

**LINCOLN COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2022**

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November 15, 2022

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lincoln 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 remaining aggregate fund information of Lincoln 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, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. 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 Lincoln County School District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2022, the District adopted new guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln 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 Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Lincoln 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 Lincoln 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, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control 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, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 52 through 55, and 58 through 60 be presented to

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022, on our consideration of Lincoln County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lincoln 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 Lincoln County School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

**LINCOLN COUNTY PUBLIC SCHOOL DISTRICT – STANFORD, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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

FINANCIAL HIGHLIGHTS

- The June 30, 2022 cash balance for the District was \$9.03 million, as compared with the beginning cash balance of \$5.9 million. The ending cash balance consists of General Fund of \$4,683,721, Debt Service Fund of \$3,365, Building Fund of \$1,121,311, Construction Fund of \$693,056, District Activity of \$84,114, SEEK/Capital Outlay of \$1,217,242, School Activity of \$379,852, and Food Service of \$846,867.
- Government-wide net position increased \$6,088,199 during the year. Total long-term obligations decreased by \$7,333,229.
- The General Fund had \$32 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$29.69 million in General Fund expenditures.
- General Fund revenue increased \$1,374,338 from last fiscal year due to increases in all areas. General Fund expenses increased \$21,138 compared to last fiscal year.
- The financial statements reflect revenues of \$8,702,868 in on-behalf payments compared to revenues of \$8,992,664 for the previous year. On-behalf payments are revenue from the state on-behalf of District employees retirement contributions, health insurance, administration fees and technology with a like amount of expenses recorded.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds for these financial statements are school activity funds. The only proprietary funds are our community education and food service operations. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$8,372,830.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

A comparison of June 30, 2021 and June 30, 2022 government wide net position is as follows:

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Current and Other Assets	\$ 9,174,869	\$ 12,998,659	\$ 402,449	\$ 1,235,771	\$ 9,577,318	14,234,430
Capital Assets	39,332,352	38,221,824	187,984	147,959	39,520,336	38,369,783
Total Assets	48,507,221	51,220,483	590,433	1,383,730	49,097,654	52,604,213
Deferred Outflows	5,448,939	5,156,027	516,111	389,237	5,965,050	5,545,264
TOTAL ASSETS AND DEFERRED OUTFLOWS	53,956,160	56,376,510	1,106,544	1,772,967	55,062,704	58,149,477
Current Liabilities	3,526,813	3,669,671	13,979	0	3,540,792	3,669,671
Non-Current Liabilities	42,362,793	36,357,979	3,070,288	2,395,031	45,433,081	38,753,010
Total Liabilities	45,889,606	40,027,650	3,084,267	2,395,031	48,973,873	42,422,681
Deferred Inflows	3,536,749	6,627,848	267,451	726,118	3,804,200	7,353,966
TOTAL LIABILITIES AND DEFERRED INFLOWS	49,426,355	46,655,498	3,351,718	3,121,149	52,778,073	49,776,647
Net Position						
Investment in capital assets (net of related debt)	19,113,208	19,193,117	187,984	147,959	19,301,192	19,341,076
Restricted	2,911,289	3,435,773	(2,433,158)	(1,496,141)	478,131	1,939,632
Unrestricted	<u>(17,494,692)</u>	<u>(12,907,878)</u>	<u>-</u>	<u>-</u>	<u>(17,494,692)</u>	<u>(12,907,878)</u>
Total Net Position	\$ 4,529,805	\$ 9,721,012	\$(2,245,174)	\$(1,348,182)	\$ 2,284,631	\$ 8,372,830

Statement of Activities

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
REVENUES						
Program revenues						
Charges for services	\$ 33,611	\$ 110,543	\$ 11,367	\$ 33,757	\$ 44,978	\$ 144,300
Operating grants and contributions	9,956,082	14,779,851	2,465,723	3,429,560	12,421,805	18,209,411
Capital grants	69,000	63,244			69,000	63,244
General revenues						
Property taxes	5,925,097	6,334,624			5,925,097	6,334,624
Motor vehicle taxes	1,135,902	1,181,035			1,135,902	1,181,035
Utility Taxes	1,145,292	1,266,641			1,145,292	1,266,641
Other taxes	173,520	114,894			173,520	114,894
Investment earnings	42,974	49,012	1,638	3,725	44,612	52,737
State and formula grants	24,426,681	25,431,503			24,426,681	25,431,503
Miscellaneous	584,889	693,008			584,889	693,008
Fund Transfer		116,116		(116,116)		0
Gain (Loss) Sale of Assets		(83,104)				(83,104)
Total revenues	<u>43,493,048</u>	<u>50,057,367</u>	<u>2,478,728</u>	<u>3,350,926</u>	<u>45,971,776</u>	<u>53,408,293</u>
EXPENSES						
Program Activities						
Instructional	27,566,641	28,123,364			27,566,641	28,123,364
Student support	1,270,779	1,458,843			1,270,779	1,458,843
Instructional staff Support	1,422,713	1,585,912			1,422,713	1,585,912
District administrative support	1,068,111	1,152,073			1,068,111	1,152,073
School administrative support	2,286,467	2,308,177			2,286,467	2,308,177
Business support	1,152,164	1,298,877			1,152,164	1,298,877
Plant operations and maintenance	4,257,428	4,750,185			4,257,428	4,750,185
Student transportation	2,554,846	3,110,754			2,554,846	3,110,754
Central Office	1,900				1,900	
Food Service Operations	87,864	11,528			87,864	11,528
Community service activities	412,568	510,270			412,568	510,270
Debt Service	634,550	556,177			634,550	556,177
Business-type Activities						
Food service			2,588,156	2,453,934	2,588,156	2,453,934
Community education						
Total operating expenses	<u>42,716,031</u>	<u>44,866,160</u>	<u>2,588,156</u>	<u>2,453,934</u>	<u>45,304,187</u>	<u>47,320,094</u>
Revenue Over (Under) Expend.	<u>\$ 777,017</u>	<u>\$ 5,191,207</u>	<u>\$ (109,428)</u>	<u>\$ 896,992</u>	<u>\$ 667,589</u>	<u>\$ 6,088,199</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance benefits, administration fees, technology, retirement plans and debt service. The total on-behalf payments for 2021 and 2022 were \$8,992,664 and \$8,702,868 respectively.

Governmental Activities

For the governmental program, instructional expense comprises 63% of total expense and includes the schools' expenditures for staff and supplies. Support services equate to 36% of total expense and are comprised of spending for student support, staff support, district administrative support, business support, plant operation and maintenance and student transportation. Interest and other expenses make up the remaining 1% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of Activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Instructional	\$ 27,566,641	\$ 28,123,364	\$ 19,804,447	\$ 15,666,765
Support Services	14,014,408	15,664,821	12,301,010	13,783,578
Other	500,432	521,798	(13,669)	(30,754)
Interest Costs	634,550	556,177	565,550	492,933
Total Expenses	<u>\$ 42,716,031</u>	<u>\$ 44,866,160</u>	<u>\$ 32,657,338</u>	<u>\$ 29,912,522</u>

