

Ludlow Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2022
With Independent Auditors' Report**

LUDLOW INDEPENDENT SCHOOL DISTRICT

June 30, 2022

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Independent Auditors' Report

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ludlow Independent School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Ludlow Independent School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Ludlow Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

**Independent Auditors' Report
(Continued)**

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 52-53, and 57-66 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Independent Auditors' Report
(Continued)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ludlow Independent School District's basic financial statements. The information on pages 50-51, 54-56, and 67-68 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The information on pages 50-51, 54-56, and 67-68 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 50-51, 54-56, and 67-68 as listed in the table of contents is 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 the Ludlow Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ludlow Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ludlow Independent School District's internal control over financial reporting and compliance.

Change In Accounting Principle

As discussed in Note 18 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*, effective as of July 1, 2021. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
November 15, 2022

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022

As management of Ludlow Independent Board of Education (Board), the governing body for the Ludlow Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including investments, for the District was \$1,819,963.
- Average Daily Attendance (ADA) for fiscal year 2022 was 730. The state is keeping districts ADA counts at the same number as their 2020 ADA number. Over the previous five years, we have had a decrease in ADA of about 37. Our attendance trend is shifting due to the fact that our elementary class sizes are larger and are moving in to our high school.
- The General Fund had \$8,423,984 in revenue (net of interfund transfers of \$306,771), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$8,572,500 in General Fund expenditures (net of interfund transfers of \$15,841). Budgeted contingency funds were \$1,300,000 in the General Fund 2022.
- The ending unassigned fund balance in the General Fund for fiscal year 2022 is \$1,678,014. This is an increase of \$142,414 from 2021. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2022 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-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.

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

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

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

The district-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 is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 49 of this report.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a district’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$955,582 as of June 30, 2022.

The largest portion of the District’s net position reflects its investment in capital assets (i.e. 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 periods ending June 30, 2022 and 2021

The following is a summary of net position for the fiscal years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,746,716	\$ 2,315,734
Noncurrent assets	<u>7,178,853</u>	<u>7,412,301</u>
Total assets	<u>9,925,569</u>	<u>9,728,035</u>
 Total deferred outflows	 <u>1,208,762</u>	 <u>1,031,906</u>
Current liabilities	693,066	565,972
Noncurrent liabilities	<u>7,597,422</u>	<u>8,706,676</u>
Total liabilities	<u>8,290,488</u>	<u>9,272,648</u>
 Total deferred inflows	 <u>1,895,385</u>	 <u>1,293,957</u>
 Net position		
Investment in capital assets (net of debt)	3,003,853	2,872,301
Restricted	(3,625,984)	(4,216,253)
Unrestricted	<u>1,570,589</u>	<u>1,537,288</u>
Total net position	<u>\$ 948,458</u>	<u>\$ 193,336</u>

Comments on General Fund Budget Comparisons

- The District’s total General Fund revenues for the fiscal year ended June 30, 2022, including interfund transfers of \$306,771, were \$8,730,755
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2,465,055 more than budget or approximately 39.3% of the General Fund budget. The majority of this variance is the result of the District recording “on behalf” payments made by the state.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management’s Discussion and Analysis (MD&A)
Year Ended June 30, 2022
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons (Continued)

- The total cost of all General Fund programs and services was \$8,588,341 including interfund transfers of \$15,841.
- General Fund actual expenditures exceeded budgeted expenditures by \$822,642. The majority of this variance is the result of the District recording “on behalf” payments made by the state.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2022 and 2021.

	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 55,385	\$ 26,186
Operating grants and contributions	3,038,963	2,735,181
Capital grants and contributions	521,399	512,237
Total grant revenues	3,615,747	3,273,604
General revenues:		
Property taxes	2,736,452	2,571,063
Grants and entitlements	1,810,425	2,173,447
Earnings on investments	4,567	2,644
Miscellaneous	436,803	327,517
Total general revenues	4,988,247	5,074,671
Total revenues	8,603,994	8,348,275
Expenses:		
Instruction	2,119,885	2,678,704
Student support services	778,670	602,975
Instructional support	1,231,205	1,158,976
District administration	775,160	608,190
School administration	593,568	574,880
Business support	165,176	163,239
Plant operations	1,194,908	932,551
Student transportation	32,020	31,486
Community support	143,775	86,442
Food service	665,442	685,680
Facilities acquisition and construction	-	-
Interest	149,063	159,243
Total expenses	7,848,872	7,682,366
Excess of revenues over expenses	\$ 755,122	\$ 665,909

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2022
(Continued)**

BUDGETARY IMPLICATIONS

Ludlow Independent School District administered federal and state grant funds totaling \$2,164,219. Below is a three-year comparison of our federal and state grant funds:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
State Grants	\$ 414,371	\$ 342,490	\$ 456,532
Federal Grants	\$1,749,848	\$ 1,419,306	\$ 1,009,325

The working budget contingency balance in the General Fund for fiscal year 2022 was \$1,300,000 (16.7%). The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The beginning carry forward balance for 2022 is higher than in 2021. With the cuts in state and 1 federal funding, the ability to sustain/grow the carry forward is always an ongoing concern that we keep a cautious eye on. Due to the stress of implementing mandated curriculum changes we will continually have to look at different ways to accomplish the high standards we set for ourselves.

