CAVERNA INDEPENDENT SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS
For the Year Ended June 30, 2023

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Caverna Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna Independent School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Audit Contract and Requirements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Caverna Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

410 South Broadway ▪ Glasgow, Kentucky 42141 ▪ Office: 270.651.2163 ▪ Fax: 270.651.6677 ▪ www.cmr-cpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Caverna Independent School District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Caverna Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and page 52-53 and the pension and OPEB liability and contribution information on pages 54-61 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Caverna Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Caverna Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Caverna Independent School District's internal control over financial reporting and compliance.

Campbell, Myers & Rutledge, PLLC

Certified Public Accountants

Glasgow, Kentucky
November 2, 2023

The discussion and analysis of the Caverna Independent School District's financial condition provides an overall view of the financial activities of the district for the fiscal year ending June 30, 2023. The district remains in good financial standing and has benefited from the increased federal funds from ESSER over the past few years.

FINANCIAL HIGHLIGHTS

- The District's General Fund beginning of the year balance was $3,623,823, with total revenues of $9,157,878 including $2,694,838 of behalf payments from the state. The on-behalf amount shows as revenue as well as an expenditure, so it can be quite misleading. The District's revenue primarily consisted of local sources (ad valorem taxes, investments, and contributions/donations) and the state program (SEEK).
- The General Fund's expenditures totaled $8,787,022 with instruction being the largest expense at $4,734,589 and plant operations and maintenance coming in at a little over a million.

In September of 2022, the Caverna Board approved to leave the tax rate at 82.6 cents, the rate that was approved in 2021. Community members have attended the last couple of tax hearings, expressing concerns over the tax rates due to rising property values. The decisions that the board has made over the last couple of years have been made due to the economic hardships that the community has faced due to the pandemic. However, the community needs to realize that Caverna is an anomaly when it comes to the tax rate and the socioeconomic climate of its communities. The only way that the district has to generate new monies is by increasing taxes. The community wants to compare Caverna to surrounding districts, but needs to realize that other districts have 3% utility taxes. While no one likes increasing taxes, the members of the board will have to exercise due diligence when considering future tax rates.

Caverna is no different from most schools across the state in having difficulty filling academic areas with highly qualified candidates and struggling to keep bus drivers, custodians and cooks as well as other classified personnel. The district tries to maintain pay scales that are competitive with surrounding districts but being small is sometimes an impediment.

Federal grants have allowed the district to add several positions and an array of resources to address the academic and emotional needs of the students and staff occurring since the pandemic. OCIS- Elementary and Secondary School Emergency Relief (Esser II) funds had to be expended by September 30th of 2023 and the remaining OCIS- American Rescue Plan Elementary and Secondary Emergency Relief (ESSER III) and several other federal grants provided because of the pandemic will end in 2024. The district will have to be very strategic in deciding what programs and positions have been successful and look for ways the district can continue to fund them.

A variety of projects were accomplished in the 22-23 school year and include:

- Completion of the Installation of two new MAU's to meet the fresh air requirements at the elementary school, a new VRF system to provide heating/cooling for the elementary school and a solar array to generate 85% of the power needed for the high/middle school, and upgraded lighting. This is a performance based project that is guaranteed to reduce energy costs by more than the project cost. If energy costs do not go down the company is responsible for paying us the difference. The project was funded mostly through the ARP federal grant.
- Completion of the Caverna Secure Entry Improvements project including reworking the entrance to the high school to create a vestibule in the existing lobby providing secure entrances with access controlled in the reception area, along with smaller changes to the middle school and elementary entrances to make them safer. This project was funded through ESSER and various local grants.

- The United States Department of Agriculture for grant for $534,106 with a required match of $80,300 has concluded and now provides new interactive smartboards with multimedia technology throughout the district. This grant supplies a telemedicine cart and counseling plus a professional development center for the school's libraries.
- The COPS Office School Violence Prevention Program is not complete but a major portion of the scope of work has been completed. This is a competitive grant designed to provide funding to improve school security. Federal funds totaled $430,629 with the district match amount being $143,543. These monies totaling $574,172 were used to increase security with access control, surveillance systems, exterior and interior door locking mechanisms/controllers, and request to enter camera/intercom systems.
- Outdoor classrooms were completed that allow students and staff the opportunity to enjoy the outside environment while still being able to focus on instruction. This project was funded through ESSER funds.
- Many improvements to school grounds were completed. Athletic facilities and buildings were painted and minor repairs were made, as well as, safety concerns addressed. A well-maintained campus and safe physical environment of high quality fosters positive attitudes and motivations and directly impacts instruction.

Ongoing Challenges that the district faces:

- Student attendance is an ongoing concern and the pandemic has exacerbated the issue.
- The cost of Preschool to the district. The district continued to provide all day preschool for 2022-2023 with 54 students enrolled requiring three teachers and three aides. The total cost of Preschool was $253,619 with the state Preschool grant covering $170,523 of the cost leaving $83,096 to be paid from the general fund. The district also pays the costs of transportation and technology for preschool. Most educators agree all day preschool and kindergarten are the best steps to giving our students the chance to succeed.
- Another area of concern is the continued cost of Special Education. Funding is based on the number of Special Education students on December 1, not an average throughout the year. This makes it difficult for a small district to adjust the number of teachers required as the numbers go up and down. The number of teachers required is determined by the caseload allowed by the state, so we must staff according to these rules regardless of how much the state funds.
- Being able to provide pay increases for all employees to stay competitive with surrounding districts, as well as rising employer costs for personnel.
- State mandates that are not fully funded bring challenges to the district.
- The cost of maintenance and facility repairs for aging buildings continue to increase and the elementary school is in need of a new roof.
- The absence of federal funds from ESSER in the next few years will bring challenges of being able to fund programs and personnel that are integral to instruction.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

The governmental fund financial statements can be found on pages 13-19 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. Caverna's assets and deferred outflows exceed liabilities and deferred inflows by $4,215,087 as of June 30, 2023 compared to $2,557,157 as of June 30, 2022.

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

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

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

Net Position for the period ending June 30, 2023 and June 30, 2022

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and Other Assets	$ 5,200,823	$ 4,424,523	$ 273,700	$ 345,864	$ 5,474,523	$ 4,770,387
Capital Assets	6,634,302	5,103,029	134,714	66,708	6,769,016	5,169,737
Total Assets	11,835,125	9,527,552	408,414	412,572	12,243,539	9,940,124
Deferred Outflows	2,289,684	1,103,422	174,684	100,196	2,464,368	1,203,618
Long-term Debt	7,495,096	6,099,366	493,943	357,339	7,989,039	6,456,705
Other Liabilities	995,367	872,923	-	3,179	995,367	876,102
Total Liabilities	8,490,463	6,972,289	493,943	360,518	8,984,406	7,332,807
Deferred Inflows	1,406,612	1,161,050	101,802	92,728	1,508,414	1,253,778
Net Position						
Net investment in capital assets	4,768,186	3,061,151	134,714	66,708	4,902,900	3,127,859
Restricted	460,539	517,971	-	-	460,539	517,971
Unrestricted	(1,000,991)	(1,081,487)	(147,361)	(7,186)	(1,148,352)	(1,088,673)
Total Net Position	$ 4,227,734	$ 2,497,635	$ (12,647)	$ 59,522	$ 4,215,087	$ 2,557,157