Business-Type Activities

The business type activities at the District are Food Service. This program had total revenues of \$3,467,042 and expenses of \$2,570,050 for fiscal year 2022. These revenues were made up of \$33,757 charges for services, \$3,429,560 federal and state operating grants and \$3,725 earnings on investments. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and building fund is made up of state and local revenue. Fund 400 is the debt service fund and is used to make debt payments. There, the funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$31,776,861 with actual results being \$33,528,725. Budgeted expenditures were \$33,795,524 compared to actual expenditures of \$30,293,318.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2022 fiscal year, the district had invested \$79,986,940 in a broad range of capital assets, including equipment, buses, buildings, and land. This District had a net increase in Capital Assets of \$318,131. Depreciation expense for the year was \$2,080,852 and capital additions were \$1,171,584.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Land	\$ 409,580	\$ 409,580	\$ -	\$ -	\$ 409,580	\$ 409,580
Construction in Progress	-	452,209	-	-	-	452,209
Buildings and Improvements	36,386,073	34,701,593	-	-	36,386,073	34,701,593
Technology	29,541	114,293	-	-	29,541	114,293
Vehicles	2,268,878	2,104,682	-	-	2,268,878	2,104,682
General Equipment	<u>238,280</u>	<u>439,467</u>	<u>187,984</u>	<u>147,959</u>	<u>426,264</u>	<u>587,426</u>
Total	<u>\$39,332,352</u>	<u>\$38,221,824</u>	<u>\$ 187,984</u>	<u>\$ 147,959</u>	<u>\$39,520,336</u>	<u>\$ 38,369,783</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Beginning Balance	\$ 41,361,484	\$ 39,332,352	\$ 224,386	\$ 187,984	\$ 41,585,870	\$39,520,336
Additions	25,976	1,171,584	5,553	-	31,529	1,171,584
Retirements	-	(241,285)	-	-	-	(241,285)
Depreciation	<u>(2,055,108)</u>	<u>(2,040,827)</u>	<u>(41,955)</u>	<u>(40,025)</u>	<u>(2,097,063)</u>	<u>(2,080,852)</u>
Ending Balance	<u>\$ 39,332,352</u>	<u>\$ 38,221,824</u>	<u>\$ 187,984</u>	<u>\$ 147,959</u>	<u>\$ 39,520,336</u>	<u>\$ 38,369,783</u>

Long-Term Debt

The District made scheduled bond principal payments in the amount of \$1,620,000 and KISTA principal lease payments in the amount of \$292,027.

Outstanding Debt at Year-End

	Government	
	Activities (in Millions)	
	<u>2021</u>	<u>2022</u>
Capital Lease Obligations	\$ 1.29	\$ 1.01
General Bond Obligations	18.9	18.0
Net Pension Liability	15.72	12.43
Net OPEB Liability	10.7	8.65
Accrued Sick Leave	<u>0.87</u>	<u>0.87</u>
Total Obligations	<u>\$ 47.48</u>	<u>\$ 40.96</u>

Future Budgetary Implications

In Kentucky, the public school's fiscal year is July 1 – June 30; other programs, i.e. some Federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for fiscal year 2021-2022 with a 13.0% contingency.

The state did not mandate pay increases. A 2% raise was given for the 2020-2021 school year. The SEEK base received from the State remained at \$4,000. With a declining pupil adjusted average daily attendance (AADA), the total SEEK funding is projected to decrease. Since state funding is not keeping pace with rising costs it will continue to be an issue. Increasing retirement costs borne by the District is one of the significant issues that will impact future budgets.

The District has not experienced any real growth in student population for more than a decade, although costs of providing services continue to increase. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and providing the resources to meet the students' needs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (606) 365-2124 or by mail at Lincoln County Board of Education, 305 Danville Avenue, Stanford, KY 40484.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	8,182,661	846,867	9,029,528
Accounts Receivable:			
Taxes - Current	308,505		308,505
Taxes - Delinquent	17,328		17,328
Accounts	31,709		31,709
Intergovernmental - State	20		20
Intergovernmental - Federal	4,464,047	338,755	4,802,802
Inventories for Consumption		50,149	50,149
Total Current Assets	13,004,270	1,235,771	14,240,041
Noncurrent Assets - Note F			
Land	409,580		409,580
Construction in Progress	452,209		452,209
Buildings & Improvements	63,768,405		63,768,405
Furniture & Equipment	13,920,692	1,436,054	15,356,746
Less: Accumulated Depreciation	(40,329,062)	(1,288,095)	(41,617,157)
Total Noncurrent Assets	38,221,824	147,959	38,369,783
TOTAL ASSETS	51,226,094	1,383,730	52,609,824
Deferred Outflows Related to Pensions	1,863,385	59,776	1,923,161
Deferred Outflows Related to Other Post Employment Benefits	3,102,327	329,461	3,431,788
Deferred Outflows from Advanced Bond Refundings	190,315		190,315
TOTAL DEFERRED OUTFLOWS	5,156,027	389,237	5,545,264
TOTAL ASSETS AND DEFERRED OUTFLOWS	56,382,121	1,772,967	58,155,088
LIABILITIES:			
Current Liabilities:			
Accounts Payable	184,192		184,192
Accrued Salaries & Sick Leave - Note A	347,688		347,688
Advances from Grantors	1,036,023		1,036,023
Bond Obligations - Note D	1,685,000		1,685,000
Capital Lease Obligation - Note E	291,773		291,773
Accrued Interest Payable	125,756		125,756
Total Current Liabilities	3,670,432	0	3,670,432
Noncurrent Liabilities:			
Bond Obligations - Note D	16,336,083		16,336,083
Capital Lease Obligation - Note E	715,851		715,851
Net Pension Liability	10,569,705	1,865,242	12,434,947
Net Other Post Employment Benefits Liability	8,123,159	529,789	8,652,948
Accrued Sick Leave - Note A	613,181		613,181
Total Noncurrent Liabilities	36,357,979	2,395,031	38,753,010
TOTAL LIABILITIES	40,028,411	2,395,031	42,423,442
Deferred Inflows Related to Pensions	2,511,778	375,928	2,887,706
Deferred Inflows Related to Other Post Employment Benefits	4,116,070	350,190	4,466,260
TOTAL DEFERRED INFLOWS	6,627,848	726,118	7,353,966
TOTAL LIABILITIES AND DEFERRED INFLOWS	46,656,259	3,121,149	49,777,408
NET POSITION:			
Net Investment in Capital Assets	19,193,117	147,959	19,341,076
Restricted for:			
Capital Projects	1,802,362		1,802,362
SFCC Escrow	1,172,002		1,172,002
School Activities	462,894		462,894
Food Service		(1,496,141)	(1,496,141)
Debt Service	3,365		3,365
Unrestricted	(12,907,878)		(12,907,878)
TOTAL NET POSITION	9,725,862	(1,348,182)	8,377,680
TOTAL LIABILITIES AND NET POSITION	56,382,121	1,772,967	58,155,088

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	28,124,157	110,543	12,346,056		(15,667,558)		(15,667,558)
Support Services:							
Student Support Services	1,458,843		405,100		(1,053,743)		(1,053,743)
Staff Support Services	1,585,912		764,149		(821,763)		(821,763)
District Administration	1,152,073				(1,152,073)		(1,152,073)
School Administration	2,308,177		6,886		(2,301,291)		(2,301,291)
Business Support Services	1,298,877		52,764		(1,246,113)		(1,246,113)
Plant Operation & Maintenance	4,750,185		90,360		(4,659,825)		(4,659,825)
Student Transportation	3,110,754		561,984		(2,548,770)		(2,548,770)
Food Service Operations	11,528		12,219		691		691
Community Service Operations	510,270		540,333		30,063		30,063
Interest on Long-Term Debt	556,177			63,244	(492,933)		(492,933)
TOTAL GOVERNMENTAL ACTIVITIES	44,866,953	110,543	14,779,851	63,244	(29,913,315)		(29,913,315)
BUSINESS-TYPE ACTIVITIES:							
Food Service	2,453,934	33,757	3,429,560			1,009,383	1,009,383
TOTAL BUSINESS-TYPE ACTIVITIES	2,453,934	33,757	3,429,560	0	0	1,009,383	1,009,383
TOTAL SCHOOL DISTRICT	47,320,887	144,300	18,209,411	63,244	(29,913,315)	1,009,383	(28,903,932)
GENERAL REVENUES:							
Taxes:							
Property					6,334,624		6,334,624
Motor Vehicle					1,181,035		1,181,035
Utility					1,266,641		1,266,641
Other					114,894		114,894
State Aid - Formula Grants					25,431,503		25,431,503
Investment Earnings					49,012	3,725	52,737
Miscellaneous					698,651		698,651
Funds Transfer (Expense)					116,116	(116,116)	0
Gain (Loss) Sale of Assets					(83,104)		(83,104)
TOTAL GENERAL REVENUES & TRANSFERS					35,109,372	(112,391)	34,996,981
CHANGE IN NET POSITION					5,196,057	896,992	6,093,049
NET POSITION - BEGINNING					4,529,805	(2,245,174)	2,284,631
NET POSITION - ENDING					9,725,862	(1,348,182)	8,377,680

