Start	93.600	04CH011242-01	158,071	158,071
 Total federal awards			 <u>\$ 7,313,822</u>	 <u>\$ 3,211,105</u>
 Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures				
Total expenditures of federal awards				\$ 3,211,105
Total expenditures of state and local awards				167,675
Expenditure of federal awards in the food service fund				<u>(655,906)</u>
 Total expenditures as reported in the special revenue fund on statement of revenues, expenditures, and changes in fund balance - governmental funds				 <u><u>\$ 2,722,874</u></u>

FULTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATE

Fulton County School District has not elected to use the 10-percent de minimus indirect rate allowed under the Uniform Guidance.

NOTE 4 - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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**

Kentucky State Committee for School District Audits
Members of the Fulton County Board of Education
Hickman, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fulton 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 Fulton County School District's basic financial statements and have issued our report thereon dated November 14, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Fulton County School District in a separate letter dated November 14, 2022, as required by the auditor's contract with the Kentucky Department of Education.

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.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 14, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the *Uniform Guidance*

Kentucky State Committee for School District Audits
Members of the Fulton County Board of Education
Hickman, Kentucky

Opinion on Each Major Federal Program

We have audited Fulton County School District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fulton County School District’s major federal programs for the year ended June 30, 2022. Fulton 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, Fulton 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). 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 Fulton 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 Fulton 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 Fulton 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 Fulton 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 Fulton 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 Fulton 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 Fulton 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 Fulton 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.

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 14, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FULTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

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

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes x no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

FINDINGS - FINANCIAL STATEMENT AUDIT

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

MANAGEMENT LETTER POINTS



Patrice Chambers, Superintendent
Fulton County Board of Education
Hickman, Kentucky

In planning and performing our audit of the financial statements of Fulton County School District as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses as well as matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated November 14, 2022, on the financial statements of Fulton County School District.

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

This communication is intended solely for the information and use of management of Fulton County School District and others within the District, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

Alexander Thompson Arnold PLLC

Murray, Kentucky
November 14, 2022

**FULTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS**

June 30, 2022

MANAGEMENT LETTER POINTS

I. Condition: ATA noted that two out of four donations received by the high school activity fund were not accompanied by donation acceptance forms.

Criteria: Per the KDE Redbook, all donations received by the activity fund should be accompanied by the standard donation acceptance form.

Cause: The activity fund treasurer erroneously omitted this form for these particular donations.

Effect: The high school activity fund is not in full compliance with the KDE Redbook requirements.

Recommendation: We recommend that the activity fund treasurer complete the standard donation acceptance form for any donation received by the activity fund.

Response: The high school activity fund treasurer will complete donation acceptance forms for all donations received going forward.

II. Condition: ATA noted one month's property taxes were not remitted in a timely manner to the District by the Sheriff's office. ATA also noted that for one month's property taxes and one month's franchise taxes, the sheriff's commission fee was withheld from the gross collections. Commission fees are not allowed to be withheld.

Criteria: KRS 134.191

Cause: Late remittance by the Sheriff's office and improper withholding of commission fees by the sheriff's office.

Effect: Noncompliance with KRS.

Recommendation: Report the late remittances and improper withholding to the appropriate regulatory agency.

Response: The District agrees with recommendation.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FULTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2022

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

FULTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER POINTS

June 30, 2022

MANAGEMENT LETTER POINTS

- I. Condition:** A lack of segregation of duties related to user access within the District's MUNIS system. Certain users who authorize transactions and have custody of assets within the organization are also superusers of the MUNIS accounting software.

Criteria: Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement AU-C Section 315 addresses the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements through understanding the entity and its environment, including the entity's internal control. Segregation of duties is a basic component of internal control and is referenced in the above professional standard.

Cause: Due to the limited number of available staff, user rights within the system for certain employees include unlimited access to all modules in MUNIS.

Effect: Unlimited access within the MUNIS system paired with users who authorize transactions and have custody of assets in the organization provide opportunity for manipulation of accounting records and misappropriation of assets.

Current Status: The finding was not repeated in the current year.

- II. Condition:** ATA noted five months' property taxes and four months' franchise taxes that were not remitted in a timely manner to the District by the Sheriff's office. All were received at least one month after the date required by KRS.

Criteria: KRS 134.191

Cause: Late remittance by the Sheriff's office.

Effect: Noncompliance with KRS. Audit adjustments unnecessary.

Current Status: This issue was repeated in the current year at a decreased volume.

FULTON COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER POINTS

June 30, 2022

III. Condition: ATA noted that activity fund accounts are not being considered inactive by either school when there is no activity in the respective accounts during the preceding 12 months.

Criteria: 702 KAR 3:130

Cause: Accounts are not being considered inactive as they could potentially be used for the purposes related to the respective account in the future.

Effect: Noncompliance with KRS. Audit adjustments unnecessary.

Current Status: *This finding was not repeated in the current year.*

IV. Condition: ATA noted one disbursement out of a sample of 25 that lacked proper signature approval.

Criteria: Per the District's internal control memo, all cash disbursements are to be approved by an authorized individual.

Cause: The exception was a travel disbursement which is inherently more likely to lack signature approval due to the unpredictable nature causing no purchase order to be completed before the purchase occurs.

Effect: Internal control deficiency that increases the risk of the occurrence of a fraudulent disbursement.

Current Status: The finding was not repeated in the current year.