The following Table 2 presents a summary of changes in net position for the fiscal years ended June 30, 2023 and 2022.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
REVENUES						
Program revenues						
Charges for services	$ -	$ -	$ 14,682	$ 15,744	$ 14,682	$ 15,744
Operating grants and contributions	5,914,248	3,216,267	771,812	738,025	6,686,060	3,954,292
Capital grants and contributions	199,876	180,979	-	-	199,876	180,979
General revenues					-	-
Property taxes	3,052,458	2,875,129	-	-	3,052,458	2,875,129
Motor vehicle taxes	242,415	204,180	-	-	242,415	204,180
Revenue in lieu of taxes	508,977	555,669	-	-	508,977	555,669
Investment earnings	151,205	7,775	10,696	674	161,901	8,449
State and formula grants	5,009,638	4,234,102	-	-	5,009,638	4,234,102
Miscellaneous	288,781	278,983	-	-	288,781	278,983
Total revenues	15,367,598	11,553,084	$ 797,190	$ 754,443	$ 16,164,788	$ 12,307,527
EXPENSES						
Program Activities						
Instruction	8,815,364	6,476,335	-	-	8,815,364	6,476,335
Student support	1,050,850	860,001	-	-	1,050,850	860,001
Instructional staff support	476,379	622,721	-	-	476,379	622,721
District administrative support	756,506	673,891	-	-	756,506	673,891
School administrative support	644,106	608,273	-	-	644,106	608,273
Business support	95,225	138,839	-	-	95,225	138,839
Plant operation and maintenance	800,290	536,786	-	-	800,290	536,786
Student transportation	500,248	591,591	-	-	500,248	591,591
Community service activities	97,630	84,395	-	-	97,630	84,395
Facilities acquisition and construction	4,350	35,960	-	-	4,350	35,960
Interest costs	24,040	27,266	-	-	24,040	27,266
Depreciation, unallocated	372,511	313,001	-	-	372,511	313,001
Business-type Activities						-
Food service	-	-	869,359	458,516	869,359	458,516
Total expenses	13,637,499	10,969,059	869,359	458,516	14,506,858	11,427,575
Excess before transfers	1,730,099	584,025	(72,169)	295,927	1,657,930	879,952
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	$ 1,730,099	$ 584,025	$ (72,169)	$ 295,927	$ 1,657,930	$ 879,952

Governmental Activities

Instruction comprises 65% of governmental program expenses. Support services expenses make up 32% of government expenses. The remaining expense for community services, interest and other expenses accounts for the remaining 3% of total government expenses. Instruction costs increased due to the added positions of Technology Resource Teacher and Interventionists at the elementary and middle school and the curriculum and supplies we were able to purchase with the federal grants we received.

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

	Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	$ 8,815,364	$ 6,476,335	$ 2,901,116	$ 3,260,068
Support Services	4,323,604	4,032,102	4,323,604	4,032,102
Community Services & Other	97,630	84,395	97,630	84,395
Facilities acquisition and construction	4,350	35,960	(126,554)	(76,047)
Interest costs	24,040	27,266	(44,932)	(41,706)
Total expenses	$ 13,264,988	$ 10,656,058	$ 7,150,864	$ 7,258,812

Business-Type Activities

The business-type activities include the food service operation. This program had total revenues of $797,190 and expenses of $869,359 for fiscal year 2023. Of the revenues, $14,682 was charges for services, $771,812 was from State and Federal grants and $10,696 was from investment earnings. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity. If it becomes necessary, the School District will increase the charges for these activities.

General Fund-Budget Highlights

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land and land improvements	$ 121,636	$ 121,636	$ -	$ -	$ 121,636	$ 121,636
Buildings and improvements	5,921,654	3,654,414	-	-	5,921,654	3,654,414
Technology	91,757	30,384	-	-	91,757	30,384
Vehicles	205,087	246,031	-	-	205,087	246,031
General Equipment	294,168	200,103	134,714	66,708	428,882	266,811
Total	6,634,302	4,252,568	134,714	66,708	6,769,016	4,319,276
Construction in progress	-	850,461	-	-	-	850,461
Total	$ 6,634,302	$ 5,103,029	$ 134,714	$ 66,708	$ 6,769,016	$ 5,169,737

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Beginning balance	$ 3,897,187	$ 3,897,187	$ 74,266	$ 74,266	$ 3,971,453	$ 3,971,453
Additions	2,758,236	1,518,952	78,770	-	2,837,006	1,518,952
Retirements	(3,991)	(109)	-	-	(3,991)	(109)
Depreciation	(372,511)	(313,001)	(10,764)	(7,558)	(383,275)	(320,559)
Ending balance	$ 6,278,921	$ 5,103,029	$ 142,272	$ 66,708	$ 6,421,193	$ 5,169,737

Net Capital Assets will continue to decrease as we no longer depreciate tablets and laptops. We now expense them in the year purchased.

BUDGET IMPLICATIONS

Although Covid-19 is currently not considered an ongoing pandemic, the impact on student learning and emotional well being continues to be one of the largest current concerns of the district. Learning loss is still a major issue when comparing test scores throughout the state. Covid-19 will continue to affect schools finances as many of the programs and personnel will not have to come out of the general fund or will not be an option. Since the pandemic, many parents chose to homeschool their children or have moved to virtual options. The district will have to think outside the box in the coming years to accommodate these students so that enrollment does not decline. Attendance is another major concern and has declined since the pandemic.

An across the board raise was not given FY 2023. The finance officer retired unexpectedly and as a new finance officer along with a new superintendent, the decision was made to hold off on raises until a better understanding of the condition of the district was known. The hope is to do an across the board raise FY 2024 as well as extending the classified salary schedule from its current 10 years. We have in the past contracted with each city in our district for Resource Officers in each building. Because of the large increase in prices, the district has chosen to contract for one Resource office throughout the district. This works for the district as the schools are less than a mile apart. Although our financial position is good, we are adding more classified staff as enrollment decreases. We must remain diligent with our staffing in order to remain viable.

Contacting the School District's Financial Management

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

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CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business Type Activities	Total
Assets:			
Current Assets:			
Cash and cash equivalents	$ 4,019,928	$ 156,063	$ 4,175,991
Inventory	-	24,887	24,887
Accounts receivable			
Taxes - current	25,083	-	25,083
Intergovernmental - indirect federal	1,155,812	92,750	1,248,562
Total current assets	5,200,823	273,700	5,474,523
Noncurrent Assets:			
Capital assets	14,468,738	230,099	14,698,837
Less: accumulated depreciation	(7,834,436)	(95,385)	(7,929,821)
Total noncurrent assets	6,634,302	134,714	6,769,016
Total assets	11,835,125	408,414	12,243,539
Deferred Outflows of Resources:			
Outflows relating to net pension and OPEB liability	2,289,684	174,684	2,464,368
Total deferred outflows	2,289,684	174,684	2,464,368
Liabilities:			
Current Liabilities:			
Accounts payable	162,662	-	162,662
Deferred revenue	594,727	-	594,727
Current portion of capital lease obligations	8,727	-	8,727
Current portion of bond obligations, net	166,966	-	166,966
Current portion of accrued sick leave	56,412	-	56,412
Interest payable	5,873	-	5,873
Total current liabilities	995,367	-	995,367
Noncurrent Liabilities:			
Noncurrent portion of bond obligations, net	1,684,550	-	1,684,550
Noncurrent portion of CERS net pension liability	2,819,842	388,033	3,207,875
Noncurrent portion of CERS net OPEB liability	769,679	105,910	875,589
Noncurrent portion of KTRS net OPEB liability	2,017,000	-	2,017,000
Noncurrent portion of accrued sick leave	204,025	-	204,025
Total noncurrent liabilities	7,495,096	493,943	7,989,039
Total liabilities	8,490,463	493,943	8,984,406
Deferred Inflows of Resources:			
Inflows relating to net pension and OPEB liability	1,406,612	101,802	1,508,414
Net Position:			
Invested in capital assets, net of related debt	4,768,186	134,714	4,902,900
Restricted for:			
Building fund	215,922	-	215,922
Capital projects	129,533	-	129,533
Construction	33,169	-	33,169
School activity	81,915	-	81,915
Unrestricted	(1,000,991)	(147,361)	(1,148,352)
Total net position	$ 4,227,734	$ (12,647)	$ 4,215,087