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE FUND	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:							
Cash & Cash Equivalents	4,683,721		3,365	1,121,311	1,217,242	1,157,022	8,182,661
Accounts Receivable:							
Taxes - Current	308,505						308,505
Taxes - Delinquent	17,328						17,328
Accounts	25,501					6,208	31,709
Interfund Receivable	3,389,744						3,389,744
Intergovernmental - State		20					20
Intergovernmental - Federal		4,464,047					4,464,047
TOTAL ASSETS	<u>8,424,799</u>	<u>4,464,067</u>	<u>3,365</u>	<u>1,121,311</u>	<u>1,217,242</u>	<u>1,163,230</u>	<u>16,394,014</u>
LIABILITIES AND FUND BALANCE:							
Liabilities:							
Accounts Payable	81,367	40,579				62,246	184,192
Accrued Salaries & Sick Leave	347,688						347,688
Interfund Payable		3,387,465				2,279	3,389,744
Advances from Grantors		1,036,023					1,036,023
Total Liabilities	<u>429,055</u>	<u>4,464,067</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,525</u>	<u>4,957,647</u>
Fund Balance:							
Restricted for:							
Capital Projects				1,121,311	45,240	635,811	1,802,362
School Activities						462,894	462,894
SFCC Escrow					1,172,002		1,172,002
Debt Service			3,365				3,365
Committed for:							
Accrued Sick Leave	613,181						613,181
Assigned for:							
Purchase Obligations	274,373						274,373
Unassigned Fund Balance	7,108,190						7,108,190
Total Fund Balance	<u>7,995,744</u>	<u>0</u>	<u>3,365</u>	<u>1,121,311</u>	<u>1,217,242</u>	<u>1,098,705</u>	<u>11,436,367</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>8,424,799</u>	<u>4,464,067</u>	<u>3,365</u>	<u>1,121,311</u>	<u>1,217,242</u>	<u>1,163,230</u>	<u>16,394,014</u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		11,436,367
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	78,550,886	
Accumulated Depreciation	<u>(40,329,062)</u>	38,221,824
Deferred Outflows on Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		190,315
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		1,863,385
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		3,102,327
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:		
Bonds Payable	(18,020,000)	
Unamortized Bond Premiums	(31,947)	
Unamortized Bond Discount	30,864	
Capital Lease Obligation	(1,007,624)	
Accrued Interest on Bonds	(125,756)	
Net Pension Liability	(10,569,705)	
Net Other Post Employment Benefits Liability	(8,123,159)	
Accrued Sick Leave	<u>(613,181)</u>	(38,460,508)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(4,116,070)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(2,511,778)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>9,725,862</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL	SPECIAL REVENUE	DEBT SERVICE FUND	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:							
Taxes:							
Property	5,640,004			694,620			6,334,624
Motor Vehicle	1,181,035						1,181,035
Utility	1,266,641						1,266,641
Other	114,894						114,894
Earnings on Investments	42,845	3,192				2,975	49,012
Intergovernmental - State	23,983,276	943,936	345,273	832,718	333,480		26,438,683
Intergovernmental - Federal	213,982	13,621,933					13,835,915
Other Sources	29,578	42,586				737,030	809,194
TOTAL REVENUES	32,472,255	14,611,647	345,273	1,527,338	333,480	740,005	50,029,998
EXPENDITURES:							
Instructional	16,563,978	11,647,508				661,933	28,873,419
Support Services:							
Student Support Services	1,095,828	382,179					1,478,007
Staff Support Services	873,664	720,913					1,594,577
District Administration	1,153,712						1,153,712
School Administration	2,351,435	6,496					2,357,931
Business Support Services	1,229,092	49,779	41,166				1,320,037
Plant Operation & Maintenance	3,952,085	85,247					4,037,332
Student Transportation	2,472,051	530,187					3,002,238
Food Service Operations		11,528					11,528
Community Service Operations		509,760					509,760
Facility Acquisition & Construction						452,209	452,209
Debt Service:							
Principal			1,912,027				1,912,027
Interest			499,671				499,671
TOTAL EXPENDITURES	29,691,845	13,943,597	2,452,864	0	0	1,114,142	47,202,448
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	2,780,410	668,050	(2,107,591)	1,527,338	333,480	(374,137)	2,827,550
OTHER FINANCING SOURCES(USES):							
Proceeds from Sale of Bonds			2,040,000			615,000	2,655,000
Premium on Issuance of Bonds						7,094	7,094
Discount on Issuance of Bonds			(18,887)				(18,887)
Payment to Refunded Bond Escrow Agent			(1,980,313)				(1,980,313)
Sale of Assets	158,181						158,181
Operating Transfers In - Note N	898,289	114,123	937,975			323,397	2,273,784
Operating Transfers Out - Note N	(601,473)	(782,173)		(406,027)	(288,240)	(79,755)	(2,157,668)
TOTAL OTHER FINANCING SOURCES	454,997	(668,050)	978,775	(406,027)	(288,240)	865,736	937,191
NET CHANGE IN FUND BALANCES	3,235,407	0	(1,128,816)	1,121,311	45,240	491,599	3,764,741
FUND BALANCES - BEGINNING AS RESTATED - NOTE R							
	4,760,337	0	1,132,181	0	1,172,002	607,106	7,671,626
FUND BALANCES - ENDING	7,995,744	0	3,365	1,121,311	1,217,242	1,098,705	11,436,367

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		3,764,741
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(2,040,827)	
Capital Outlays	1,171,584	
		(869,243)
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond Principal Paid	1,620,000	
Payment to Refunded Bond Escrow Agent	1,980,313	
Bond Proceeds	(2,643,207)	
Capital Lease Principal Paid	292,027	
		1,249,133
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
Amortization-Deferred Outflows on Advanced Bond Refundings	(68,911)	
Amortization - Bond Premiums	3,145	
Amortization - Bond Discounts	(1,527)	
District Pension Contributions	961,422	
Cost of Benefits Earned Net of Employee Contributions	(519,289)	
District Other Post Employment Benefits Contributions	787,689	
Cost of Benefits Earned Net of Employee Contributions - OPEB	144,224	
Accrued Interest Payable	10,787	
Accrued Sick Leave	(24,829)	
		1,292,711
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Loss - Sale of Assets		(241,285)
CHANGES - NET POSITION GOVERNMENTAL FUNDS		5,196,057

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	ENTERPRISE FUNDS
	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	846,867
Accounts Receivable	338,755
Inventories for Consumption	50,149
Total Current Assets	1,235,771
Noncurrent Assets:	
Furniture & Equipment	1,436,054
Less: Accumulated Depreciation	(1,288,095)
Total Noncurrent Assets	147,959
TOTAL ASSETS	1,383,730
Deferred Outflows Related to Other Post Employment Benefits	329,461
Deferred Outflows Related to Pensions	59,776
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,772,967
LIABILITIES:	
Current Liabilities:	
Account Payable	0
Total Current Liabilities	0
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	529,789
Net Pension Liability	1,865,242
Total Noncurrent Liabilities	2,395,031
TOTAL LIABILITIES	2,395,031
Deferred Inflows Related to Other Post Employment Benefits	350,190
Deferred Inflows Related to Pensions	375,928
TOTAL LIABILITIES AND DEFERRED INFLOWS	3,121,149
Net Position:	
Net Investment in Capital Assets	147,959
Restricted	(1,496,141)
Total Net Position	(1,348,182)
TOTAL LIABILITIES AND NET POSITION	1,772,967