Fiscal year 2023 is already upon us and we are doing our best to balance the financial outlook with what is best for the students of Ludlow Independent School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Michael Borchers, Superintendent, at (859) 261-8210 or by mail at Ludlow Independent School District, 525 Elm St., Ludlow, KY 41016.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2022**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 1,649,564	\$ 430,400	\$ 2,079,964
Accounts receivable	570,094	83,056	653,150
Inventories for consumption	-	13,602	13,602
Total current	<u>2,219,658</u>	<u>527,058</u>	<u>2,746,716</u>
Noncurrent			
Nondepreciated capital assets:			
Land	391,300	-	391,300
Depreciated capital assets:			
Land improvements	112,189	-	112,189
Buildings and improvements	13,030,049	-	13,030,049
Furniture and equipment	1,111,075	236,872	1,347,947
Less: accumulated depreciation	<u>(7,509,961)</u>	<u>(192,671)</u>	<u>(7,702,632)</u>
Total noncurrent	<u>7,134,652</u>	<u>44,201</u>	<u>7,178,853</u>
Total assets	<u>9,354,310</u>	<u>571,259</u>	<u>9,925,569</u>
Deferred Outflows	<u>1,166,324</u>	<u>42,438</u>	<u>1,208,762</u>
Liabilities			
Current			
Current portion of bonds payable	375,000	-	375,000
Accounts payable	84,717	5,001	89,718
Accrued interest	52,000	-	52,000
Accrued sick leave	5,543	-	5,543
Accrued payroll and related expenses	24,295	-	24,295
Unearned revenues	146,510	-	146,510
Total current	<u>688,065</u>	<u>5,001</u>	<u>693,066</u>
Noncurrent			
Accrued sick leave	49,882	-	49,882
CERS net pension liability	1,652,349	60,123	1,712,472
MIF net OPEB liability	1,963,620	71,448	2,035,068
Bond obligations	3,800,000	-	3,800,000
Total noncurrent	<u>7,465,851</u>	<u>131,571</u>	<u>7,597,422</u>
Total liabilities	<u>8,153,916</u>	<u>136,572</u>	<u>8,290,488</u>
Deferred Inflows	<u>1,828,841</u>	<u>66,544</u>	<u>1,895,385</u>
Net Position			
Invested in capital assets, net of related debt	2,959,652	44,201	3,003,853
Restricted	(3,992,364)	366,380	(3,625,984)
Committed			
Unrestricted	<u>1,570,589</u>	<u>-</u>	<u>1,570,589</u>
Total net position	<u>\$ 537,877</u>	<u>\$ 410,581</u>	<u>\$ 948,458</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Governmental Activities:							
Instructional	\$ 2,119,885	\$26,186	\$ 903,749	\$ -	\$ (1,189,950)	\$ -	\$ (1,189,950)
Student support services	778,670	-	362,298	-	(416,372)	-	(416,372)
Staff support services	1,231,205	-	540,144	-	(691,061)	-	(691,061)
District administration	775,160	-	52,936	-	(722,224)	-	(722,224)
School administration	593,568	-	-	-	(593,568)	-	(593,568)
Business support services	165,176	-	-	-	(165,176)	-	(165,176)
Plant operation and maintenance	1,194,908	-	255,688	-	(939,220)	-	(939,220)
Student transportation	32,020	-	-	-	(32,020)	-	(32,020)
Community service operations	143,775	-	103,481	-	(40,294)	-	(40,294)
Facility acquisition and construction	-	-	-	521,399	521,399	-	521,399
Interest on long-term debt	149,063	-	-	-	(149,063)	-	(149,063)
Total governmental activities	<u>7,183,430</u>	<u>26,186</u>	<u>2,218,296</u>	<u>521,399</u>	<u>(4,417,549)</u>	<u>-</u>	<u>(4,417,549)</u>
Business-type Activities							
Food service	665,442	29,199	820,667	-	-	184,424	184,424
Total business-type activities	<u>665,442</u>	<u>29,199</u>	<u>820,667</u>	<u>-</u>	<u>-</u>	<u>184,424</u>	<u>184,424</u>
Total school district	<u>\$ 7,848,872</u>	<u>\$ 55,385</u>	<u>\$ 3,038,963</u>	<u>\$ 521,399</u>	<u>(4,417,549)</u>	<u>184,424</u>	<u>(4,233,125)</u>
			General revenues:				
			Taxes		2,736,452	-	2,736,452
			State and federal sources		1,810,425	-	1,810,425
			Investment earnings		3,748	819	4,567
			Miscellaneous		436,803	-	436,803
			Special items:				
			Transfers		41,419	(41,419)	-
			Total general and special revenues		<u>5,028,847</u>	<u>(40,600)</u>	<u>4,988,247</u>
			Change in net position		611,298	143,824	755,122
			Net position - beginning		(73,421)	266,757	193,336
			Net position - ending		<u>\$ 537,877</u>	<u>\$ 410,581</u>	<u>\$ 948,458</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current				
Cash (overdraft) and cash equivalents	\$ 1,851,975	\$ (378,064)	\$ 175,653	\$ 1,649,564
Accounts receivable	45,520	524,574	-	570,094
Total current assets	<u>\$ 1,897,495</u>	<u>\$ 146,510</u>	<u>\$ 175,653</u>	<u>\$ 2,219,658</u>
Liabilities and Fund Balance				
Current				
Accounts payable	\$ 84,717	\$ -	\$ -	\$ 84,717
Accrued payroll and related expenses	24,295	-	-	24,295
Unearned revenues	-	146,510	-	146,510
Total current liabilities	<u>109,012</u>	<u>146,510</u>	<u>-</u>	<u>255,522</u>
Fund Balance				
Restricted				
Capital Projects	-	-	24,815	24,815
Other	-	-	150,838	150,838
Assigned				
Purchase obligations	110,469	-	-	110,469
Unassigned	1,678,014	-	-	1,678,014
Total fund balance	<u>1,788,483</u>	<u>-</u>	<u>175,653</u>	<u>1,964,136</u>
Total liabilities and fund balance	<u>\$ 1,897,495</u>	<u>\$ 146,510</u>	<u>\$ 175,653</u>	<u>\$ 2,219,658</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2022**

Total governmental fund balance	\$ 1,964,136
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Construction in progress	-
Cost of capital assets	14,644,613
Accumulated depreciation	(7,509,961)
	7,134,652
Deferred outflows for MIF contributions made after the measurement date	152,952
Deferred outflows related to MIF	731,413
Deferred outflows for CERS contributions made after the measurement date	176,709
Deferred outflows related to pensions	105,250
	1,166,324
Deferred inflows related to pensions	(378,041)
Deferred inflows related to MIF	(1,450,800)
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	(4,175,000)
Accrued interest on bonds	(52,000)
Assessed KISBIT liability	-
Net pension liability	(1,652,349)
Net OPEB liability	(1,963,620)
Accrued sick leave	(55,425)
	(10,398,424)
Total net position - governmental	\$ 537,877