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business - Type Activities	Total
Functions / Programs							
Governmental Activities:							
Instruction	$ 8,815,364	$ -	$ 5,914,248	$ -	$ (2,901,116)	$ -	$ (2,901,116)
Support Services							
Student	1,050,850	-	-	-	(1,050,850)	-	(1,050,850)
Instruction staff	476,379	-	-	-	(476,379)	-	(476,379)
District administrative	756,506	-	-	-	(756,506)	-	(756,506)
School administrative	644,106	-	-	-	(644,106)	-	(644,106)
Business	95,225	-	-	-	(95,225)	-	(95,225)
Plant operations and maintenance	800,290	-	-	-	(800,290)	-	(800,290)
Student transportation	500,248	-	-	-	(500,248)	-	(500,248)
Facilities acquisition and construction	4,350	-	-	130,904	126,554	-	126,554
Community service activities	97,630	-	-	-	(97,630)	-	(97,630)
Interest on long-term debt	24,040	-	-	68,972	44,932	-	44,932
Depreciation (unallocated)	372,511	-	-	-	(372,511)	-	(372,511)
Total governmental activities	13,637,499	-	5,914,248	199,876	(7,523,375)	-	(7,523,375)
Business-Type Activities							
Food Service	869,359	14,682	771,812	-	-	(82,865)	(82,865)
Total business-type activities	869,359	14,682	771,812	-	-	(82,865)	(82,865)
Total primary government	$ 14,506,858	$ 14,682	$ 6,686,060	$ 199,876	(7,523,375)	(82,865)	(7,606,240)
				General Revenues:			
				Taxes:			
				Property taxes	3,052,458	-	3,052,458
				Motor vehicle taxes	242,415	-	242,415
				Other	247,883	-	247,883
				Investments earnings	151,205	10,696	161,901
				Other local revenues	508,977	-	508,977
				State and formula grants	5,009,638	-	5,009,638
				Miscellaneous	40,898	-	40,898
				Total general revenues	9,253,474	10,696	9,264,170
				Change in net position	1,730,099	(72,169)	1,657,930
				Net position - beginning	2,497,635	59,522	2,557,157
				Net position - ending	$ 4,227,734	$ (12,647)	$ 4,215,087

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Special Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets and resources:				
Cash and cash equivalents	$ 3,559,389	$ -	$ 460,539	$ 4,019,928
Accounts receivable:				
Taxes-current	25,083	-	-	25,083
Intergovernmental - indirect federal	-	1,155,812	-	1,155,812
Interfund receivable	511,380	-	-	511,380
Total assets and resources	$ 4,095,852	$ 1,155,812	$ 460,539	$ 5,712,203
Liabilities and fund balance:				
Liabilities:				
Accounts payable	$ 112,957	$ 49,705	$ -	$ 162,662
Interfund payable	-	511,380	-	511,380
Deferred revenue	-	594,727	-	594,727
Total liabilities	112,957	1,155,812	-	1,268,769
Fund balances:				
Restricted:				
Building	-	-	215,922	215,922
Capital Outlay	-	-	129,533	129,533
Construction	-	-	33,169	33,169
School Activity	-	-	81,915	81,915
Committed	50,000	-	-	50,000
Unassigned	3,932,895	-	-	3,932,895
Total fund balances	3,982,895	-	460,539	4,443,434
Total liabilities and fund balances	$ 4,095,852	$ 1,155,812	$ 460,539	$ 5,712,203

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balance per fund financial statements	$ 4,443,434
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	6,634,302
Net pension and OPEB liabilities and deferred inflows of resources are not due and payable in the current period and therefore not recorded in the funds.	(7,013,133)
Deferred outflows of resources are not current financial resources and not reported in the funds.	2,289,684
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable in the current period, but they are presented in the statement of net position.	(2,126,553)
Net position for governmental activities	$ 4,227,734

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General Fund	Special Revenue	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	$ 3,052,458	$ -	$ -	$ 3,052,458
Motor vehicle	242,415	-	-	242,415
Other	247,883	-	-	247,883
Earnings on investments	151,205	-	-	151,205
Other local revenues	139,445	5,063	364,469	508,977
Intergovernmental-state	5,009,638	537,343	199,876	5,746,857
Intergovernmental-indirect federal	-	5,312,079	-	5,312,079
Intergovernmental-direct federal	64,826	-	-	64,826
Total revenues	8,907,870	5,854,485	564,345	15,326,700
Expenditures:				
Instruction	4,734,589	3,287,833	156,598	8,179,020
Support services:				
Student	764,989	284,325	1,536	1,050,850
Instructional staff	261,856	214,523	-	476,379
District administration	756,506	-	-	756,506
School administration	644,106	-	-	644,106
Business	95,225	-	-	95,225
Plant operations and maintenance	1,020,802	666,976	-	1,687,778
Student transportation	500,248	-	-	500,248
Building	-	-	1,016,638	1,016,638
Community service activities	-	97,630	-	97,630
Other	8,701	728	194,381	203,810
Total expenditures	8,787,022	4,552,015	1,369,153	14,708,190
Excess (deficit) of revenues over expenditures	120,848	1,302,470	(804,808)	618,510
Other financing sources (uses):				
Interest income	-	-	6,638	6,638
Proceeds from sale of fixed assets	3,711	-	-	3,711
Operating transfers in	246,297	11,784	1,707,146	1,965,227
Operating transfers out	(11,784)	(1,581,737)	(341,157)	(1,934,678)
Total other financing sources (uses)	238,224	(1,569,953)	1,372,627	40,898
Net Change in Fund Balance	359,072	(267,483)	567,819	659,408
Fund balance, July 1, 2022	3,623,823	267,483	(107,280)	3,784,026
Fund balance, June 30, 2023	$ 3,982,895	$ -	$ 460,539	$ 4,443,434

CAVERNA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in total fund balances per fund financial statements	$	659,408
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial financial resources, but they are presented as assets in the government wide statements and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.		1,531,273
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		175,420
Excess of pension expense reported over pension benefits paid in governmental activities.		(604,895)
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.		(31,107)
Change in net position of governmental activities	$	1,730,099

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Food Service Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 156,063
Accounts receivable	92,750
Inventory	24,887
Total current assets	273,700
Noncurrent	
Capital assets	230,099
Less: accumulated depreciation	(95,385)
Total noncurrent assets	134,714
Total assets	408,414
Deferred Outflows of resources:	
Outflows relating to net pension and OPEB liability	174,684
Liabilities	
Current Liabilities	
Accounts payable	-
Total current liabilities	-
Noncurrent Liabilities	
Noncurrent portion of CERS net pension liability	388,033
Noncurrent portion of CERS net OPEB liability	105,910
Total noncurrent liabilities	493,943
Total liabilities	493,943
Deferred Inflows of resources:	
Inflows relating to net pension and OPEB liability	101,802
Net Position	
Invested in capital assets net of related debt	134,714
Unrestricted	(147,361)
Total net position	$ (12,647)

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Food Service Fund
Operating Revenues:	
Lunchroom sales	$ 14,407
Other operating revenues	275
Total operating revenues	14,682
Operating Expenses:	
Salaries and wages	473,521
Material and supplies	351,885
Depreciation	10,764
Other operating expenses	2,640
Total operating expenses	838,810
Operating loss	(824,128)
Non-Operating Revenues (Expenses):	
Federal grants	668,041
Donated commodities	42,932
On behalf payments	55,970
State funding	4,869
Interest income	10,696
Total non-operating revenues	782,508
Transfers out	(30,549)
Change in net position	(72,169)
Net position, July 1, 2022	59,522
Net position, June 30, 2023	$ (12,647)

See accompanying notes to basic financial statements.

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

Cash Flows From Operating Activities:		
Cash received from:		
Lunchroom sales	$	14,407
Other activities		275
Cash paid to/for:		
Employees		(402,331)
Supplies		(336,348)
Net cash provided (used) by operating activities		(723,997)
Cash Flows from NonCapital Financing Activities:		
Cash received for operating grants		672,910
Transfers (out)		(30,549)
Net cash provided (used) by noncapital and related financing activities		642,361
Cash Flows from Capital Financing Activities:		
Purchase of capital assets		(78,770)
Net cash provided (used) by capital and related financing activities		(78,770)
Cash Flows from Investing Activities:		
Receipt of interest income		10,696
Net cash provided (used) by investing activities		10,696
Net increase (decrease) in cash and cash equivalents		(149,710)
Balances, beginning of year		305,773
Balances, end of year	$	156,063
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating loss	$	(824,128)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation		10,764
On-behalf revenues		55,970
Donated commodities used in operations		42,932
Change in assets and liabilities		
Accounts receivable		(80,088)
Inventory		2,542
Accounts payable		(3,179)
Deferred outflow		(74,488)
Net Pension and OPEB liability		136,604
Deferred inflow		9,074
Net cash provided (used) by operating activities	$	(723,997)
Schedule of non-cash transactions:		
On-Behalf payments	$	55,970
Donated commodities received from federal government	$	42,932

See accompanying notes to basic financial statements.

1. Summary of Significant Accounting Policies:

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Caverna Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, is not responsible for any debt of the organizations, and has no influence over the operation of these organizations.