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>ENTERPRISE FUNDS</u>
	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	33,736
Other Operating Revenues	21
TOTAL OPERATING REVENUES	<u>33,757</u>
OPERATING EXPENSES:	
Salaries & Benefits	885,522
Contract Services	17,141
Materials & Supplies	1,491,581
Depreciation - Note F	40,025
Other Operating Expenses	19,665
TOTAL OPERATING EXPENSES	<u>2,453,934</u>
OPERATING INCOME(LOSS)	(2,420,177)
NONOPERATING REVENUES(EXPENSES):	
Transfer Out to General Fund	(116,116)
Federal Grants	3,062,093
State Grants	161,239
Donated Commodities	206,228
Interest Income	3,725
TOTAL NONOPERATING REVENUE	<u>3,317,169</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	896,992
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	896,992
TOTAL NET POSITION	<u>(2,245,174)</u>
TOTAL NET POSITION - ENDING	<u><u>(1,348,182)</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN 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	33,736
Other Activities	21
Cash Paid to/for:	
Employees	(835,336)
Supplies	(1,311,274)
Other Activities	(36,806)
	<u>(2,149,659)</u>
Net Cash Provided (Used) by Operating Activities	(2,149,659)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer out to General Fund	(116,116)
Federal Grants	2,841,758
State Grants	21,337
	<u>2,746,979</u>
Net Cash Provided by Non-Capital and Related Financing Activities	2,746,979
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of Equipment	-
	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Receipt of Interest Income	3,725
	<u>3,725</u>
Net Cash Provided by Investing Activities	3,725
Net Decrease in Cash and Cash Equivalents	601,045
Balances, Beginning of Year	<u>245,822</u>
Balances, End of Year	<u>846,867</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(2,420,177)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	40,025
State On-Behalf Payments	139,903
Donated Commodities	206,228
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	126,874
Deferred Inflows	458,667
Net Pension Liability	(492,981)
Net Other Post Employment Benefits	(182,277)
Inventory	(11,942)
Accounts Payable	(13,979)
	<u>(2,149,659)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,149,659)</u>
Schedule of Non-Cash Transactions:	
Donated Commodities	206,228
State On-Behalf Payments	139,903

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Lincoln County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Lincoln 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) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 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. This is a major fund of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. 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 cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

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

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

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

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 Nonexchange 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.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$0.532 per \$100 valuation for real property, \$0.532 per \$100 valuation for business personal property, and \$0.542 per \$100 valuation for motor vehicles.

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

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$613,181	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net positions are 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 governments.

Operating Revenues and Expenses

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

Contributions of Capital

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

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

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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

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

Postemployment Benefits Other Than Pensions

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

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

Changes in Accounting Principle

Effective July 1, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB 87 required retrospective application. The District has no leases under GASB 87. Thus, no adjustment to beginning net position is required.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$9,029,528. Of the total cash balance, \$278,365 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Bank Balance	Book Balance
Farmers Bank	10,861,583	9,001,163
U.S. Bank	3,365	3,365
J.P. Chase	<u>25,000</u>	<u>25,000</u>
Total Cash	<u>10,889,948</u>	<u>9,029,528</u>
Breakdown per financial statements:		
Governmental Funds		8,182,661
Proprietary Funds		<u>846,867</u>
Total Cash		<u>9,029,528</u>

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Lincoln County School District Finance Corporation in the original amount aggregating \$26,560,000.

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

2010 Refunding	4,215,000	2.00% - 3.30%
2012 Refunding	6,820,000	1.00% - 2.375%
2014 Refunding	5,385,000	2.75% - 3.625%
2015 Refunding	6,745,000	2.00% - 3.00%
2019	740,000	2.50% - 2.75%
2021 Refunding	2,040,000	1.00% - 1.80%
2022	615,000	1.25% - 3.00%

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

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

On August 10, 2021, the District issued \$2,040,000 in Refunding Revenue Bonds with an average interest rate of 1.4 percent to advance refund \$1,920,000 of outstanding 2012 Bonds. The refunding was an advanced refunding. The net proceeds of \$1,980,313 (after \$40,801 in bond issuance costs and of discount of \$18,887) were used to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to call the bonds. The net present value of the savings from the new bond issuance is \$147,667 as described in the bond issuance documents. The difference in cash flow required to service the advance refunding of the 2012 bond compared to the 2022 refunding bond is a reduction in cash flow required of \$147,667.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2022, for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2022-23	1,685,000	455,965	385,379	1,755,586
2023-24	1,725,000	418,796	386,099	1,757,697
2024-25	1,770,000	379,458	385,785	1,763,673
2025-26	1,800,000	337,671	359,839	1,777,832
2026-27	1,720,000	300,315	267,950	1,752,365
2027-28	1,785,000	252,652	272,324	1,765,328
2028-29	1,860,000	199,763	271,574	1,788,189
2029-30	1,915,000	140,288	270,825	1,784,463
2030-31	1,655,000	70,598	227,587	1,498,011
2031-32	1,395,000	44,850	75,451	1,364,399
2032-33	70,000	19,250	74,701	14,549
2033-34	75,000	17,287	73,801	18,486
2034-35	75,000	15,262	72,901	17,361
2035-36	80,000	13,238	77,001	16,237
2036-37	85,000	10,968	75,951	20,017
2037-38	85,000	8,606	74,901	18,705
2038-39	85,000	6,244	73,852	17,392
2039-40	80,000	3,919	72,801	11,118
2040-41	40,000	2,250	42,250	0
2041-42	35,000	1,050	36,050	0
	<u>18,020,000</u>	<u>2,698,430</u>	<u>3,577,022</u>	<u>17,141,408</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	18,905,000	2,655,000	3,540,000	18,020,000	1,685,000
Add: Bond Premiums	27,998	7,094	3,145	31,947	3,145
Less: Bond Discount	<u>(13,505)</u>	<u>(18,887)</u>	<u>(1,528)</u>	<u>(30,864)</u>	<u>(1,526)</u>
Net Revenue Bond Payable	18,919,493	2,643,207	3,541,617	18,021,083	1,686,619
Capital Lease Obligations	1,299,651	0	292,027	1,007,624	291,773
Net Pension Liability	13,363,267	0	2,793,562	10,569,705	0
Net OPEB Liability	10,791,122	0	2,667,963	8,123,159	0
Accrued Sick Leave	<u>871,915</u>	<u>88,177</u>	<u>94,187</u>	<u>865,905</u>	<u>252,724</u>
Total Governmental Activities:	45,245,448	2,731,384	9,389,356	38,587,476	2,231,116
Proprietary Activities:					
Net OPEB Liability	712,065	0	182,276	529,789	0
Net Pension Liability	<u>2,358,223</u>	<u>0</u>	<u>492,981</u>	<u>1,865,242</u>	<u>0</u>
Total Long-Term Liabilities:	<u>48,315,736</u>	<u>2,731,384</u>	<u>10,064,613</u>	<u>40,982,507</u>	<u>2,231,116</u>

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2027. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2022.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2022</u>
Buses	2,927,765
Accumulated Amortization	<u>(2,090,000)</u>
	<u>837,765</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2022:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2023	316,858
2024	273,951
2025	218,720
2026	171,991
2027	<u>89,858</u>
Net minimum lease payments	1,071,378
Amount representing interest	<u>(63,754)</u>
Present value of net minimum lease payments	<u>1,007,624</u>

Interest rates on capitalized leases vary from 1.00% to 3.900%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	409,580			409,580
Construction	-	452,209		452,209
Depreciable Assets:				
Buildings & Building Improvements	64,271,393	89,019	592,007	63,768,405
Technology Equipment	3,969,689	94,447		4,064,136
Vehicles	8,027,468	272,318	261,446	8,038,340
General Equipment	1,554,625	263,591		1,818,216
TOTAL AT HISTORICAL COST	78,232,755	1,171,584	853,453	78,550,886
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	27,885,320	1,532,214	350,722	29,066,812
Technology Equipment	3,940,148	9,695		3,949,843
Vehicles	5,758,590	436,514	261,446	5,933,658
General Equipment	1,316,345	62,404		1,378,749
TOTAL ACCUMULATED DEPRECIATION	38,900,403	2,040,827	612,168	40,329,062
GOVERNMENTAL ACTIVITIES CAPITAL NET	39,332,352	(869,243)	(241,285)	38,221,824
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	65,921			65,921
General Equipment	1,370,133			1,370,133
TOTALS AT HISTORICAL COST	1,436,054	-	-	1,436,054
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	65,921			65,921
General Equipment	1,182,149	40,025		1,222,174
TOTAL ACCUMULATED DEPRECIATION	1,248,070	40,025	-	1,288,095
PROPRIETARY ACTIVITIES CAPITAL NET	187,984	(40,025)	-	147,959
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				761,103
Staff Support Services				8,335
District Administration				6,760
Business Support Services				84
Plant Operation & Maintenance				834,537
Student Transportation				429,498
Community Service Operations				510
TOTAL				2,040,827

NOTE G – RETIREMENT PLANS

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

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). University members contribute 10.40% of salary to the retirement system. Non-university members contribute 12.855% of salary to the retirement system. Member contributions are picked up by the employer.