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 2,474,436	\$ -	\$ 262,016	\$ 2,736,452
Earnings on investments	3,745	3	-	3,748
State sources	5,863,739	439,821	521,399	6,824,959
Federal sources	11,110	1,772,212	-	1,783,322
Other sources	70,953	6,263	218,724	295,940
Total revenues	<u>8,423,983</u>	<u>2,218,299</u>	<u>1,002,139</u>	<u>11,644,421</u>
Expenditures:				
Instructional	5,213,045	919,593	13,955	6,146,593
Student support services	247,665	362,298	168,707	778,670
Staff support services	691,061	540,144	-	1,231,205
District administration	711,633	52,936	-	764,569
School administration	593,444	-	-	593,444
Business support services	165,176	-	-	165,176
Plant operation and maintenance	878,161	255,688	-	1,133,849
Student transportation	32,020	-	-	32,020
Community service operations	40,294	103,481	-	143,775
Debt service:				
Principal	-		365,000	365,000
Interest	-		153,063	153,063
Total expenditures	<u>8,572,499</u>	<u>2,234,140</u>	<u>700,725</u>	<u>11,507,364</u>
Excess(deficit) of revenues over expenditures	<u>(148,516)</u>	<u>(15,841)</u>	<u>301,414</u>	<u>137,057</u>
Other financing sources(uses):				
Operating transfers in	306,771	15,841	476,498	799,110
Operating transfers out	(15,841)	-	(741,850)	(757,691)
Total other financing sources	<u>290,930</u>	<u>15,841</u>	<u>(265,352)</u>	<u>41,419</u>
Net change in fund balance	142,414	-	36,062	178,476
Fund balance, July 1, 2021	<u>1,646,069</u>	<u>-</u>	<u>139,591</u>	<u>1,785,660</u>
Fund balance, June 30, 2022	<u>\$ 1,788,483</u>	<u>\$ -</u>	<u>\$ 175,653</u>	<u>\$ 1,964,136</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2022**

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

Net changes-governmental funds	\$	178,476
<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 outlays exceed depreciation expense for the year.</p>		
Depreciation expense		(222,384)
		<u>(222,384)</u>
<p>Bond and capital lease 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		365,000
		<u>365,000</u>
Deferred outflows related to pensions		(92,856)
Deferred outflows related to other post-employment retirement benefits		266,168
Deferred inflows related to pensions		(184,837)
Deferred inflows related to other post-employment retirement benefits		(398,817)
<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>		
		<u>700,548</u>
Changes in net position of governmental activities	\$	<u><u>611,298</u></u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT
Statement of Net Position – Proprietary Funds
As of June 30, 2022

	<u>Food Service</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 430,400	\$ 430,400
Accounts receivable	83,056	83,056
Inventories for consumption	13,602	13,602
Total current	<u>527,058</u>	<u>527,058</u>
Noncurrent		
Furniture and fixtures	236,872	236,872
Less accumulated depreciation	<u>(192,671)</u>	<u>(192,671)</u>
Total noncurrent	<u>44,201</u>	<u>44,201</u>
Total assets	<u>571,259</u>	<u>571,259</u>
Deferred outflows	<u>42,438</u>	<u>42,438</u>
Liabilities		
Current		
Accounts payable	<u>5,001</u>	<u>5,001</u>
Total current	<u>5,001</u>	<u>5,001</u>
Noncurrent		
CERS net pension liability	60,123	60,123
MIF net OPEB liability	<u>71,448</u>	<u>71,448</u>
Total noncurrent	<u>131,571</u>	<u>131,571</u>
Total liabilities	<u>136,572</u>	<u>136,572</u>
Deferred inflows	<u>66,544</u>	<u>66,544</u>
Net Position		
Invested in assets, net of debt	44,201	44,201
Restricted	<u>366,380</u>	<u>366,380</u>
Total net position	<u>\$ 410,581</u>	<u>\$ 410,581</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2022**

	Food Service	Total
Operating revenues:		
Lunchroom sales	\$ 28,824	\$ 28,824
Other operating revenues	<u>375</u>	<u>375</u>
Total operating revenues	<u>29,199</u>	<u>29,199</u>
Operating expenses:		
Salaries and benefits	287,767	287,767
Contract services	10,596	10,596
Materials and supplies	350,119	350,119
Depreciation	11,064	11,064
Other operating expenses	<u>5,896</u>	<u>5,896</u>
Total operating expenses	<u>665,442</u>	<u>665,442</u>
Operating loss	<u>(636,243)</u>	<u>(636,243)</u>
Nonoperating revenues (expenses):		
Federal grants	744,657	744,657
State grants	35,563	35,563
Donated commodities and other donations	40,447	40,447
Transfers	(41,419)	(41,419)
Interest income	<u>819</u>	<u>819</u>
Total non operating revenue (expenses)	<u>780,067</u>	<u>780,067</u>
Change in net position	143,824	143,824
Total net position, July 1, 2021	<u>266,757</u>	<u>266,757</u>
Total net position, June 30, 2022	<u><u>\$ 410,581</u></u>	<u><u>\$ 410,581</u></u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2022**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 28,824	\$ 28,824
Cash payments for other activities	(52,828)	(52,828)
Cash payments to employees for services	(310,980)	(310,980)
Cash payments to suppliers for goods and services	(356,739)	(356,739)
Cash transfer	(41,419)	(41,419)
	(733,142)	(733,142)
Net cash used in operating activities		
Cash flows from noncapital financing activities		
Non-operating revenues received	820,667	820,667
	820,667	820,667
Net cash provided by noncapital financing activities		
Cash flows from investing activities		
Interest on investments	819	819
	819	819
Net cash provided by investing activities		
Net increase in cash and cash equivalents	88,344	88,344
Cash and cash equivalents - beginning	342,056	342,056
Cash and cash equivalents - ending	\$ 430,400	\$ 430,400
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (636,243)	\$ (636,243)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	11,064	11,064
Interfund transfers	(41,419)	(41,419)
Changes in assets and liabilities:		
(Increase) in deferred outflows	(3,544)	(3,544)
Increase in deferred inflows	17,774	17,774
Decrease in inventory	4,871	4,871
(Increase) in accounts receivable	(53,203)	(53,203)
(Decrease) in CERS net pension liability	(18,691)	(18,691)
(Decrease) in MIF net OPEB liability	(18,752)	(18,752)
Increase in accounts payable	5,001	5,001
	(733,142)	(733,142)
Net cash used in operating activities		
Schedule of non-cash transactions		
Donated commodities received from federal government	\$ 40,447	\$ 40,447
On-behalf payments	\$ 30,439	\$ 30,439