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

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

Caverna Independent School District Finance Corporation - On August 30, 1989, the Caverna Board of Education resolved to authorize the establishment of the Caverna Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation:

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

The District-wide statements are prepared using the economic resources measurement focus. This focus is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

1. Summary of Significant Accounting Policies, Continued:

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

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

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

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

The District has the following funds:

I. Governmental Fund Types:

a. The General Fund is the primary operating fund of the District and is always classified as a major fund. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Reservations have been placed on the fund balance for accrued sick leave and other contingencies.

b. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

1. Summary of Significant Accounting Policies, Continued:

1. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

2. The Special Revenue School Activity Fund includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Uniform Program of Accounting for School Activity Funds.

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

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.

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

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

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

1. Summary of Significant Accounting Policies, Continued:

II. Proprietary Funds (Enterprise Funds):

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

District-Wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

Committed – Commitments passed by the Board.

Assigned – Funds assigned to management priority including issued encumbrances.

Unassigned – Funds available for future operations.

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

1. Summary of Significant Accounting Policies, Continued:

Basis of Accounting:

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

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

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

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

In order to present the Special Revenue Fund on the accrual basis of accounting, and because the awards are not yet available as assets, cash awards received in advance for the 2023-2024 school year have been classified as deferred revenue. Likewise, all awards requested as a result of 2022-2023 expenditures have been classified as receivables. Revenues of the Special Revenue Fund are considered earned when reimbursable expenditures are made or obligations are incurred, and of an equal amount.

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

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

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

1. Summary of Significant Accounting Policies Continued:

Property Tax Revenues

Property taxes are levied each November on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 60 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were $.826 per $100 valuation for real property, $.828 per $100 valuation for business personal property and $.627 per $100 valuation for motor vehicles.

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

Capital Assets

Assets of the governmental funds are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the proprietary fund financial statement.

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

1. Summary of Significant Accounting Policies, Continued:

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

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

Interfund Balances

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

Compensated Absences

The District policies regarding sick leave permit employees to accumulate earned but unused sick leave. Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave and has no maximum accumulation.

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

The entire compensated absence liability is reported on the government-wide financial statements. The balance is estimated based on employees having twenty-seven years of service or more and eligible for retirement as of June 30, 2023. The current portion is the portion that is allocable to employees who have twenty-seven years of service or more.

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

1. Summary of Significant Accounting Policies, Continued:

Budgetary Process

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

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

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

Once the budget is approved, it can be amended.

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

Cash and Cash Equivalents

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

Inventories

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

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Leases

The District implemented GASB No. 87 which enhances the relevance and consistency information of the government's leasing activities. It established requirements for operating lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

1. Summary of Significant Accounting Policies, Concluded:

Accrued Liabilities and Long-Term Obligations

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

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

Operating Revenues and Expenses

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

Contributions of Capital

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

Donated Commodities

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

Pensions and OPEB

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

2. Estimates:

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

3. Deferred Outflows/Inflows of Resources:

The District adopted GASB No. 63, and in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has amounts that qualify for reporting in this category in the amount of $2,464,368.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has amounts that qualify for reporting in this category in the amount of $1,508,414.

4. Cash and Cash Equivalents:

At June 30, 2023 the carrying amount of the District's cash and cash equivalents was $4,175,991 and bank balance was $4,714,404. All cash balances were covered by Federal Depository insurance, or collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in certificates of deposits with a maturity of 90 days or less.

All deposits are in financial institutions and brokerage accounts. The District's bank deposits are categorized below to give an indication of the custodial credit risk assumed by the District at June 30, 2023.

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

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

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

	Category			Total Bank	Carrying
	One	Two	Three	Balance	Amount
Deposits with Financial institutions	$ 250,000	$ 4,464,404	$ -	$ 4,714,404	$ 4,175,991

4. Cash and Cash Equivalents, Concluded:

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

Level 1
Quoted prices (unadjusted) in an active market for identical assets or liabilities that the District has the ability to access at the measurement date.

Level 2
Inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability.

Level 3
Unobservable inputs for the asset or liability used to measure fair value that rely on the District's own assumptions about the market participant's assumptions that may be used in pricing the asset or liability.

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

Interest Rate Risk

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

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

Credit Risk

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

Concentration of Credit Risk

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

5. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

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

Governmental Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital Assets, not being Depreciated:				
CIP	$ 850,461	$ -	$ (850,461)	$ -
Land	121,636	-	-	121,636
Total Capital, not being Depreciated	972,097	-	(850,461)	121,636
Capital Assets, being Depreciated:				
Land Improvements	779,870	-	-	779,870
Buildings and Improvements	9,103,273	2,549,593	-	11,652,866
Technology Equipment	478,566	75,433	(27,881)	526,118
Vehicles	971,671	12,000	-	983,671
General Equipment	283,367	121,210	-	404,577
Total Capital Assets, being Depreciated	11,616,747	2,758,236	(27,881)	14,347,102
Less: Accumulated Depreciation				
Land Improvements	(779,870)	-	-	(779,870)
Buildings and Improvements	(5,448,859)	(282,353)	-	(5,731,212)
Vehicles	(725,640)	(52,944)	-	(778,584)
Technology Equipment	(448,182)	(10,069)	23,890	(434,361)
General Equipment	(83,264)	(27,145)	-	(110,409)
Total Accumulated Depreciation	(7,485,815)	(372,511)	23,890	(7,834,436)
Governmental Activities Capital Assets - Net	$ 5,103,029	$ 2,385,725	$ (854,452)	$ 6,634,302
Business-Type Activities				
Capital Assets, being Depreciated:				
Food service and Equipment	$ 152,290	$ 78,770	$ (5,358)	$ 225,702
Technology Equipment	4,397	-	-	4,397
Total Capital Assets, being Depreciated	156,687	78,770	(5,358)	230,099
Less: Accumulated Depreciation				
Food Service and Equipment	(85,582)	(10,764)	5,358	(90,988)
Technology Equipment	(4,397)	-	-	(4,397)
Total Accumulated Depreciation	(89,979)	(10,764)	5,358	(95,385)
Business-Type Activities Capital Assets - Net	$ 66,708	$ 68,006	$ -	$ 134,714

6. Bonded Debt and Lease Obligations:

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

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

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

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are as follows:

Year	Principal	Interest	Participation	District's Portion
2023-24	$ 170,000	$ 20,732	$ 68,971	$ 121,761
2024-25	180,000	17,000	38,716	158,284
2025-26	185,000	15,200	38,716	161,484
2026-27	185,000	13,350	38,715	159,635
2027-28	185,000	11,500	38,716	157,784
2028-29	190,000	9,650	38,717	160,933
2029-30	190,000	7,750	38,716	159,034
2030-31	195,000	5,850	38,716	162,134
2031-32	195,000	3,900	38,715	160,185
2032-33	195,000	1,950	38,717	158,233
	$ 1,870,000	$ 106,882	$ 417,415	$ 1,559,467

6 Bonded Debt and Lease Obligations, Concluded:

Long-term debt activities for the year ended June 30, 2023, are as follows:

	Balance June 30, 2022	Additions	Debt Payments and Reductions	Balance June 30, 2023	Amount Due within one year
Series 2014	$ 245,000	$ -	$ 120,000	$ 125,000	$ 125,000
QZAB Series 2014	1,795,000	-	50,000	1,745,000	45,000
	2,040,000	-	170,000	1,870,000	170,000
Bond Premiums/ discounts	(21,518)	-	(3,034)	(18,484)	(3,034)
Total bonds, net with premium	$ 2,018,482	$ -	$ 166,966	$ 1,851,516	$ 166,966

7. Capital Lease Payable

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2023:

Year ending June 30:	
2024	$ 8,989
2025	-
2026	-
2027	-
2028	-
Thereafter	-
Total minimum lease payments	8,989
Less: Amount representing interest	(262)
Present Value of Net Minimum Lease payments	$ 8,727

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

Class of Property	Book Value as of June 30, 2023
Vehicles, at cost	$ 91,464
Accumulated Depreciation	(83,080)
Net Book Value	$ 8,384

8. Accumulated Unpaid Sick Leave Benefits:

Accrued sick leave is payable upon retirement at 30% of the value of the accumulated sick leave. In accordance with GAAP, the District has recorded approximately $260,000 in accrued sick leave liability in the District-Wide Statement of Net Position. The current year portion is $56,412.This amount is anticipated to be funded with current year's economic financial resources and is the District's amount associated with employees that have notified the District of retirement within the next year.