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

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

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

At June 30, 2022, the District reported a liability \$12,434,947 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS 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 Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 12,434,947
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>55,614,069</u>
	<u>\$ 68,049,016</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.195034% percent.

For the year ended June 30, 2022, the District recognized pension expense of \$610,928 related to CERS and \$4,439,299 related to TRS. The District also recognized revenue of \$4,439,299 for TRS support provided by the Commonwealth. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 142,791	\$ 120,690
Changes of assumptions	166,892	-
Net difference between projected and actual earnings on pension plan investments	482,393	2,139,763
Changes in proportion and differences between District contributions and proportionate share of contributions	-	627,253
District contributions subsequent to the measurement date	<u>1,131,085</u>	<u>-</u>
Total	<u>\$ 1,923,161</u>	<u>\$ 2,887,706</u>

\$1,131,085 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2023	(566,872)
2024	(622,094)
2025	(387,662)
2026	(519,002)
2027	-

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Teachers' Retirement System (TRS)

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

Valuation Date	June 30, 2020
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.50%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%

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

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

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

The target 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 Rates 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%	-0.1%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.0%
Private Equity	7.00%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

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

County Employees' Retirement System (CERS)

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

Valuation Date	June 30, 2019
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. 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 return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% 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%
Total	100.0%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

Discount rate—For CERS, 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 amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	15,948,410	12,434,947	9,527,640
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	0	0	0

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

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

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

Medical Insurance Plan

Plan description – In addition to the OPEB 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, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (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, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2022, the Lincoln County District reported a liability of \$4,920,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was .4099 percent, compared to .2315 percent at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

District's proportionate share of the net OPEB liability	\$ 4,920,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,996,000</u>
Total	<u>\$ 8,916,000</u>

For the year ended June 30, 2022, the District recognized OPEB benefit of \$9,844 and revenue of \$330,540 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,614,616
Changes of assumptions	710,188	-
Net difference between projected and actual earnings on pension plan investments		289,704
Changes in proportion and differences between District contributions and proportionate share of contributions		227,349
District contributions subsequent to the measurement date	<u>525,194</u>	<u>-</u>
Total	<u>1,235,382</u>	<u>2,131,669</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$525,194 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2023	\$ (361,992)
2024	(363,647)
2025	(329,987)
2026	(292,463)
2027	(71,736)
Thereafter	(1,656)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	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
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

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

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 remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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%
	<u>100.00%</u>	

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	6,299,000	4,920,000	3,780,000

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 were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	3,574,000	4,920,000	6,595,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Life Insurance Plan

Plan description – Life Insurance Plan – 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 made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

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

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

At June 30, 2022, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. 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	-0-
State’s proportionate share of the net OPEB liability associated with the District	<u>53,000</u>
Total	<u>\$ 53,000</u>

Actuarial assumptions – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	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%
	100.00%	

Discount rate (SEIR) - The discount rate used to measure the total OPEB liability for life insurance 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.

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

County Employees’ Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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 CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Lincoln County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 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. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, five and seventy-eight one hundreds percent (5.78%) of the gross annual payroll of members is contributed for the year ended June 30, 2022 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2022, the Lincoln County District reported a liability of \$3,732,948 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District’s proportion was .194988 percent, compared to .204917 percent at 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	\$ 3,732,948
State’s proportionate share of the net OPEB liability associated with the District	-0-
Total	<u>\$ 3,732,948</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$230,859. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 587,007	\$ 1,114,534
Changes of assumptions	989,675	3,471
Net difference between projected and actual earnings on pension plan investments	188,077	772,045
Changes in proportion and differences between District contributions and proportionate share of contributions	-	444,541
District contributions subsequent to the measurement date	<u>431,647</u>	<u>-</u>
Total	<u><u>2,196,406</u></u>	<u><u>2,334,591</u></u>

from the following sources:

Of the total amount reported as deferred outflows of resources related to OPEB, \$431,647 resulting from District contributions of \$308,818 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$122,829, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2023	\$ (47,090)
2024	(135,535)
2025	(118,560)
2026	(268,647)
2027	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Valuation Date	June 30, 2020
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost 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% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The 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 is 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%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Discount rate - The discount rate used to measure the total OPEB liability was 5.20%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.20%	5.20%	6.20%
District's proportionate share of net OPEB liability	5,125,309	3,732,948	2,590,284

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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	2,687,279	3,732,948	4,995,087

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Ohio Casualty Insurance Company.

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

NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit fund balance in the amount of \$1,348,182 at June 30, 2022. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

District Activity	39,143
Construction Fund	449,234
Debt Service	2,107,591

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	69,525
Operating	Special Revenue	General	Debt Service	41,851
Operating	Special Revenue	General	Indirect Cost	740,322
Operating	General	Debt Service	Debt Service	531,948
Operating	Building	Debt Service	Debt Service	406,027
Operating	School Activity	District Activity	Operations	35,157
Operating	School Activity	Special Revenue	Operations	44,598
Operating	Capital Outlay	Debt Service	Debt Service	<u>288,240</u>
		Subtotal Governmental Funds Transfer		2,157,668
Operating	Food Service	General	Indirect Costs	<u>116,116</u>
		Total Transferred Funds		<u>2,273,784</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$3,387,465
General Fund	School Activity Fund	\$ 2,279

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 15, 2022, the date the financials were available for release. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2022, \$8,702,868 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$4,439,299
Teachers Retirement System (GASB 75)	338,680
Health Insurance	4,206,908
Life Insurance	6,671
Administrative Fee	53,216
HRA/Dental/Vision	224,350
Federal Reimbursement	(1,031,783)
Technology	120,254
SFCC Debt Service Payments	<u>345,273</u>
Total	<u>\$8,702,868</u>

NOTE R – COMMITMENTS

Lincoln County School District is in the process renovating existing Area Technology Center spaces to provide a new welding lab. Construction for this project is ongoing as of the audit date. It is anticipated that the completion of this project will cost an additional \$735,861 including equipment costs.

REQUIRED SUPPLEMENTARY
INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	7,283,290	7,283,290	8,202,574	919,284
Other Local Sources	30,000	30,000	72,423	42,423
State Sources	24,095,821	24,095,821	23,983,276	(112,545)
Federal Sources	140,000	140,000	213,982	73,982
Other Sources	227,750	227,750	1,056,470	828,720
TOTAL REVENUES	31,776,861	31,776,861	33,528,725	1,751,864
EXPENDITURES:				
Instructional	20,132,074	20,132,074	16,563,978	3,568,096
Student Support Services	1,160,027	1,160,027	1,095,828	64,199
Staff Support Services	1,038,149	1,038,149	873,664	164,485
District Administration	966,069	966,069	1,153,712	(187,643)
School Administration	2,300,421	2,300,421	2,351,435	(51,014)
Business Support Services	1,060,725	1,060,725	1,229,092	(168,367)
Plant Operation & Maintenance	3,752,196	3,752,196	3,952,085	(199,889)
Student Transportation	2,783,519	2,783,519	2,472,051	311,468
Community Service Operations	0	0	0	0
Other	602,344	602,344	601,473	871
TOTAL EXPENDITURES	33,795,524	33,795,524	30,293,318	3,502,206
NET CHANGE IN FUND BALANCE	(2,018,663)	(2,018,663)	3,235,407	5,254,070
FUND BALANCES - BEGINNING	2,018,663	2,018,663	4,760,337	2,741,674
FUND BALANCES - ENDING	0	0	7,995,744	7,995,744