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Fiduciary Funds
As of June 30, 2022

	<u>Trust Fund</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 68,561	\$ 68,561
Total current assets	<u>68,561</u>	<u>68,561</u>
Total assets	<u>\$ 68,561</u>	<u>\$ 68,561</u>
Liabilities and Net Position		
Net Position		
Restricted	<u>68,561</u>	<u>68,561</u>
Total net position	<u>68,561</u>	<u>68,561</u>
Total liabilities and net position	<u>\$ 68,561</u>	<u>\$ 68,561</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2022

	Trust Fund	Total
Additions		
Private donations	\$ 50,650	\$ 50,650
Total additions	50,650	50,650
Deductions		
Instruction	25,600	25,600
Total deductions	25,600	25,600
Change in net position	25,050	25,050
Net position - July 1, 2021	43,511	43,511
Net position - June 30, 2022	\$ 68,561	\$ 68,561

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ludlow Independent 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 Parent-Teacher Associations, etc.

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

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

Ludlow Independent School District Finance Corporation - The Board authorized the establishment of the Ludlow Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Ludlow Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the 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 district-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 district-wide statements and the statements for governmental funds.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with 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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 67. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$24,815 for ongoing projects.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

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

IV. Fiduciary Fund Type (Trust Funds)

The Trust Fund is used to report trust arrangement under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

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 they can be recognized.

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. 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).

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

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

Capital Assets

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (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:

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

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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the district-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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

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

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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 District, those revenues are primarily charges for meals provided by the various schools.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 as non-operating 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

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB 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.

NOTE 2 ESTIMATES

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

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2021	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2022
Land	\$ 391,300	\$ -	\$ -	\$ 391,300
Land improvements	112,189	-	-	112,189
Buildings and improvements	13,030,049	-	-	13,030,049
Technology equipment	749,592	-	-	749,592
Vehicles	167,625	-	-	167,625
General equipment	193,858	-	-	193,858
Totals at historical cost	<u>14,644,613</u>	<u>-</u>	<u>-</u>	<u>14,644,613</u>
Less: accumulated depreciation				
Land improvements	105,745	1,330	-	107,075
Buildings and improvements	6,084,009	217,856	-	6,301,865
Technology equipment	749,714	-	-	749,714
Vehicles	167,625	-	-	167,625
General equipment	180,484	3,198	-	183,682
Total accumulated depreciation	<u>7,287,577</u>	<u>222,384</u>	<u>-</u>	<u>7,509,961</u>
Governmental activities capital assets - net	<u>\$ 7,357,036</u>	<u>\$ (222,384)</u>	<u>\$ -</u>	<u>\$ 7,134,652</u>
 <u>Business - Type Activities</u>				
General equipment	\$ 160,336	\$ -	\$ -	\$ 160,336
Buildings and improvements	71,290	-	-	71,290
Technology equipment	5,246	-	-	5,246
Totals at historical cost	<u>236,872</u>	<u>-</u>	<u>-</u>	<u>236,872</u>
Less: accumulated depreciation				
General equipment	109,278	8,260	-	117,538
Buildings and improvements	67,083	2,804	-	69,887
Technology equipment	5,246	-	-	5,246
Total accumulated depreciation	<u>181,607</u>	<u>11,064</u>	<u>-</u>	<u>192,671</u>
Business - type activities capital assets - net	<u>\$ 55,265</u>	<u>\$ (11,064)</u>	<u>\$ -</u>	<u>\$ 44,201</u>

Depreciation expense by function for the fiscal year ended June 30, 2022 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 150,610	\$ -
Staff support services	-	-
District administration	10,591	-
School administration	124	-
Business support services	-	-
Plant operation and maintenance	61,059	-
Student transportation	-	-
Community services	-	-
Food service	-	11,064
Total	<u>\$ 222,384</u>	<u>\$ 11,064</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2022 this amount totaled approximately \$55,425 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
July 1, 2007	\$ 425,000	4.125% - 4.200%
December 1, 2007	915,000	3.600% - 4.000%
February 1, 2014	3,095,000	1.000% - 4.125%
December 1, 2015	835,000	1.000% - 4.125%
June 1, 2016	1,135,000	2.000% - 3.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Ludlow Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 17 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022 for debt service (principal and interest) are reported in Note 17.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 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 ("CERS") covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System ("TRS") covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement benefits are 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. One month's 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 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly average rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

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

The contribution requirement for CERS for the year ended June 30, 2022, was \$220,308, which consisted of \$183,139 from the District and \$37,170 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$202,220 and \$206,426, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

**General information about the Teachers' Retirement System of the State of Kentucky
*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—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.ktrs.ky.gov/05_publications/index.htm.

Benefits provided

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

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. 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.

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. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2022, was \$840,403, which consisted of \$201,754 from the District and \$638,649 from the employees. Total contributions for the year ended June 30, 2021 and 2020 were \$739,760 and \$706,470, respectively. The contributions have been contributed in full for fiscal years 2022, 2021 and 2020.

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

Funding policy

In order to fund the post-retirement healthcare benefit, 6.59% of the gross annual payroll of employees before July 1, 2008 is contributed. 3.75% is paid by member contributions, 0.16% is credited to the Commonwealth, and 3.00% is contributed by 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.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for 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	\$ 1,712,472
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>17,240,184</u>
	<u>\$ 18,952,656</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2021, the District's proportion was 0.02686%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized pension expense of \$(187,553) related to CERS. The District also recognized a reduction of expense of \$4,061,907 and a reduction of revenue of \$4,061,907 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 19,664	\$ 16,621
Net difference between projected and actual earnings on pension plan investments	66,433	294,676
Changes of Assumptions	22,983	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	80,499
District contributions subsequent to the measurement date	183,139	-
Total	\$ 292,219	\$ 391,796

\$183,139 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ (91,366)
2024	(68,027)
2025	(51,849)
2026	(71,474)
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:

	CERS	TRS
Inflation	2.30%	3.00%
Projected salary increases	3.30%	3.5-7.3%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each 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.