9. Retirement Plans:

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

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

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

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

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	At least 5 years of service and 55 years old
		At least 25 years of 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 year 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 is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

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

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

9. Retirement Plans, Continued:

There have been no actuarial assumption changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

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

	Required Contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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

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

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2.0% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

9. Retirement Plans, Continued:

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the plan for fiscal years ending June 30, 2023 and 2022. This applies to employees hired prior to July 1, 2008 and those hired afterwards. The District's contractually required contribution rate for the year ended June 30, 2023 and 2022 for KTRS was 16.105% for employees hired prior to July 1, 2008 and those hired afterwards.

The CERS nonhazardous contribution rate for the employer was 23.40% and 22.78% of annual compensation for the years ended June 30, 2023 and 2022, respectively. Employees hired before July 1, 2008 are required to contribute 5% of their salary and employees hired after that date are required to contribute 6%.

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of CERS net pension liability	$ 3,207,875
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	19,176,723
	$ 22,384,598

9. Retirement Plans, Continued:

The total pension liability, net pension liability and sensitivity information was based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan's fiscal year end using generally accepted actuarial principles.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.044375%.

For the year ended June 30, 2023, the District recognized pension expense of $565,812 related to CERS. At June 30, 2023, 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 in the measurement of the TPL	$ 3,430	$ 28,568
Changes in assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	436,496	354,257
Changes in proportion and differences between employer contributions and proportionate share of contributions	135,640	1,346
Contributions to pension plan after measurement date	324,191	-
Total	$ 899,757	$ 384,171

The amount reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows/(Inflows)
2024	$ 127,222
2025	(26,957)
2026	91,130
2027	-
2028	-
Total	$ 191,395

9. Retirement Plans, Continued:

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

	CERS	KTRS
Inflation	2.30%	2.50%
Projected Salary Increases	3.3-11.55%	3-7.50%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

Mortality assumptions: Pre-retirement mortality uses PUB-2010 General Mortality table, for the nonhazardous systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality (non-disabled) uses system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. Post-retirement mortality (disabled) uses PUB-2010 disable mortality table, with a 4 year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. These mortality assumptions were adopted in 2019.

For KTRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

9. Retirement Plans, Continued:

Assumed Asset Allocation: The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS and KTRS's investment consultants, are summarized in the following table:

	CERS		KTRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	50.00%	4.45%	62.00%	20.00%
Private Equity	10.00%	10.15%	7.00%	6.90%
Core Fixed Income	10.00%	0.28%	15.00%	-0.10%
Specialty Credit	10.00%	2.28%	0.00%	0.00%
Cash	0.00%	-0.91%	0.00%	0.00%
Real Estate	7.00%	3.67%	7.00%	4.00%
Real Return	13.00%	4.07%	0.00%	0.00%
Cash	0.00%	0.00%	2.00%	-0.30%
High Yield Bonds	0.00%	0.00%	2.00%	1.70%
Other Additional Categories	0.00%	0.00%	5.00%	2.20%
Total	100.00%		100.00%	

Discount rate: For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

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

Sensitivity Analysis for CERS and KTRS: The following table presents the net pension liability of the District, calculated using the discount rates selected by CERS, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	4,009,445	3,207,875	2,544,909

9. Retirement Plans, Concluded:

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

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

The District's payroll for employees covered under KTRS was $4,584,141 and for CERS was $2,124,688.

The contribution requirement for CERS for the year ended June 30, 2023, was $450,875 which consisted of $371,157 from the District and $79,718 from employees.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans. For the year ended June 30, 2023, employees contributed approximately $49,290 to the plans.

10. Other Post-Employment Benefits (OPEB):

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

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

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Kentucky Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state.

TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at https://trs.ky.gov/financial-reports-information.

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

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the KTRS Medical Insurance and Life Insurance Plans.

Medical Insurance Plan - CERS

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

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

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

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. There were no other material assumption changes. Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide reimbursement of premiums for health plans other than those administered by KPPA.

Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. See the chart below for current values for Dollar Contribution. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, 61.692 and 78.52. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

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

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

Dollar Contribution for Fiscal Year 2022		Portion Paid by Insurance Fund	
For Member participation date on or after July 1, 2003			
System	(in whole dollars)	Years of service	% Paid by Insurance Fund
KERS Non-hazardous	$ 13.99	20+ years	100.00%
KERS Hazardous	$ 20.99	15-19 years	75.00%
CERS Non-hazardous	$ 13.99	10-14 years	50.00%
CERS Hazardous	$ 20.99	4-9 years	25.00%
SPRS	$ 20.99	Less than 4 years	0.00%

Medical Insurance Plan – CERS, Continued

The projection of cash flows used to determine the single discount rate must include an assumption regarding the actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in KRS contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The fully insured premiums KRS pays for the CERS health insurance plans are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing it to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is understood that any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The distributions from the retiree health insurance trust pay the employers' portion of the blended premiums, not the employers' portion of the underlying retiree claims costs. As a result, the benefit payments and contribution amounts need to include an adjustment related to the implicit subsidy. Participating employers adjust their contributions by the implicit subsidy in order to determine the total employer contribution for GASB 75 purposes.

Medical Insurance Plan - KTRS

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

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

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

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

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

Life Insurance Plan - KTRS

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

Benefits provided – KTRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member who began contributing before January 1, 2022. For members who entered on or after January1, 2022, the life insurance benefit payable upon the death of a member is five thousand dollars for active contributing members and ten thousand dollars for retired or disabled 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.

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

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

At June 30, 2023, the District reported a liability of $875,589 for CERS, $2,017,000 for KTRS Medical Insurance Plan and $0 for KTRS Life Insurance Plan for its proportionate share of the net OPEB liability. The District did not report a liability for its proportionate share of the collective net OPEB liability for the Life Insurance Plan because the Commonwealth provides OPEB support directly to KTRS on behalf of the District. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial value as of June 30, 2021. At June 30, 2022, the District's proportionate share was .044367% for CERS, .081241% for KTRS Medical Insurance plan and 0% for KTRS Life Insurance Plan.

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

District's proportionate share of CERS net OPEB liability	$	875,589
District's proportionate share of KTRS net OPEB liability		2,017,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District		663,000
	$	3,555,589

As a result of its requirement to contribute to the Plan, the District recognized OPEB expense of $136,026 for CERS. For KTRS Medical Insurance Plan the District recognized OPEB expense of $458,525. At June 30, 2023, the District reported deferred inflows and deferred outflows of resources related to the net OPEB liability from the following sources:

	CERS		KTRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience in the measurement of the net OPEB liability	$ 88,135	$ 200,793	$ -	$ 638,215
Changes in assumptions	138,480	114,107	308,571	-
Net difference between projected and actual investment earnings on OPEB plan investments	163,044	127,506	80,529	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	76,157	15,023	517,797	28,599
Contributions to OPEB plan after measurement date	78,534	-	113,364	-
Total	$ 544,350	$ 457,429	$ 1,020,261	$ 666,814

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

The deferred outflows resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in expense as follows:

	Net Deferred Outflows/(Inflows)	
	CERS	KTRS
2024	$ 14,757	$ (15,052)
2025	(28,692)	12,794
2026	22,322	109,881
2027	-	91,819
2028	-	40,641
Total	$ 8,387	$ 240,083

Actuarial Assumptions: The total OPEB liability, net OPEB liability and sensitivity information are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022 using generally accepted actuarial principles.