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources			3,192	3,192
State Sources	1,107,374	1,107,374	943,936	(163,438)
Federal Sources	12,666,664	12,666,664	13,621,933	955,269
Other Sources	78,506	78,506	156,709	78,203
TOTAL REVENUES	<u>13,852,544</u>	<u>13,852,544</u>	<u>14,725,770</u>	<u>873,226</u>
EXPENDITURES:				
Instructional	11,014,067	11,014,067	11,647,508	(633,441)
Student Support Services	242,923	242,923	382,179	(139,256)
Staff Support Services	634,590	634,590	720,913	(86,323)
District Administration				
School Administration	6,499	6,499	6,496	
Business Support Services			49,779	
Plant Operation & Maintenance	131,080	131,080	85,247	45,833
Student Transportation	728,277	728,277	530,187	198,090
Food Service			11,528	
Central Office				
Community Service Operations	396,542	396,542	509,760	(113,218)
Facility Acquisition & Construction				
Other	698,566	698,566	782,173	(83,607)
TOTAL EXPENDITURES	<u>13,852,544</u>	<u>13,852,544</u>	<u>14,725,770</u>	<u>(811,922)</u>
NET CHANGE IN FUND BALANCE	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,304</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>61,304</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	<u>107,599,741</u>	<u>114,033,554</u>	<u>145,053,801</u>	<u>128,026,106</u>	<u>60,368,474</u>	<u>59,824,759</u>	<u>60,845,647</u>	<u>55,614,069</u>
TOTAL	<u><u>107,599,741</u></u>	<u><u>114,033,554</u></u>	<u><u>145,053,801</u></u>	<u><u>128,026,106</u></u>	<u><u>60,368,474</u></u>	<u><u>59,824,759</u></u>	<u><u>60,845,647</u></u>	<u><u>55,614,069</u></u>
District's covered-employee payroll	\$ 16,242,417	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
District's proportionate share of the net pension liability as a percentage of its covered-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	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.20%	65.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net pension liability	0.227394%	0.234952%	0.232259%	0.236088%	0.223531%	0.210158%	0.204976%	0.195034%
District's proportionate share of the net pension liability	\$ 7,377,999	10,101,825	11,435,526	13,818,956	13,613,719	14,780,506	15,721,490	12,434,947
State of Kentucky's share of the net pension liability associated with the district	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL	<u>\$ 7,377,999</u>	<u>10,101,825</u>	<u>11,435,526</u>	<u>13,818,956</u>	<u>13,613,719</u>	<u>14,780,506</u>	<u>15,721,490</u>	<u>12,434,947</u>
District's covered-employee payroll	\$ 6,088,163	5,561,734	5,788,896	5,549,483	5,319,668	5,267,100	5,002,892	5,342,867
District's proportionate share of the net pension liability as a percentage of its covered-payroll	121.19%	181.63%	197.54%	249.01%	255.91%	280.62%	314.25%	232.74%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	63.46%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,242,417	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 698,977	\$ 690,767	\$ 807,551	\$ 803,565	\$ 862,851	\$ 1,016,550	\$ 965,558	\$ 1,131,085
Contributions in relation to the actuarially determined contributions	<u>698,977</u>	<u>690,767</u>	<u>807,551</u>	<u>803,565</u>	<u>862,851</u>	<u>1,016,550</u>	<u>965,558</u>	<u>1,131,085</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,482,170	\$ 5,561,734	\$ 5,788,896	\$ 5,549,483	\$ 5,319,668	\$ 5,267,100	\$ 5,002,892	\$ 5,342,867
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.236088%	0.223524%	0.210103%	0.204917%	0.194988%
District's proportionate share of the net OPEB liability	4,746,176	3,968,624	3,533,838	4,948,122	3,732,948
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u><u>4,746,176</u></u>	<u><u>3,968,624</u></u>	<u><u>3,533,838</u></u>	<u><u>4,948,122</u></u>	<u><u>3,732,948</u></u>
District's covered-employee payroll	5,549,483	5,319,668	5,267,100	5,002,892	5,342,867
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	85.52%	74.60%	67.09%	98.91%	69.68%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.2521%	0.2395%	0.2352%	0.2315%	0.4099%
District's proportionate share of the net OPEB liability	8,991,000	8,309,000	6,883,000	5,843,000	4,920,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>7,344,000</u>	<u>7,160,000</u>	<u>5,559,000</u>	<u>4,680,000</u>	<u>3,996,000</u>
TOTAL	<u><u>16,335,000</u></u>	<u><u>15,469,000</u></u>	<u><u>12,442,000</u></u>	<u><u>10,523,000</u></u>	<u><u>8,916,000</u></u>
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	54.32%	51.90%	42.36%	35.15%	28.10%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>98,000</u>	<u>123,000</u>	<u>129,000</u>	<u>142,000</u>	<u>53,000</u>
TOTAL	<u><u>98,000</u></u>	<u><u>123,000</u></u>	<u><u>129,000</u></u>	<u><u>142,000</u></u>	<u><u>53,000</u></u>
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 260,826	\$ 279,815	\$ 250,714	\$ 238,138	\$ 308,818
Contributions in relation to the actuarially determined contributions	<u>260,826</u>	<u>279,815</u>	<u>250,714</u>	<u>238,138</u>	<u>308,818</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,549,483	\$ 5,319,668	\$ 5,267,100	\$ 5,002,892	\$ 5,342,867
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCON COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 496,520	\$ 480,259	\$ 487,470	\$ 498,756	\$ 525,194
Contributions in relation to the actuarially determined contributions	<u>496,520</u>	<u>480,259</u>	<u>487,470</u>	<u>498,756</u>	<u>525,194</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

TEACHERS' RETIREMENT SYSTEM

NOTE A – 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. In the 2016 valuation, 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 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. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

LINCOLN COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2019
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-11.50 percent, varies by service
Investment Rate of Return	6.25 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS non-hazardous pensions.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

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

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

LINCOLN COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2022

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS, non-hazardous OPEB.

OTHER SUPPLEMENTARY
INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:				
Cash & Cash Equivalents	84,114	693,056	379,852	1,157,022
Accounts Receivable			6,208	6,208
TOTAL ASSETS	<u>84,114</u>	<u>693,056</u>	<u>386,060</u>	<u>1,163,230</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable			2,279	2,279
Accounts Payable		57,245	5,001	62,246
Total Liabilities	<u>0</u>	<u>57,245</u>	<u>7,280</u>	<u>64,525</u>
Fund Balances:				
Restricted for:				
Capital Projects		635,811		635,811
School Activities	84,114		378,780	462,894
Total Fund Balances	<u>84,114</u>	<u>635,811</u>	<u>378,780</u>	<u>1,098,705</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>84,114</u>	<u>693,056</u>	<u>386,060</u>	<u>1,163,230</u>

IDEA - Special Education - Preschool Grants
 COVID-19 - IDEA - Special Education - Grants to State

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	DISTRICT ACTIVITY FUND	CONSTRUCTION FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:				
Earnings on Investments		2,975		2,975
Other Sources			737,030	737,030
TOTAL REVENUES	<u>0</u>	<u>2,975</u>	<u>737,030</u>	<u>740,005</u>
EXPENDITURES:				
Instructional	39,143		622,790	661,933
Facilities Acquisition & Construction		452,209		452,209
TOTAL EXPENDITURES	<u>39,143</u>	<u>452,209</u>	<u>622,790</u>	<u>1,114,142</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(39,143)	(449,234)	114,240	(374,137)
OTHER FINANCING SOURCES(USES):				
Proceeds from Sale of Bonds		615,000		615,000
Premium on Issuance of Bonds		7,094		7,094
Operating Transfers In	35,157	288,240		323,397
Operating Transfers Out			(79,755)	(79,755)
TOTAL OTHER FINANCING SOURCES(USES)	<u>35,157</u>	<u>910,334</u>	<u>(79,755)</u>	<u>865,736</u>
NET CHANGE IN FUND BALANCES	<u>(3,986)</u>	<u>461,100</u>	<u>34,485</u>	<u>491,599</u>
IDEA - Special Education - Preschool Grants				
COVID-19 - IDEA - Special Education - Grants to State	<u>88,100</u>	<u>174,711</u>	<u>344,295</u>	<u>607,106</u>
FUND BALANCES - ENDING	<u><u>84,114</u></u>	<u><u>635,811</u></u>	<u><u>378,780</u></u>	<u><u>1,098,705</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	FUND BALANCE JULY 1, 2021	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2022
Lincoln County High School	172,353	363,826	342,445	193,734
Lincoln County Middle School	73,572	189,867	181,700	81,739
Crab Orchard Elementary	26,718	18,206	20,001	24,923
Highland Elementary	9,454	15,251	15,532	9,173
Hustonville Elementary	34,584	66,424	58,766	42,242
Stanford Elementary	20,854	56,453	58,234	19,073
Waynesburg Elementary	6,760	27,003	25,867	7,896
Total Activity Funds (Due to Student Groups)	<u>344,295</u>	<u>737,030</u>	<u>702,545</u>	<u>378,780</u>