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

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' and CERS' investment consultant, are summarized in the following table:

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.20%	21.8%	5.70%
International Equity	22.0%	22.00%	21.8%	6.35%
Core bonds			10.0%	0.00%
Private equity	7.0%	6.90%	10.0%	9.70%
High yield	2.0%	1.70%	15.0%	2.80%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	10.0%	5.40%
Opportunistic			0.0%	N/A
Real return			10.0%	4.55%
Cash	2.0%	-0.30%	1.5%	-0.60%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	2,196,326	1,712,472	1,312,094
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plans' fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE 8 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Ludlow Independent 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 provided 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 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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.

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

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

CERS provides 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. See Note 7 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 7.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 8 OPEB PLANS (CONTINUED)

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

At June 30, 2022, the Ludlow Independent School District reported a liability of \$2,035,068 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. For June 30, 2021 and 2020, the District's proportion was 0.13 and 0.12 percent, respectively for TRS. At both June 30, 2021 and 2020, the District's proportion was 0.03 percent for CERS.

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

District's proportionate share of the CERS net OPEB liability	\$ 514,068
District's proportionate share of the TRS net OPEB liability	1,521,000
State's proportionate share of the net OPEB liability associated with the District	<u>1,236,000</u>
	<u>\$ 3,271,068</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2022, the District recognized OPEB expense of \$266,346 and revenue of \$102,216 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 80,837	\$ 1,058,484
Net difference between projected and actual earnings on OPEB plan investments	25,900	268,319
Change of Assumptions	534,289	478
Changes in proportion and differences between employer contributions and proportionate share of contributions	117,000	176,308
District contributions subsequent to the measurement date	158,517	-
Total	\$ 916,543	\$ 1,503,589

Of the total amount reported as deferred outflows of resources related to OPEB, \$158,517 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2022	\$ (191,618)
2023	(204,786)
2024	(177,101)
2025	(169,058)
2026	(17,000)
Thereafter	14,000

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (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:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.50 - 7.20%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031	Initial trend starting at 6.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	5.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2024	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	2.13%	1.92%
Discount Rate	7.10%	5.20%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions (continued)

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

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	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	3.9%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

Discount rate

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, 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 or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
TRS			
Districts' net OPEB liability	\$ 1,948,000	\$ 1,521,000	\$ 1,169,000
	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
CERS			
Districts' net OPEB liability	\$ 705,812	\$ 514,068	\$ 356,711

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Discount	1% Increase
TRS			
Districts' net OPEB liability	\$ 1,105,000	\$ 1,521,000	\$ 2,039,000
	1% Decrease	Current Discount	1% Increase
CERS			
Districts' net OPEB liability	\$ 370,068	\$ 514,068	\$ 687,879

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

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

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

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

At June 30, 2022, the Ludlow Independent 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	\$ -
State's proportionate share of the net OPEB liability associated with the District	16,000
	16,000
	\$ 16,000

For the year ended June 30, 2022, the District recognized OPEB expense of \$-0- and revenue of \$2,517 for support provided by the State.

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:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	2.13%
Discount Rate	7.50%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation.

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

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	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Discount rate

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 assumed that the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position

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

NOTE 9 CONTINGENCIES

Grant Fund Approval

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 the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and 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 the programs.

NOTE 10 INSURANCE AND RELATED ACTIVITIES

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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 12 DEFICIT OPERATING/FUND BALANCES

The District currently has no funds with a deficit fund balance. Additionally, no funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance.

NOTE 13 COBRA

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

NOTE 14 CONTINGENT LIABILITY

The District is a participant in the Kentucky School Board Insurance Trust (KSBIT) in which the District purchases general liability and workers' compensation insurance. As of June 30, 2022, the District has paid this liability in full.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 15 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
Food Service Fund	General Fund	Indirect Costs Transfers	\$ 41,419
Building Fund	Debt Service Fund	Debt Service	\$ 286,580
Capital Outlay Fund	General Fund	Operations	\$ 265,352
General Fund	Special Revenue	Matching	\$ 15,841
Building Fund	Capital Outlay Fund	Operations	\$ 189,918

NOTE 16 ON-BEHALF PAYMENTS

For the year ended June 30, 2022 total payments of \$2,530,580 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 2,268,659
Debt Service	231,482
Food Service	<u>30,439</u>
Total On-Behalf	<u><u>\$ 2,530,580</u></u>

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS

2007, 2007B, 2014, 2015-REF, and 2016 Issues

FISCAL YEAR	Ludlow Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2022-2023	\$ 214,620	\$ 91,087	\$ 305,707	\$ 160,380	\$ 51,707	\$ 212,087	\$ 517,794
2023-2024	222,506	85,414	307,920	162,492	46,410	208,902	516,822
2024-2025	230,160	79,075	309,235	169,840	40,712	210,552	519,787
2025-2026	237,671	72,290	309,961	175,329	34,670	209,999	519,960
2026-2027	181,309	64,736	246,045	158,691	28,092	186,783	432,828
2027-2028	184,190	58,720	242,910	145,810	22,416	168,226	411,136
2028-2029	191,875	52,180	244,055	68,125	18,470	86,595	330,650
2029-2030	199,283	44,775	244,058	72,717	15,875	88,592	332,650
2030-2031	206,589	37,245	243,834	73,411	13,140	86,551	330,385
2031-2032	213,787	29,542	243,329	76,213	10,383	86,596	329,925
2032-2033	220,883	21,474	242,357	79,117	7,476	86,593	328,950
2033-2034	227,784	13,039	240,823	82,216	4,418	86,634	327,457
2034-2035	58,682	4,317	62,999	16,318	1,158	17,476	80,475
2035-2036	58,184	2,564	60,748	16,816	661	17,477	78,225
2036-2037	56,375	845	57,220	13,627	204	13,831	71,051
	<u>\$ 2,703,898</u>	<u>\$ 657,303</u>	<u>\$ 3,361,201</u>	<u>\$ 1,471,102</u>	<u>\$ 295,792</u>	<u>\$ 1,766,894</u>	<u>\$ 5,128,095</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 SCHEDULE OF LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2022 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2022</u>
Bond Obligations	\$ 4,540,000	\$ -	\$ 365,000	\$ 4,175,000
Sick Leave	\$ 52,781	\$ 57,619	\$ 54,975	\$ 55,425