For CERS, the KRS Board of Trustees adopted the following updated actuarial assumptions used in performing the actuarial valuation as of June 30, 2022:

	CERS
Inflation	2.30%
Payroll Growth Rate	2.0% for CERS non-hazardous and hazardous
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Pre-65	Initial trend starting at 6.4% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare Trend Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

	KTRS
Investment Rate of Return:	
Medical Insurance Plan	7.10%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases:	
Medical Insurance Plan	3.0-7.50%, including wage inflation
Life Insurance Plan	3.0-7.50% including wage inflation
Inflation	
Medical Insurance Plan	2.50%
Life Insurance Plan	2.50%
Real wage growth	0.25%, for both Medical and Life Insurance Plans.
Wage inflation	
Medical Insurance Plan	2.75%, for both Medical and Life Insurance Plans.
Healthcare cost trend rates:	
Healthcare Trend Pre-65	Initial trend starting at 7.0% for fiscal year 2022 and decreasing to an ultimate trend rate of 4.50% by fiscal year 2032
Healthcare Trend Post-65	Initial trend starting at 5.125% for fiscal year 2022 decreasing to an ultimate trend rate of 4.50% by fiscal year 2025
Medicare Part B Premiums	6.97% for fiscal year 2022 with ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	3.37%, for both Medical and Life Insurance Plans.
Discount Rate	
Medical Insurance Plan	7.10%
Life Insurance Plan	7.10%
Single equivalent interest rate:	
Medical Insurance Plan	7.10%, net of OPEB plan investment expense, including inflation
Life Insurance Plan	7.10%, net of OPEB plan investment expense, including inflation

For CERS, mortality rates were based on system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate trend rates from MP 2014 mortality improvement scale using a base year of 2019.

For KTRS, 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, 2021, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation. The health care cost trend rate assumption was updated for the June 30, 2021, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll-forward while the change in initial per capita claims costs were included with experience in the TOL roll-forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

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

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

	CERS		KTRS	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Public Equity	50.00%	4.45%	58.00%	5.10%
Private Equity	10.00%	10.15%	8.50%	6.90%
Core Bonds	10.00%	0.28%	9.00%	-0.10%
Specialty Credit/High Yield	10.00%	2.28%	8.00%	1.70%
Cash	0.00%	-0.91%	1.00%	-0.30%
Real Estate	7.00%	3.67%	6.50%	4.00%
Real Return	13.00%	4.07%	0.00%	0.00%
Other Additional Categories	0.00%	0.00%	9.00%	2.20%
	100.00%		100.00%	

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

Discount Rate: The single discount rate of 5.70% for non-hazardous and was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69% as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2022. The following presents the City's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

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

	1% Decrease	Current Discount Rate	1% Increase
CERS - Nonhazardous	4.70%	5.70%	6.70%
District's proportionate share of the net OPEB liability	$ 1,170,523	$ 875,589	$ 631,777

Discount Rate: For KTRS - Medical Insurance Plan, the single discount rate of 7.10% was used to measure the total OPEB liability as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The following presents the District's proportionate share of the net OPEB liability if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

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

	1% Decrease	Current Discount Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of the net OPEB liability	$ 2,530,000	$ 2,017,000	$ 1,592,000

Healthcare Trend Rate: The initial trend rate for participants under 65 years of age starts at 6.40% at January 1, 2022 and gradually decreases to an ultimate trend rate of 4.05% over a period of 14 years. For those over 65 years of age the trend rate starts at 6.30% at January 1, 2023 and gradually decreases to an ultimate trend rate of 4.05% over a period of 13 years. The following table presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

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

	1% Decrease	Current Discount Rate	1% Increase
CERS - Nonhazardous	4.70%	5.70%	6.70%
District's proportionate share of the net OPEB liability	$ 650,981	$ 875,589	$1,145,301

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

Healthcare Trend Rate: For KTRS, the initial trend rate for participants under 65 years of age starts at 6.75% and gradually decreases to an ultimate trend rate of 4.50% by 2031. Medicare Part B premiums starts at 1.55% with an ultimate rate of 4.50% by 2034. The following table presents the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

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

	1% Decrease	Current Trend Rate	1% Increase
KTRS	6.10%	7.10%	8.10%
District's proportionate share of the net OPEB liability	$ 1,512,000	$ 2,017,000	$ 2,645,000

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

11. Arbitrage:

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the insurance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the District performed calculations of excess investment earnings on various bonds and financings and at June 30, 2023 does not expect to incur a liability.

12. Contingencies:

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

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

12. Contingencies, Concluded:

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

13. Insurance and Risk Management:

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

14. Deficit Operating Balances:

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

School Activity	$ 3,918
Special Revenue	$ 267,483

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

Food Service	$ 72,169

15. COBRA:

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

16. Litigation:

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

17. Transfer of Funds:

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

17. Transfer of Funds, Concluded:

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose		Amount
Operating	General	Special Revenue	Technology Match	$	11,784
Construction	Building	General Fund	Construction	$	159,637
Operating	Capital Outlay	Debt Service	Debt Service	$	125,409
Constuction	Capital Outlay	General Fund	Construction	$	56,111
Operating	Food Service	General Fund	Indirect Costs	$	30,549
Construction	Special Revenue	Capital Outlay	Construction	$	133,251
Construction	Special Revenue	Building	Construction	$	40,911
Construction	Special Revenue	Construction	Construction	$	1,407,575

18. On Behalf Payments

During the year ended June 30, 2023, the Kentucky Division of Finance made payments on behalf of Caverna Independent School Distirct in the amount of $2,819,780. These payments were paid for fringe benefits and retirement for the District personnel. These payments have been included in both revenue and expenditures on the Board's financial statements for the year ended June 30, 2023 as follows:

Health Insurance	$1,015,192
KTRS Employer Match	1,749,700
KTRS Employer Match	37,928
Health Reimbursement Account	49,788
State Adminstration Fees	11,760
Life Insurance	1,473
Federal Reimbursement on Health Benefits	(196,597)
Technology	81,564
School Facilities Construction Commission Debt Service	68,972
	$2,819,780
Recorded as follows:	
General Fund	$2,694,838
Food Service Fund	55,970
Debt Service	68,972
	$2,819,780

19. Subsequent Events

Management has evaluated subsequent events through November 2, 2023, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended June 30, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes:				
Property	$ 2,855,000	$ 2,855,000	$ 3,052,458	$ 197,458
Motor vehicles	190,000	190,000	242,415	52,415
Other	227,000	227,000	247,883	20,883
Earnings on investments	17,000	17,000	151,205	134,205
Other local revenues	-	-	139,445	139,445
Intergovernmental-state	2,306,645	2,306,645	5,009,638	2,702,993
Intergovernmental-direct federal	31,000	31,000	64,826	33,826
Total revenues	5,626,645	5,626,645	8,907,870	3,281,225
Expenditures:				
Instruction	3,793,795	3,793,795	4,734,589	(940,794)
Support services:				
Student	433,557	433,557	764,989	(331,432)
Instructional staff	350,487	350,487	261,856	88,631
District administration	2,223,987	2,223,987	756,506	1,467,481
School administration	485,685	485,685	644,106	(158,421)
Business	21,091	21,091	95,225	(74,134)
Plant operations and maintenance	1,094,948	1,094,948	1,020,802	74,146
Student transportation	658,919	658,919	500,248	158,671
Community service activities	5,232	5,232	-	5,232
Other	9,030	9,030	8,701	329
Total expenditures	9,076,731	9,076,731	8,787,022	289,709
Excess (deficit) of revenues over expenditures	(3,450,086)	(3,450,086)	120,848	3,570,934
Other financing sources (uses):				
Proceeds from sale of fixed assets	-	-	3,711	3,711
Operating transfers in	19,000	19,000	246,297	227,297
Operating transfers out	(11,358)	(11,358)	(11,784)	(426)
Total other financing sources (uses)	7,642	7,642	238,224	230,582
Net Change in Fund Balance	(3,442,444)	(3,442,444)	359,072	3,801,516
Fund balance, July 1, 2022	3,623,823	3,623,823	3,623,823	-
Fund balance, June 30, 2023	$ 181,379	$ 181,379	$ 3,982,895	$ 3,801,516

The District did not budget On Behalf payments for FY 2023.

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues:				
Other local revenues	$ (1,000)	$ (1,000)	$ 5,063	$ 6,063
Intergovernmental-state	490,634	490,634	537,343	46,709
Intergovernmental-indirect federal	1,117,172	1,117,172	5,312,079	4,194,907
Total revenues	1,606,806	1,606,806	5,854,485	4,247,679
Expenditures:				
Instruction	1,282,663	1,282,663	3,287,833	(2,005,170)
Support services:				
Student	50,037	50,037	284,325	(234,288)
Instructional staff	190,506	190,506	214,523	(24,017)
Plant operations and maintenance	-	-	666,976	(666,976)
Community service activities	94,500	94,500	97,630	(3,130)
Other Non-Instruction	-	-	728	(728)
Total expenditures	1,617,706	1,617,706	4,552,015	(2,934,309)
Excess (deficit) of revenues over expenditures	(10,900)	(10,900)	1,302,470	1,313,370
Other financing sources (uses):				
Operating transfers in	11,358	11,358	11,784	426
Operating transfers out	-	-	(1,581,737)	(1,581,737)
Total other financing sources (uses)	11,358	11,358	(1,569,953)	(1,581,311)
Net Change in Fund Balance	458	458	(267,483)	(267,941)
Fund balance, July 1, 2022	267,483	267,483	267,483	-
Fund balance, June 30, 2023	$ 267,941	$ 267,941	$ -	$ (267,941)

The District did not budget On Behalf payments for FY 2023.

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.044375%	0.038810%	0.038040%	0.038635%	0.039515%	0.040213%	0.041698%	0.043340%	0.042089%
District's proportionate share of the net pension liability	$ 3,207,875	$ 2,474,442	$ 2,917,637	$ 2,717,216	$ 2,406,583	$ 2,353,790	$ 2,053,051	$ 1,863,397	$ 1,366,000
District's covered-employee payroll	$ 2,124,688	$ 1,227,457	$ 992,398	$ 949,622	$ 995,826	$ 1,029,312	$ 1,009,750	$ 1,024,648	$ 987,074
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.98%	201.59%	294.00%	286.14%	241.67%	228.68%	203.32%	181.86%	138.39%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 324,191	$ 259,852	$ 191,503	$ 184,920	$ 154,029	$ 144,196	$ 137,968	$ 125,411	$ 125,852
Contributions in relation to the contractually required contribution	(324,191)	(259,852)	(191,503)	(184,920)	(154,029)	(144,196)	(137,968)	(125,411)	(125,852)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,124,688	$ 1,227,457	$ 992,398	$ 958,132	$ 949,622	$ 995,826	$ 1,029,312	$ 1,009,750	$ 1,024,648
Contributions as a percentage of covered-employee payroll	15.26%	21.17%	19.30%	19.30%	16.22%	14.48%	13.40%	12.42%	12.28%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability	0.044367%	0.038801%	0.038029%	0.038626%	0.039513%	0.040213%
District's proportionate share of the net OPEB liability	$ 875,589	$ 742,823	$ 918,285	$ 649,672	$ 701,545	$ 808,419
District's covered-employee payroll	$ 2,124,688	$ 1,227,457	$ 992,398	$ 949,622	$ 995,826	$ 1,029,312
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	41.21%	60.52%	92.53%	68.41%	70.45%	78.54%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution	$ 46,966	$ 70,947	$ 47,231	$ 45,607	$ 49,950	$ 46,804
Contributions in relation to the contractually required contribution	(46,966)	(70,947)	(47,231)	(45,607)	(49,950)	(46,804)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 2,124,688	$ 1,227,457	$ 992,398	$ 949,622	$ 995,826	$ 1,029,312
Contributions as a percentage of covered-employee payroll	2.21%	5.78%	4.76%	4.80%	5.37%	4.80%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-	-	-
Commonwealth's proportion of the net pension liability associated with the District	0.11320%	0.10550%	0.10360%	0.10530%	0.10600%	0.14630%	0.10880%	0.12500%	0.12050%
Commonwealth's proportionate share of the net pension liability associated with the District	$19,176,723	$ 13,726,794	$ 14,689,744	$ 14,366,598	$ 13,881,499	$ 29,858,565	$ 32,195,828	$ 25,320,648	$24,752,021
Total	$19,176,723	$ 13,726,794	$ 14,689,744	$ 14,366,598	$ 41,681,030	$ 89,270,790	$ 32,195,828	$ 25,320,648	$24,752,021
District's covered-employee payroll	$ 4,584,141	$ 4,844,512	$ 3,971,838	$ 3,524,424	$ 3,662,749	$ 3,820,765	$ 3,795,223	$ 3,734,772	$ 3,771,769
District's proportionate share of the net pension liability as a percentage of the District's coevered-employee payroll	-	-	-	-	-	-	-	-	-
Commonwealth's proportionate share of the net pension liability as a percentage of the District's covered-employee payroll	418.33%	283.35%	369.85%	407.63%	378.99%	781.48%	848.33%	677.97%	656.24%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	65.60%	58.30%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 4,584,141	$ 4,844,512	$ 3,971,838	$ 3,524,424	$ 3,662,749	$ 3,820,765	$ 3,795,223	$ 3,734,772	$ 3,771,769
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability						
Medical Insurance	0.081241%	0.055974%	0.055620%	0.056356%	0.054985%	0.058345%
Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net OPEB liability						
Medical Insurance	$ 2,017,000	$ 1,201,000	$ 1,404,000	$ 1,649,000	$ 1,908,000	$ 2,080,000
Life Insurance	$ -	$ -	$ -	$ -	$ -	$ -
Commonwealth's portion of the net OPEB liability associated with the District						
Medical Insurance	0.026689%	0.045457%	0.044553%	0.045512%	0.047385%	0.047660%
Life Insurance	0.105956%	0.099159%	0.097945%	0.099558%	0.099991%	0.103636%
Commonwealth's proportionate share of the net OPEB liability associated with the District						
Medical Insurance	$ 663,000	$ 975,000	$ 1,124,000	$ 1,332,000	$ 1,644,000	$ 1,699,000
Life Insurance	33,000	13,000	34,000	31,000	28,000	23,000
Total	$ 696,000	$ 988,000	$ 1,158,000	$ 1,363,000	$ 1,672,000	$ 1,722,000
District's covered-employee payroll	$ 4,584,141	$ 4,844,512	$ 3,971,838	$ 3,524,424	$ 3,662,749	$ 3,820,765
District's proportionate share of the net OPEB Liability as a percentage of its covered-employee payroll	44.00%	24.79%	35.35%	46.79%	52.09%	54.44%
Commonwealth's proportionate share of the net OPEB liability as a percentage of the District's covered-employee payroll	15.18%	20.39%	29.16%	38.67%	45.62%	47.49%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	51.70%	39.10%	32.58%	25.50%	21.18%

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

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution						
Medical Insurance	$ 113,364	$ 107,797	$ 99,354	$ 112,650	$ 105,733	$ 109,882
Life Insurance	-	-	-	-	-	-
Contributions in relation to the contractually required contribution						
Medical Insurance	(113,364)	(107,797)	(99,354)	(112,650)	(105,733)	(109,882)
Life Insurance	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 4,584,141	$ 4,844,512	$ 3,971,838	$ 3,524,424	$ 3,662,749	$ 3,820,765
Contributions as a percentage of covered-employee payroll	2.47%	2.23%	2.50%	3.20%	2.73%	2.70%

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

SUPPLEMENTARY INFORMATION

CAVERNA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Assets and resources:							
Cash and cash equivalents	$ -	$ 81,915	$ 129,533	$ 215,922	$ 33,169	$ -	$ 460,539
Total Assets and Resources	$ -	$ 81,915	$ 129,533	$ 215,922	$ 33,169	$ -	$ 460,539
Liabilities and fund balance:							
Liabilities:							
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Liabilities	-	-	-	-	-	-	-
Fund balances:							
Nonspendable							
Restricted:							
School activity funds	-	81,915	-	-	-	-	81,915
Capital outlay	-	-	129,533	-	-	-	129,533
Building fund	-	-	-	215,922	-	-	215,922
Construction fund	-	-	-	-	33,169	-	33,169
Total fund balances	-	81,915	129,533	215,922	33,169	-	460,539
Total Liabilities and Fund Balances	$ -	$ 81,915	$ 129,533	$ 215,922	$ 33,169	$ -	$ 460,539

CAVERNA INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	CONSTRUCTION FUND	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:							
Other local revenues	$ -	$ 154,216	$ -	$ 210,253	$ -	$ -	$ 364,469
Intergovernmental-State	-	-	56,111	74,793	-	68,972	199,876
Total revenues	-	154,216	56,111	285,046	-	68,972	564,345
Expenditures:							
Building Improvements	-	-	-	-	1,016,638	-	1,016,638
Instruction	-	156,598	-	-	-	-	156,598
Student Support Services	-	1,536	-	-	-	-	1,536
Debt Service	-	-	-	-	-	194,381	194,381
Total expenditures	-	158,134	-	-	1,016,638	194,381	1,369,153
Excess (deficit) of revenues over expenditures	-	(3,918)	56,111	285,046	(1,016,638)	(125,409)	(804,808)
Other financing sources (uses):							
Interest income	-	-	3,421	3,217	-	-	6,638
Operating transfers in	-	-	40,911	133,251	1,407,575	125,409	1,707,146
Operating transfers out	-	-	(56,111)	(285,046)	-	-	(341,157)
Total other financing sources (uses)	-	-	(11,779)	(148,578)	1,407,575	125,409	1,372,627
Net Change in Fund Balance	-	(3,918)	44,332	136,468	390,937	-	567,819
Fund balance, July 1, 2022	-	85,833	85,201	79,454	(357,768)	-	(107,280)
Fund balance, June 30, 2023	$ -	$ 81,915	$ 129,533	$ 215,922	$ 33,169	$ -	$ 460,539

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
CAVERNA HIGH SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2023

		Cash Balance July 1, 2022	(1) Receipts	(1) Disbursements	Cash Balance June 30, 2022	Accounts Receivable	Accounts Payable	Student Activity Fund Balance June 30, 2023
7000	General	$ 2,700	$ 104	$ 1,463	$ 1,341	$ -	$ -	$ 1,341
7010	Book Club	27	-	-	27	-	-	27
7020	Key Club	2,163	574	1,211	1,526	-	-	1,526
7040	STLP	272	3,997	3,048	1,221	-	-	1,221
7050	Faculty and Staff	229	432	340	321	-	-	321
7060	Reach and Teach	9	-	-	9	-	-	9
7070	School Concessions	156	165	92	229	-	-	229
7080	Athletic Concessions	1,954	8,959	8,537	2,376	-	-	2,376
7110	Class of 2019	72	-	-	72	-	-	72
7130	Prom	642	8,140	8,318	464	-	-	464
7140	Art	641	-	-	641	-	-	641
7150	Drama	315	-	-	315	-	-	315
7160	Chemistry	3	-	-	3	-	-	3
73000	Athletics (All Accounts)	9,560	35,465	33,069	11,956	-	-	11,956
7310	Baseball	601	9,793	9,064	1,330	-	-	1,330
7320	Boys Basketball	3,772	2,358	5,653	477	-	-	477
7330	Girls Basketball	2,375	1,809	2,302	1,882	-	-	1,882
7340	Football	1,378	10,567	2,725	9,220	-	-	9,220
7350	Golf	772	-	-	772	-	-	772
7360	Softball	8,161	2,811	8,761	2,211	-	-	2,211
7370	Tennis	117	-	-	117	-	-	117
7380	Track	271	-	236	35	-	-	35
7390	Volleyball	758	6,079	5,233	1,604	-	-	1,604
7400	Cross Country	294	-	-	294	-	-	294
7470	Project Grad	-	245	211	34	-	-	34
7490	Class of 2023	-	8,685	7,985	700	-	-	700
7495	Pep Club	-	272	-	272	-	-	272
7500	Band	3,215	7,753	9,496	1,472	-	-	1,472
7510	Library	80	-	-	80	-	-	80
7520	Cheerleaders	109	1,180	803	486	-	-	486
7530	Beta Club	2,446	2,519	3,146	1,819	-	-	1,819
7540	FCCLA	7	-	-	7	-	-	7
7550	Culinary	121	-	-	121	-	-	121
7560	Broadcasting Club	7	-	-	7	-	-	7
7570	PTSO	488	7,178	6,634	1,032	-	-	1,032
7580	Yearbook	422	-	19	403	-	-	403
7590	FFA	1	-	-	1	-	-	1
7640	Guard	-	808	-	808	-	-	808
		$ 44,138	$ 119,893	$ 118,346	$ 45,685	$ -	$ -	$ 45,685

CAVERNA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
ALL FUNDS COMBINED
For the Year Ended June 30, 2023

	Cash Balance July 1, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	School Activity Fund Balance June 30, 2023
Caverna Elementary	$ 24,084	$ 20,442	$ 25,360	$ 19,166	$ -	$ -	$ 19,166
Caverna Middle School	17,611	14,449	14,996	17,064	-	-	17,064
Caverna High School	44,138	119,893	118,346	45,685	-	-	45,685
	85,833	154,784	158,702	81,915	-	-	81,915
Less: interfund transfers	-	(568)	(568)	-	-	-	-
	$ 85,833	$ 154,216	$ 158,134	$ 81,915	$ -	$ -	$ 81,915

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 22/23	$ 147,995
School Lunch Program	10.555	7750002 22/23	377,833
Summer Food Service Program	10.559	7740023 22/23	31,815
Total Child Nutrition Cluster			557,643
Other Programs			
Child and Adult Care	10.558	7800016 23	3,600
Fresh Fruit and Vegetable Program	10.582	7720012 23	16,709
State Pandemic Electronic Benefit	10.649	9990000 22	628
Commodity Supplement Food Program	10.051	057502-02	42,932
Distance Learning and Telemedicine Grant	10.855	KY 755-A66	614,406
Total Other Programs			678,275
Total U.S. Department of Agriculture			$ 1,235,918
U.S. Department of Justice:			
Public Safety Partnership and Community Policing	16.710		$ 561,224
Total U.S. Department of Justice			$ 561,224
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I, Part A Cluster			
Title I Grants	84.010	3100002	$ 500,999
Total Title I, Part A Cluster			500,999
Special Education Cluster (IDEA)			
Special Education Grants	84.027	3810002	219,766
Special Education Preschool Grants	84.173	3800002	24,660
Total Special Education Cluster (IDEA)			244,426
Other Programs			
Career and Technical Education	84.048	3710002	9,457
Education Stabilization	84.425	4300002	3,409,450
Education Stabilization	84.425U	4200003	8,969
Student Support and Academic	84.424	3420002	77,746
Rural Education	84.358	3140002	11,748
Supporting Effective Instruction	84.367	3230002	67,499
Total Other Programs			3,584,869
Total U.S. Department of Education			$ 4,330,294
U.S.Department of Health and Human Services:			
Substance Abuse and Mental Health Services	93.243		$ 5,971
Total Department of Health and Human Services			$ 5,971
Total expenditures of federal awards			$ 6,133,407

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Caverna Independent School District under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Caverna Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of Caverna Independent School District.

2. Summary of Significant Accounting Policies:

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

3. Food Distribution:

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

4. Indirect Cost Rate:

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

5. Subrecipients:

There were no awards passed through to subrecipients.

CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No
Dollar threshold used to distinguish Between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

Identification of Major Programs:

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

II. FINANCIAL STATEMENTS FINDINGS

2023-001

Criteria: Management is responsible to maintain a system of internal control including employing an individual capable of creating financial statements including footnotes. The District does not have an individual capable of creating financial statements, including footnotes.

Cause: The inherent size of the School District.

Effect: There is an increased risk of material misstatement due to the deficiency in internal control.

Recommendation: We recommend that the District seek compensating controls to mitigate this deficiency.

Response: The District will search for ways to compensate for the internal control deficiency due to not having an individual capable of creating financial statements, including footnotes.

2023-002

Criteria: Monthly bank account reconciliations are the primary internal control procedure relating to the District's cash management policies.

Condition: During the fiscal year ending June 30, 2023, it was noted that bank account reconciliations were not being prepared properly.

Cause: Monthly reconciliations were not being performed properly on bank accounts.

Recommendation: We recommend that management reconcile bank accounts monthly.

Response: Management understands the importance and will address reconciling on a monthly basis.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

a. No matters were reported.

IV. NONCOMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

a. No matters were reported.

CAVERNA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2023

No matters were reported.

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

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Caverna Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Caverna Independent School District's basic financial statements, and have issued our report thereon dated November 2, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Caverna Independent School District's internal control over financial reporting (internal control) 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 Caverna Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Caverna Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

We noted other matters that we reported to management of Caverna Independent School District in a separate letter dated November 2, 2023.

Caverna Independent School District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
November 2, 2023

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CAMPBELL, MYERS AND RUTLEDGE, PLLC

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

Skip R. Campbell, CPA ▪ L. Joe Rutledge, CPA ▪ Jenna B. Glass, CPA ▪ Jordan T. Constant, CPA ▪ Lane S. Norris, CPA

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Caverna Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Caverna Independent School District's major federal programs for the year ended June 30, 2023. Caverna Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Caverna Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Campbell, Myers & Rutledge, PLLC

Glasgow, Kentucky
November 2, 2023