See independent accountant's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	CASH			CASH		ACCOUNTS	ACCOUNTS	FUND
	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	RECEIVABLE	PAYABLE	BALANCE	
	JULY 1, 2021			JUNE 30, 2022	JUNE 30, 2022	JUNE 30, 2022	JUNE 30, 2022	
General Fund	1,908	1,121	378	2,651	0	0	2,651	
LCHS Special Acct.	17	0	17	0	0	0	0	
Flower Fund	275	17	256	36	0	0	36	
District Attendance	1,350	0	1,350	0	0	0	0	
General Student	230	10,641	4,608	6,263	0	0	6,263	
General Staff	875	2,347	2,871	351	0	16	335	
Chrome Books	0	23,262	23,262	0	0	0	0	
Project Graduation	1,960	5,397	5,649	1,708	0	29	1,679	
Prom Account	19,757	7,080	9,123	17,714	0	0	17,714	
Yearbook	10,396	1,560	5,820	6,136	0	0	6,136	
Picture Account	4,201	448	4,649	0	0	0	0	
Art Department	1,022	766	146	1,642	0	0	1,642	
Business Department	2,969	9,767	6,892	5,844	0	0	5,844	
Culinary	847	1,743	1,743	847	0	0	847	
VO. AG. Special	391	0	391	0	0	0	0	
Floral Design	344	0	71	273	0	0	273	
Horticulture	24,375	15,521	19,608	20,288	0	0	20,288	
Athletics	13,504	63,328	63,770	13,062	6,208	4,200	15,070	
A.D. Financial Aid	1,404	40,676	39,951	2,129	0	0	2,129	
Baseball BC	2,606	6,323	6,478	2,451	0	0	2,451	
Boys Golf BC	992	2,779	2,069	1,702	0	0	1,702	
Girls Golf BC	1,282	8,793	5,266	4,809	0	0	4,809	
Boys and Girls Tennis BC	654	1,100	748	1,006	0	0	1,006	
Cross Country BC	846	200	970	76	0	0	76	
District Softball	15,407	1,782	458	16,731	0	0	16,731	
IDEA - Special Education - Preschool Grants	2,474	45,091	43,020	4,545	0	0	4,545	
COVID-19 - IDEA - Special Education - Grants to State	2,455	8,000	7,971	2,484	0	0	2,484	
Bass Fishing BC	2,464	6,897	4,799	4,562	0	755	3,807	
Regional Basketball	13,119	26,366	18,054	21,431	0	0	21,431	
Training/F.A.	119	1,000	1,003	116	0	0	116	
Archery BC	7,926	14,106	4,763	17,269	0	0	17,269	
Football Playoffs	2,455	5,436	2,039	5,852	0	0	5,852	
Bowling BC	1,940	2,900	2,330	2,510	0	0	2,510	
Uniform FA	2,444	8,579	11,023	0	0	0	0	
Baseball FA	1,958	2,750	2,849	1,859	0	0	1,859	
Boys Basketball FA	5,383	2,825	7,104	1,104	0	0	1,104	
Girls Basketball FA	416	3,353	2,900	869	0	0	869	
Football FA	1,594	5,000	6,531	63	0	0	63	
Boys Soccer FA	828	1,250	683	1,395	0	0	1,395	
Girls Soccer FA	0	1,250	309	941	0	0	941	
Softball FA	85	2,750	2,818	17	0	0	17	
Boys Track & Field FA	112	1,000	487	625	0	0	625	
Cross Country FA	2,274	1,000	1,868	1,406	0	0	1,406	
Girls Volleyball FA	2,689	1,750	4,374	65	0	0	65	
Cheerleaders FA	292	764	1,056	0	0	0	0	
Swim B/C FA	617	466	20	1,063	0	0	1,063	

Archery FA	5	500	0	505	0	0	505
Beta Club	1,104	4,613	3,479	2,238	0	0	2,238
Spring Musical	709	7,274	6,090	1,893	0	0	1,893
F.B.L.A.	904	5,638	4,753	1,789	0	0	1,789
F.F.A.	492	20,708	18,635	2,565	0	0	2,565
F.C.C.L.A.	1,617	1,577	1,715	1,479	0	0	1,479
Guidance Department	357	465	491	331	0	0	331
Library	3,025	40	289	2,776	0	0	2,776
National Honor Society	757	3,532	2,636	1,653	0	0	1,653
Pep Club	1,401	0	651	750	0	0	750
Student Y/KYA	149	0	149	0	0	0	0
Drama Club	959	0	959	0	0	0	0
National Art Honor Society	190	0	190	0	0	0	0
Band	3,039	15,973	16,058	2,954	0	0	2,954
Chorus	170	300	405	65	0	0	65
Senior Class	0	1,494	1,467	27	0	0	27
Academic Team	449	0	0	449	0	0	449
Student Council	374	0	120	254	0	0	254
Foreign Language	46	0	46	0	0	0	0
Auditorium/Rental	463	0	65	398	0	0	398
Textbooks	0	0	0	0	0	0	0
Educators Rising	443	2,238	1,897	784	0	0	784
Snow Queen	0	225	225	0	0	0	0
Nat Spanish Honor	10	0	10	0	0	0	0
District Activity Sweep	0	43,279	43,279	0	0	0	0
Startup Funds	0	925	925	0	0	0	0
National French Honor	<u>77</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total All Funds	175,996	455,965	437,156	194,805	6,208	5,000	196,013
Interfund Payable							(2,279)
Interfund Transfers	<u>0</u>	<u>(97,784)</u>	<u>(97,784)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>175,996</u></u>	<u><u>358,181</u></u>	<u><u>339,372</u></u>	<u><u>194,805</u></u>	<u><u>6,208</u></u>	<u><u>5,000</u></u>	<u><u>193,734</u></u>