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2021, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement no. 87, *Leases*, as it relates to accounting and financial reporting for leases. Under this Statement, a single model for lease accounting is established based on the foundational principle that leases are financings of the right to use an underlying asset. Leases are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation. There was no material impact on the financial statements as a result of this change in accounting principle.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2022, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2022**

	<u>Special Revenue Activity Fund</u>	<u>School Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
Assets							
Current:							
Cash and cash equivalents	\$ 19,234	\$ 131,604	\$ -	\$ -	\$ 24,815	\$ -	\$ 175,653
Total current	<u>\$ 19,234</u>	<u>\$ 131,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,815</u>	<u>\$ -</u>	<u>\$ 175,653</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:							
Restricted:							
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 24,815	\$ -	\$ 24,815
Other	19,234	131,604	-	-	-	-	150,838
Total fund balances	<u>19,234</u>	<u>131,604</u>	<u>-</u>	<u>-</u>	<u>24,815</u>	<u>-</u>	<u>175,653</u>
Total liabilities and fund balances	<u>\$ 19,234</u>	<u>\$ 131,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,815</u>	<u>\$ -</u>	<u>\$ 175,653</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2022**

	Special Revenue Activity Fund	School Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ 262,016	\$ -	\$ -	\$ 262,016
State sources	-	-	75,434	214,482	-	231,483	521,399
Other sources	24,419	194,305	-	-	-	-	218,724
Total revenues	24,419	194,305	75,434	476,498	-	231,483	1,002,139
Expenditures:							
Instructional	13,955	-	-	-	-	-	13,955
Student support services	3,876	164,831	-	-	-	-	168,707
Principal	-	-	-	-	-	365,000	365,000
Interest	-	-	-	-	-	153,063	153,063
Total expenditures	17,831	164,831	-	-	-	518,063	700,725
Excess (deficit) of revenues over expenditures	6,588	29,474	75,434	476,498	-	(286,580)	301,414
Other Financing Sources (Uses)							
Operating transfers in	-	-	189,918	-	-	286,580	476,498
Operating transfers out	-	-	(265,352)	(476,498)	-	-	(741,850)
Total other financing sources(uses)	-	-	(75,434)	(476,498)	-	286,580	(265,352)
Net change in fund balance	6,588	29,474	-	-	-	-	36,062
Fund balance, July 1, 2021	12,646	102,130	-	-	24,815	-	139,591
Fund balance, June 30, 2022	<u>\$ 19,234</u>	<u>\$ 131,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,815</u>	<u>\$ -</u>	<u>\$ 175,653</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 2,262,200	\$ 2,262,200	\$ 2,474,436	\$ 212,236
Earnings on investments	15,000	15,000	3,745	(11,255)
State sources	3,449,300	3,449,300	5,863,739	2,414,439
Federal sources	10,000	10,000	11,110	1,110
Other sources	529,200	529,200	377,724	(151,476)
Total revenues	6,265,700	6,265,700	8,730,754	2,465,054
Expenditures				
Instructional	3,692,054	3,692,054	5,213,045	(1,520,991)
Student support services	201,850	201,850	247,665	(45,815)
Staff support services	530,430	530,430	691,061	(160,631)
District administration	591,390	591,390	711,633	(120,243)
School administration	445,131	445,131	593,444	(148,313)
Business support services	229,673	229,673	165,176	64,497
Plant operation and maintenance	706,979	706,979	878,161	(171,182)
Student transportation	33,116	33,116	32,020	1,096
Other	1,335,077	1,335,077	56,135	1,278,942
Total expenditures	7,765,700	7,765,700	8,588,340	(822,640)
Net change in fund balance	(1,500,000)	(1,500,000)	142,414	1,642,414
Fund balance, July 1, 2020	1,500,000	1,500,000	1,646,069	146,069
Fund balance, June 30, 2021	\$ -	\$ -	\$ 1,788,483	\$ 1,788,483

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	\$ 391,689	\$ 391,533	\$ 439,821	\$ 48,288
Federal sources	503,871	869,684	1,772,212	902,528
Other sources	15,000	15,000	22,107	7,107
Total revenues	910,560	1,276,217	2,234,140	957,923
Expenditures				
Instructional	608,670	629,926	919,593	(289,667)
Student support services	91,823	291,823	362,298	(70,475)
Staff support services	94,137	137,674	540,144	(402,470)
District administration	14,430	6,565	52,936	(46,371)
Plant operation and maintenance	18,763	18,763	255,688	(236,925)
Community service operations	82,737	191,466	103,481	87,985
Total expenditures	910,560	1,276,217	2,234,140	(957,923)
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2020	-	-	-	-
Fund balance, June 30, 2021	-	\$ -	\$ -	\$ -

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2022**

	<u>Issue of 2007</u>	<u>Issue of 2007B</u>	<u>Issue of 2014</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	32,455	64,720	260,025
Disbursements:			
Bonds paid	25,000	50,000	165,000
Interest coupons	7,455	14,720	95,025
Total disbursements	32,455	64,720	260,025
Excess of receipts over disbursements	-	-	-
Cash at June 30, 2022	-	-	-
Fund balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Issue of 2015</u>	<u>Issue of 2016</u>	<u>Total</u>
Cash at July 1, 2021	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	85,168	75,695	518,063
Disbursements:			
Bonds paid	75,000	50,000	365,000
Interest coupons	10,168	25,695	153,063
Total disbursements	85,168	75,695	518,063
Excess of receipts over disbursements	-	-	-
Cash at June 30, 2022	-	-	-
Fund balance at June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Ludlow Independent High School Activity Fund
For the Year Ended June 30, 2022**

	Fund Balance July 1, 2021	Receipts	Disbursements	Fund Balance June 30, 2022
Principal's Office	\$ 673	\$ 622	\$ 1,035	\$ 260
Postage	22	-	22	-
Staff Generated	162	-	-	162
Ludlow Christian Scholars	8,852	61	500	8,413
Band Scholarship	-	1,500	1,500	-
Service Learning	414	-	-	414
Central Office	1,599	682	-	2,281
Book Rental	315	4,206	4,470	51
Student Fees	2,287	8,514	5,066	5,735
Technology	2,105	1,700	-	3,805
Athletic AD	250	24,315	23,928	637
Softball	2,107	1,865	1,567	2,405
Volleyball	4,758	10,090	10,913	3,935
Soccer	854	-	-	854
Track	833	-	100	733
Baseball	731	3,755	3,521	965
Football	9,078	30,262	23,147	16,193
MS Cheerleading	167	3,653	294	3,526
HS Cheerleading	2,084	8,329	5,769	4,644
Boys Basketball	2,280	9,580	10,177	1,683
Girls Basketball	8,174	11,716	10,565	9,325
Cross Country	120	500	-	620
Band	3,436	10,680	11,200	2,916
Band Drinks	468	82	-	550
Student Council	160	592	253	499
March Madness	73	-	-	73
NHS	103	6,988	5,651	1,440
SADD	576	-	25	551
HS Drama	1,623	-	302	1,321
MS Drama	842	-	-	842
PCC	198	-	-	198
Yearbook	5,395	1,360	606	6,149
Academic Team	7	-	-	7
Class of 2021	47	-	47	-
Class of 2022	3,610	1,198	4,808	-
Class of 2023	-	4,615	3,925	690
Class of 2024	-	75	-	75
Class of 2025	-	75	-	75
Holding	121	4,325	1,621	2,825
Sweep	-	25,663	25,663	-
Student Recognition	290	721	576	435
Box Tops for Education	320	-	-	320
Misc	201	-	-	201
Life Skills	378	-	22	356
MD Class	353	-	307	46
ACT	-	900	900	-
MS Track	1,766	-	800	966
MS Basketball - Boys	370	1,500	578	1,292
MS Basketball - Girls	-	-	-	-
MS Football	1,697	2,862	2,277	2,282
MS Basketball	1,296	2,262	3,437	121
Class Balance Rollover	252	-	252	-
Transfers	-	(28,436)	(28,436)	-
Total	\$ 71,447	\$ 156,812	\$ 137,388	\$ 90,871

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2022**

	<u>Mary A. Goetz Elementary</u>	<u>Total</u>
Fund balances at July 1, 2021	\$ 30,683	\$ 30,683
Add: receipts	37,493	37,493
Less: disbursements	<u>(27,443)</u>	<u>(27,443)</u>
Fund balance at June 30, 2022	<u>\$ 40,733</u>	<u>\$ 40,733</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability – TRS

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*
State's proportionate share of the net pension liability associated with the District	<u>17,240,184</u>	<u>18,130,034</u>	<u>17,010,398</u>	<u>17,276,026</u>	<u>37,666,022</u>	<u>40,545,833</u>	<u>31,903,351</u>	<u>25,919,015</u>	<u>*</u>	<u>*</u>
Total	<u>\$ 17,240,184</u>	<u>\$ 18,130,034</u>	<u>\$ 17,010,398</u>	<u>\$ 17,276,026</u>	<u>\$ 37,666,022</u>	<u>\$ 40,545,833</u>	<u>\$ 31,903,351</u>	<u>\$ 25,919,015</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774	\$ 4,319,097	\$ 4,132,256
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	*	*
Plan fiduciary net position as a percentage of the total pension liability	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

Changes of assumption: In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

Changes of assumption: In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

Changes of assumption: 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 for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

Changes of assumption: In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 201,754	\$ 167,336	\$ 157,419	\$ 160,815	\$ 168,307	\$ 182,258	\$ 174,775	\$ 139,870	\$ 74,613	\$ 72,559
Contributions in relation to the contractually required contribution	<u>(201,754)</u>	<u>(167,336)</u>	<u>(157,419)</u>	<u>(160,815)</u>	<u>(168,307)</u>	<u>(182,258)</u>	<u>(174,775)</u>	<u>(139,870)</u>	<u>(74,613)</u>	<u>(72,559)</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774	\$ 4,319,097
Contributions as a percentage of covered-employee payroll	4.06%	3.76%	3.69%	3.88%	3.89%	4.01%	3.97%	3.25%	2.47%	1.68%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability – CERS

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of net pension liability	0.02686%	0.02726%	0.02952%	0.03204%	0.03431%	0.03384%	0.03694%	0.03518%	*	*
District's proportionate share of the net pension liability	\$ 1,712,472	\$ 2,091,050	\$ 2,075,873	\$ 1,951,577	\$ 2,008,387	\$ 1,666,254	\$ 1,588,116	\$ 1,141,000	*	*
Total net pension liability	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*	*
District's covered-employee payroll	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766	\$ 828,178	\$ 845,139
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.6%	309.7%	278.8%	242.7%	237.6%	202.9%	181.3%	162.8%	*	*
Plan fiduciary net position as a percentage of the total pension liability	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: 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).

2015: 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 Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 183,139	\$ 165,060	\$ 168,317	\$ 159,925	\$ 154,202	\$ 157,904	\$ 140,132	\$ 154,780	\$ 132,374	\$ 161,909
Contributions in relation to the contractually required contribution	<u>(183,139)</u>	<u>(165,060)</u>	<u>(168,317)</u>	<u>(159,925)</u>	<u>(154,202)</u>	<u>(157,904)</u>	<u>(140,132)</u>	<u>(154,780)</u>	<u>(132,374)</u>	<u>(161,909)</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766	\$ 828,178
Contributions as a percentage of of covered-employee payroll	26.81%	24.06%	24.93%	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%	19.55%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 16,000	\$ 42,000	\$ 37,000	\$ 35,000	\$ 29,000	*	*	*	*	*
Total net OPEB liability	\$ 16,000	\$ 42,000	\$ 37,000	\$ 35,000	\$ 29,000	*	*	*	*	*
District's covered-employee payroll	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

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 the 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, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 Years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	7.50%

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - LIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.070908%	0.068758%	0.066509%	0.067859%	0.073402%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 1,521,000	\$ 1,735,000	\$ 1,947,000	\$ 2,355,000	\$ 2,617,000	*	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 1,236,000	\$ 1,390,000	\$ 1,572,000	\$ 2,029,000	\$ 2,138,000	*	*	*	*	*
Total net OPEB liability	\$ 2,757,000	\$ 3,125,000	\$ 3,519,000	\$ 4,384,000	\$ 4,755,000	*	*	*	*	*
District's covered-employee payroll	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	221.7%	256.9%	261.5%	292.9%	309.6%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 125,862	\$ 121,431	\$ 115,811	\$ 120,878	\$ 125,758	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(125,862)</u>	<u>(121,431)</u>	<u>(115,811)</u>	<u>(120,878)</u>	<u>(125,758)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> *</u>	<u> *</u>	<u> *</u>	<u> *</u>	<u> *</u>
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	*	*	*	*	*
Contributions as a percentage of covered-employee payroll	18.43%	17.70%	17.15%	16.24%	15.64%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective trust OPEB liability	0.026852%	0.027255%	0.029509%	0.032043%	0.034312%	*	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 514,068	\$ 658,125	\$ 496,328	\$ 568,917	\$ 689,789	*	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Total net OPEB liability	\$ 514,068	\$ 658,125	\$ 496,328	\$ 568,917	\$ 689,789	*	*	*	*	*
District's covered-employee payroll	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	*	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	74.9%	97.5%	66.7%	70.8%	81.6%	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.40%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions: None

2018: Updated health care trend rates were implemented.

LUDLOW INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions– MIF (CERS)

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 32,655	\$ 33,241	\$ 39,162	\$ 37,328	\$ 39,515	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(32,655)</u>	<u>(33,241)</u>	<u>(39,162)</u>	<u>(37,328)</u>	<u>(39,515)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.78%	4.85%	5.80%	5.01%	4.91%	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Number</u>	<u>Agreement Number</u>	<u>06/30/2022</u>
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027A	3810002 21	44,002
Special Education_Preschool Grants	84.027A	3810002 22	187,880
Special Education_Preschool Grants	84.173A	3800002 21	11,692
<i>Covid-Related Funding</i>			
Special Education_Grants to States	84.027A	4910002 21	13,000
Total Special Education Cluster			<u>256,574</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 21	27,038
Title I Grants to Local Educational Agencies	84.010A	3100002 22	213,121
Total CFDA #84.010			<u>240,159</u>
Arts in Education PDAE	84.351C	32817001 18	300,073
Title II Improving Teacher Quality State Grants	84.367A	3230002 22	35,958
Twenty-First Century Community Learning Centers	84.287C	3400002 20	(2,173)
Twenty-First Century Community Learning Centers	84.287C	3400002 21	17,396
Twenty-First Century Community Learning Centers	84.287C	3400002 22	100,000
Twenty-First Century Community Learning Centers	84.287C	3400002 21	31,485
Twenty-First Century Community Learning Centers	84.287C	3400002 22	100,000
Total CFDA #84.287C			<u>246,708</u>
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 21	18,763
Elementary and Secondary School Emergency Relief Fund	84.425C	4000002 20	19,909
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002 21	720,563
Elementary and Secondary School Emergency Relief Fund	84.425D	4200003 21	10,100
Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 20	(95,674)
Elementary and Secondary School Emergency Relief Fund	84.425U	4300003 21	1,271
Elementary and Secondary School Emergency Relief Fund	84.425U	4200003 21	988
Elementary and Secondary School Emergency Relief Fund	84.425W	4980002 21	4,576
Elementary and Secondary School Emergency Relief Fund	84.425	22	6,817
			<u>668,550</u>
Total U.S. Department of Education			<u>1,766,785</u>
U.S. Department of Justice			
<i>Passed through Kentucky Department of Education</i>			
STOP School Violence	16.839		5,427
Total U.S. Department of Justice			<u>5,427</u>
U.S. Department of Agriculture			
<i>Child Nutrition Cluster</i>			
<i>Passed through Kentucky Department of Education</i>			
Summer Food Service Program for Children	10.559	7690024 21	1,913
Summer Food Service Program for Children	10.559	7740023 21	18,678
Summer Food Service Program for Children	10.559	7690024 22	2,313
Summer Food Service Program for Children	10.559	7740023 22	22,372
National School Lunch Program	10.555	7750002 21	72,370
National School Lunch Program	10.555	7750002 22	377,500
National School Lunch Program	10.555	9980000 22	24,772
School Breakfast Program	10.553	7760005 21	24,600
School Breakfast Program	10.553	7760005 22	114,616
			<u>659,134</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	40,447
Total Child Nutrition Cluster			<u>699,581</u>
Child and Adult Food Program	10.558	7790021 21	8,715
Child and Adult Food Program	10.558	7790021 22	59,779
Child and Adult Food Program	10.558	7800016 21	876
Child and Adult Food Program	10.558	7800016 21	4,247
Child and Adult Food Program	10.558	7980000 21	9,900
Total CFDA #10.558			<u>83,517</u>
State Pandemic Electronic Benefit Transfer Administrative Costs	10.649	9990000 21	614
State Administrative Expenses for Child Nutrition	10.560	7700001 21	1,392
Total U.S. Department of Agriculture			<u>785,104</u>
Total Expenditures of Federal Awards			<u>\$ 2,557,316</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2022, the District reported food commodities expended in the amount of \$40,447

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2022.

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

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ludlow Independent School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Ludlow Independent School District's internal control.

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

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

Report on Compliance and Other Matters

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

We noted other matters that we reported to management of the District on pages 76-77.

**INDEPENDENT AUDITORS' 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
(Continued)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Ludlow Independent 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 Ludlow Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)**

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ludlow Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ludlow Independent School District's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2022

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report 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 weaknesses? _____ Yes X None noted
- 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 weaknesses? _____ Yes X None noted

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 Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

CFDA No.	Name of Federal Program or Cluster
84.425	Elementary and Secondary School Emergency Relief Fund

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 FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2022**

Reference Number	Summary of Finding	Status
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SECTION I -SUMMARY OF AUDITOR'S RESULTS

No matters were reportable.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters were reportable.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
Year Ended June 30, 2022**

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

This letter summarizes our comments and suggestions regarding those matters. A separate report dated TBD, 2022 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 15, 2022, on the financial statements of the Ludlow Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Ludlow High School

No matters are reportable.

Ludlow Elementary School

No matters are reportable.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2022**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Ludlow High School

No matters are reportable.

Ludlow Elementary School

No matters are reportable.