LINCOLN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Parent Involvement	84.010	3100002	310FM	1,077
Title I - Grants to Local Educational Agencies	84.010	3100002	310F	9,413
Title I - Grants to Local Educational Agencies	84.010	3100002	310G	595,540
Title I - Parent Involvement	84.010	3100002	310GM	12,304
Title I - Grants to Local Educational Agencies	84.010	3100002	310I	984,819
Title I - School Improvement	84.010	3100002	320DC	57,372
Title I - Education Recovery Special (MOA)	84.010	3100002	320GE	15,959
Title I - Education Recovery Special (MOA)	84.010	3100002	320IE	509,903
Title I Total				2,186,387
Supporting Effective Instruction State Grants	84.367	3230002	401G	27,192
Supporting Effective Instruction State Grants	84.367	3230002	401I	209,363
Supporting Effective Instruction State Grants Total				236,555 *
Perkins Voc.	84.048	3710002	348G	3,071
Perkins Voc.	84.048	3710002	348GA	262
Perkins Voc.	84.048	3710002	348I	26,765
Total Perkins Voc.				30,098
IDEA - Special Education - Grants to State	84.027	3810002	337F	261,568
IDEA - Special Education - Grants to State	84.027	3810002	337G	894,945
IDEA - Special Education - Preschool Grants	84.027	3810002	343F	836
IDEA - Special Education - Preschool Grants	84.173	3800002	343G	75,743
IDEA - Special Education - Preschool Grants	84.173	3800002	343I	56,747
COVID-19 - IDEA - Special Education - Grants to State	84.027X	4910002	478I	27,684
Special Education Cluster				1,317,523 *
21st Century Learning Center	84.287	3400002	550EH	99
21st Century Learning Center	84.287	3400002	550EO	10,382
21st Century Learning Center	84.287	3400002	550F	6,180
21st Century Learning Center	84.287	3400002	550FC	33,016
21st Century Learning Center	84.287	3400002	550FE	14,104
21st Century Learning Center	84.287	3400002	550FH	16,378
21st Century Learning Center	84.287	3400002	550FO	20,042
21st Century Learning Center	84.287	3400002	550FW	13,961
21st Century Learning Center	84.287	3400002	550G	104,706
21st Century Learning Center	84.287	3400002	550GC	89,990
21st Century Learning Center	84.287	3400002	550GE	85,347
21st Century Learning Center	84.287	3400002	550GH	102,845
21st Century Learning Center	84.287	3400002	550GM	133,938
21st Century Learning Center	84.287	3400002	550GO	116,991
21st Century Learning Center	84.287	3400002	550GW	104,093
21st Century Learning Center Total				852,072
Migrant Education - State Grant Program	84.011	3110002	311G	105,379
Migrant Education - State Grant Program	84.011	3110002	311I	165,192
Migrant Education -State Grant Program Total				270,571
Title IV - Rural and Low Income Schools	84.358	3140002	350G	27,733
Title IV - Rural and Low Income Schools	84.358	3140002	350I	30,382
Title IV - Rural and Low Income Schools Total				58,115
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552F	26,316
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552G	53,288
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552I	14,284
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IT	114
Title IV - Student Support and Academic Enrichment Total				94,002
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002	473G	39,190
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005	473GK	4,231
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002	473GL	482,642
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425W	4980002	476IC	177
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000002	554GD	4,602,784
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000003	554GL	4,366
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000002	554GS	240,201
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000003	554GV	42,600
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4000002	613F	368,644
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	GEER-20	564GF	29,551
COVID-19 Education Stabilization Fund Total				5,814,386 *

LINCOLN COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Passed Through Berea College				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379FS	379FS	1,008
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379GR	379GR	5,400
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IB	379IB	15,188
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IC	379IC	684
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IL	379IL	2,232
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IR	379IR	1,920
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379IS	379IS	51,671
Gaining Early Awareness and Readiness for Undergraduate Programs Total				<u>78,103</u>
Total U.S. Department of Education				<u>10,937,812</u>
<u>U.S. Department of Health and Human Services</u>				
Head Start	93.600	Direct	655G	98,938
COVID-19 - Head Start - CARES	93.600	Direct	655GC	85,988
Head Start - Early Head Start	93.600	Direct	655GH	67,902
Head Start	93.600	Direct	655I	1,622,817
Head Start - Early Head Start	93.600	Direct	655IH	523,756
COVID-19 - Head Start -Early Head Start	93.600	Direct	655HC	28,104
COVID-19 - Head Start	93.600	Direct	655IC	63,736
COVID-19 - Head Start	93.600	Direct	655CF	43,381
Head Start Total				<u>2,534,622</u>
Passed-Through Kentucky Department of Education				
COVID-19 - Child Care and Development Block Grant	93.575	658FC	658FC	4,585
COVID-19 - CRRSA Child Care Aid	93.575	658FL	672G	34,459
				<u>39,044</u>
Total U.S. Department of Health and Human Services				<u>2,573,666</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
National School Lunchroom	10.555	7750002-21	7750002-21	274,364
National School Lunchroom	10.555	7970000-21	7970000-21	221,314
National School Lunchroom	10.555	7750002-22	7750002-22	1,306,979
National School Lunchroom	10.555	9980000-22	9980000-22	87,491
School Breakfast Program	10.553	7760005-21	7760005-21	100,674
School Breakfast Program	10.553	7760005-22	7760005-22	508,653
Summer Food Service Program	10.559	7740023-21	7740023-21	73,329
Summer Food Service Program	10.559	7690024-21	7690024-21	7,544
PEBT Administrative Funds	10.649	9990000-21	9990000-21	3,063
Child Nutrition Cluster				<u>2,583,411</u> *
Child & Adult Care Food Program	10.558	7790021-21	7790021-21	28,173
Child & Adult Care Food Program	10.558	7800016-21	7800016-21	1,668
Child & Adult Care Food Program	10.558	7980000-21	7980000-21	16,950
Child & Adult Care Food Program	10.558	7790021-22	7790021-22	95,144
Child & Adult Care Food Program	10.558	7800016-22	7800016-22	5,498
Child & Adult Care Food Program Total				<u>147,433</u>
Fresh Fruit and Vegetable Program	10.582	7720012-21	7720012-21	39,774
Fresh Fruit and Vegetable Program	10.582	7720012-22	7720012-22	66,086
Fresh Fruit and Vegetable Program Total				<u>105,860</u>
State Administrative Expense Funds	10.560	7700001-20	7700001-20	5,052
Food Distribution	10.565	057502-10	057502-10	<u>206,228</u>
Total U.S. Department of Agriculture				<u>3,047,984</u>
Total Federal Financial Assistance				<u><u>16,559,462</u></u>

* Tested as major program

LINCOLN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Lincoln County School District under programs of the federal government for the year ended June 30, 2021. 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 Lincoln County School District, it is not intended to and does not present the financial position, changes in net asset, or cash flows of Lincoln County School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

LINCOLN COUNTY SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C/84.425D/84.425U/84.425W	Covid-19 Elementary and Secondary School Emergency Relief Fund
84.027/84.027X/84.173 84.367	IDEA Cluster *
10.553/10.555/10.559/10.649	Supporting Effective Instruction State Grants Child Nutrition Cluster

**Includes COVID-19 IDEA*

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

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

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported

LINCOLN COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2022

There were no prior year audit findings.

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November 15, 2022

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

Members of the Board of Education
Lincoln County School District
Stanford, 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, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lincoln County School District's basic financial statements, and have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lincoln 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 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 Lincoln County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 15, 2022

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

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lincoln County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lincoln County School District's major federal programs for the year ended June 30, 2022. Lincoln 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, Lincoln 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 State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. 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 Lincoln 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 Lincoln 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 Lincoln County School District's federal programs.

Auditor's Responsibility 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 Lincoln 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 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.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 15, 2022

MANAGEMENT LETTER

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

In planning and performing our audit of the financial statements of Lincoln County School District for the year ended June 30, 2022, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendation – District:

None.

Prior Year Recommendation – School Activity Funds:

2021-1: Prior Year Recommendation:

During prior year testing, there was one instance at Crab Orchard Elementary School of a charge occurring prior to the issuance of a purchase order. We recommend that all purchase orders be issued prior to any purchase being made.

Current Year Status:

No such instances were found during current year testing.

Current Year Recommendation – School Activity Funds:

2022-1: Current Year Recommendation:

During current year testing, there were several instances where invoices were not signed nor receiving reports completed to document the receipt of goods at Lincoln County Middle School. We recommend that invoices be signed or receiving reports be completed to ensure that goods have been received prior to disbursement.

Management Response:

We will take measures to ensure that teachers, sponsors, and coaches complete receiving reports or sign invoices to document receipt of goods prior to payment.

Current Year Recommendation – District:

2022-2: Current Year Recommendation:

During current year testing, there were a couple of instances where a standard invoice was not properly completed for disbursements to a routine vendor, Springfield Laundry. It is noted that a standard invoice was deemed to be the appropriate documentation for these disbursements given their nature. To ensure that a disbursement contains proper documentation and approvals, we recommend that standard invoices be properly completed for all invoices associated with the applicable disbursement.

Management Response:

We will take measures to ensure that all invoices contain proper documentation and approval.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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November 15, 2022

Members of the Board of Education
Lincoln County School District
Stanford, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Lincoln County School District are described in Note A to the financial statements. As described in Note A to the financial statements, the District changed policies related to leases by adopting Statement of Governmental Accounting Standards No. 87, Leases, in 2022. The District did not have any leases that were impacted by this adoption. No other new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by Lincoln County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Lincoln County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lincoln County School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 52 and 53, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 54-55 and 58-60, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 56-57 and 61-63,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Lincoln County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants