

**CLAY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2023**

**With**

**REPORT OF INDEPENDENT AUDITORS**

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**Cloyd & Associates, PSC**  
Certified Public Accountants  
and  
Business Advisors

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 Clay County 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 Clay County School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

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



## ***Auditors' Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 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 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 and the pension and other postemployment benefits liability and contributions information per the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial



statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 14, 2023, on our consideration of Clay County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Clay County School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 14, 2023

The management of Clay County School District (District) offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2023. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, (*Certain Financial Statement Note Disclosures*), issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

- The fund balance (prior fiscal year actual revenues less the prior fiscal year actual expenses) becomes the beginning balance for the next fiscal year. The General Fund beginning balance for fiscal year 2022-2023 was \$14,946,206. The General Fund beginning balance increased by \$2,260,614 in comparison to fiscal year 2021-2022.
- The grand total Net General Fund SEEK on the final SEEK calculation for 2022-2023 increased by \$394,232.
- During fiscal year 2022-2023, the school district received \$300,884 from local taxpayers as a result of the recallable nickel levied by the local board of education on May 26, 2017. The recallable nickel generated an additional \$1,126,586 from state equalization. The revenue generated from the recallable nickel was transferred to a restricted fund to be used for future construction projects.
- The Kentucky Department of Education approved for the school district to bill for Medicaid related services rendered during fiscal year 2022-2023. The school district received a total of \$211,078 in Medicaid revenues during the fiscal year.
- The school district paid a total of \$353,809 including \$314,843 for principal and \$38,966 for interest payments for the 2014, 2015, 2016, 2017, 2018, 2019, and 2022 Series KISTA bus leases.
- The school district recorded \$9,934,028 in revenues and expenses for on-behalf payments during 2022-2023. The on-behalf payments are payments made on behalf of the school district by various state entities including the employer's portion of health benefits, Kentucky Teacher Retirement System (KTRS), technology, and debt service.
- The General Fund ended the fiscal year with a fund balance of \$18,150,433. The fund balance increased by \$3,204,227 in comparison to the previous fiscal year.



## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 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 of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The government-wide financial statements can be found on the table of contents of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on the table of contents of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
 Year ended June 30, 2023

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**Net Position for the period ending June 30, 2023**

Fiscal year 2023 government-wide net position compared to 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 31,736,724	\$ 30,355,781
Capital assets	41,297,179	33,834,919
Total assets	<u>\$ 73,033,903</u>	<u>\$ 64,190,700</u>
Deferred outflow of resources	<u>\$ 7,982,321</u>	<u>\$ 5,139,214</u>
Current liabilities	\$ 5,816,560	\$ 7,344,674
Noncurrent liabilities	42,144,637	37,817,327
Total Liabilities	<u>\$ 47,961,197</u>	<u>\$ 45,162,001</u>
Deferred inflows of resources	<u>\$ 7,068,448</u>	<u>\$ 7,896,474</u>
Net investment in capital assets,	\$ 18,266,612	\$ 12,554,490
Restricted net position	7,362,978	7,575,221
Unrestricted net position	356,989	(3,858,272)
Total net position	<u>\$ 25,986,579</u>	<u>\$ 16,271,439</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$26,599,843; proprietary liabilities exceed assets by \$613,264; and total assets exceeded liabilities by \$25,986,579 at June 30, 2023.

The District had an overall increase in unrestricted net position of \$4,215,261, comprised of an increase in governmental activities unrestricted net position of \$4,215,261.

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2023 and 2022.

*See table on next page*

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
Year ended June 30, 2023

	<u>2023</u>	<u>2022</u>
<b>Total Revenue</b>	<u>\$ 50,119,691</u>	<u>\$ 45,771,491</u>
Expenditures and other financing uses		
Instruction	\$ 23,050,461	\$ 23,184,982
Student support services	1,967,603	1,801,922
Instructional support	3,225,595	2,617,708
District administration	1,752,245	1,291,005
School administration	2,001,805	1,849,328
Business operations	495,083	439,783
Plant operation and maintenance	3,545,425	2,975,269
Student transportation	2,694,642	2,622,239
Non-instructional	290,718	198,076
Community services	583,989	503,079
Facilities acquisition and construction	199,668	5,798,795
Site acquisition	8,639,128	-
Debt service	<u>2,347,651</u>	<u>2,302,352</u>
<b>Total expenditures</b>	<u>50,794,013</u>	<u>45,584,538</u>
<b>Excess revenues (expenditures)</b>	<u>\$ (674,322)</u>	<u>\$ 186,953</u>
Other financing sources (uses)		
Proceeds of bonds	\$ 3,450,000	\$ -
Sale of assets	34,103	43,615
Transfers in	5,086,580	2,667,730
Transfers out	<u>(5,086,580)</u>	<u>(2,667,730)</u>
<b>Total other financing sources (uses)</b>	<u>\$ 3,484,103</u>	<u>\$ 43,615</u>
<b>Net change in fund balance</b>	<u>\$ 2,809,781</u>	<u>\$ 230,568</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

**BUDGETARY IMPLICATION**

In Kentucky the public-school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$14,990,874 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements but are not budgeted by the District.



**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2023 were \$31,104,550 excluding transfers, proceeds from the sale of assets, and capital lease proceeds.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$2,463,632 more than budget or 8.60% more than the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2023 was \$28,019,458.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$15,467,667 less than budget or 35.57% less than budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (606) 598-2168, or to the Finance Officer (606) 598-2168 or by mail at 128 Richmond Road, Manchester, Kentucky 40962.



CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
June 30, 2023

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 22,125,533	\$ 1,280,442	\$ 23,405,975
Accounts receivable:			
Taxes	202,487	-	202,487
Other	98,855	31,040	129,895
Intergovernmental	7,998,367	-	7,998,367
Capital Assets, net			
Nondepreciable	24,961,036	-	24,961,036
Depreciable	<u>15,961,632</u>	<u>374,511</u>	<u>16,336,143</u>
<b>Total assets</b>	<u>71,347,910</u>	<u>1,685,993</u>	<u>73,033,903</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts from refunding bonds	60,378	-	60,378
Deferred outflows - OPEB KTRS	3,950,487	-	3,950,487
Deferred outflows - OPEB CERS	1,243,701	218,480	1,462,181
Deferred outflows - PENSION	<u>2,094,241</u>	<u>415,034</u>	<u>2,509,275</u>
	<u>7,348,807</u>	<u>633,514</u>	<u>7,982,321</u>
<b>LIABILITIES</b>			
Accounts payable	1,019,153	19,578	1,038,731
Accrued expenses	1,171,813	-	1,171,813
Advances from grantors	1,733,090	-	1,733,090
Current portion of capital lease obligations	314,437	-	314,437
Current maturities of bond obligations	1,500,000	-	1,500,000
Interest payable	58,489	-	58,489
Net OPEB liability - KTRS	6,780,000	-	6,780,000
Net OPEB liability -CERS	2,463,312	488,176	2,951,488
Net PENSION liability	9,024,602	1,788,484	10,813,086
Noncurrent portion of capital lease obligations	871,508	-	871,508
Noncurrent maturities of bond obligations	20,405,000	-	20,405,000
Noncurrent portion of accumulated sick leave	<u>323,555</u>	<u>-</u>	<u>323,555</u>
<b>Total liabilities</b>	<u>45,664,959</u>	<u>2,296,238</u>	<u>47,961,197</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows - OPEB KTRS	3,220,000	-	3,220,000
Deferred inflows - OPEB CERS	1,572,062	311,548	1,883,610
Deferred inflows - PENSION	<u>1,639,853</u>	<u>324,985</u>	<u>1,964,838</u>
	<u>6,431,915</u>	<u>636,533</u>	<u>7,068,448</u>
<b>NET POSITION</b>			
Net investment in capital assets	17,892,101	374,511	18,266,612
Restricted for:			
Capital expenditures	7,906,013	-	7,906,013
Other	444,740	(987,775)	(543,035)
Unrestricted	<u>356,989</u>	<u>-</u>	<u>356,989</u>
<b>Total net position</b>	<u>\$ 26,599,843</u>	<u>\$ (613,264)</u>	<u>\$ 25,986,579</u>

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

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

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
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental activities</b>							
Instruction	\$ 23,227,302	\$ 1,668	\$ 12,946,659	\$ -	\$ (10,278,975)	\$ -	\$ (10,278,975)
Student	1,967,603	-	1,096,722	-	(870,881)	-	(870,881)
Instructional support	3,225,595	-	1,797,913	-	(1,427,682)	-	(1,427,682)
District administration	1,724,581	-	961,264	-	(763,317)	-	(763,317)
School administration	1,951,146	-	1,087,549	-	(863,597)	-	(863,597)
Business support	495,082	-	275,954	-	(219,128)	-	(219,128)
Plant operations and maintenance	3,615,692	-	2,015,349	-	(1,600,343)	-	(1,600,343)
Student transportation	2,979,002	-	1,660,465	-	(1,318,537)	-	(1,318,537)
Community services	583,989	-	325,509	-	(258,480)	-	(258,480)
Other instructional	290,718	-	-	-	(290,718)	-	(290,718)
Interest on long-term debt	691,607	-	-	530,936	(160,671)	-	(160,671)
<b>Total governmental activities</b>	<b>40,752,317</b>	<b>1,668</b>	<b>22,167,384</b>	<b>530,936</b>	<b>(18,052,329)</b>	<b>-</b>	<b>(18,052,329)</b>
<b>Business-type activities</b>							
Food service	2,512,140	52,195	2,778,862	-	-	318,917	318,917
<b>Total business-type activities</b>	<b>2,512,140</b>	<b>52,195</b>	<b>2,778,862</b>	<b>-</b>	<b>-</b>	<b>318,917</b>	<b>318,917</b>
<b>Total primary government</b>	<b>\$ 43,264,457</b>	<b>\$ 53,863</b>	<b>\$ 24,946,246</b>	<b>\$ 530,936</b>	<b>(18,052,329)</b>	<b>318,917</b>	<b>(17,733,412)</b>
			<b>General revenues</b>				
			Taxes:				
			Property		2,804,739	-	2,804,739
			Motor vehicle		586,725	-	586,725
			Utility		1,228,690	-	1,228,690
			Other		391,676	-	391,676
			Earnings on investments		251,778	795	252,573
			State grants		19,383,114	-	19,383,114
			Other local amounts		2,772,984	-	2,772,984
			Gain/(loss) on disposal of assets		28,051	-	28,051
			<b>Total general revenues</b>		<b>27,447,757</b>	<b>795</b>	<b>27,448,552</b>
			<b>Change in net position</b>		<b>9,395,428</b>	<b>319,712</b>	<b>9,715,140</b>
			Net position July 1, 2022		17,204,415	(932,976)	16,271,439
			<b>Net position as of June 30, 2023</b>		<b>\$ 26,599,843</b>	<b>\$ (613,264)</b>	<b>\$ 25,986,579</b>

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

**CLAY COUNTY SCHOOL DISTRICT**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2023**

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 13,352,295	\$ -	\$ 5,032,700	\$ 1,920,279	\$ 1,820,259	\$ 22,125,533
Accounts receivable:						
Taxes	202,487	-	-	-	-	202,487
Other	98,855	-	-	-	-	98,855
Intergovernmental	19,978	7,978,389	-	-	-	7,998,367
Interfund receivable	<u>5,882,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,882,388</u>
<b>Total assets</b>	<u>\$ 19,556,003</u>	<u>\$ 7,978,389</u>	<u>\$ 5,032,700</u>	<u>\$ 1,920,279</u>	<u>\$ 1,820,259</u>	<u>\$ 36,307,630</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Interfund payable	\$ -	\$ 5,882,388	\$ -	\$ -	\$ -	\$ 5,882,388
Accounts payable	233,757	362,911	-	422,485	-	1,019,153
Accrued expenses	1,171,813	-	-	-	-	1,171,813
Advances from grantors	<u>-</u>	<u>1,733,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,733,090</u>
Total liabilities	<u>1,405,570</u>	<u>7,978,389</u>	<u>-</u>	<u>422,485</u>	<u>-</u>	<u>9,806,444</u>
<b>Fund balances</b>						
Restricted	-	-	5,032,700	1,497,794	1,820,259	8,350,753
Committed	100,000	-	-	-	-	100,000
Assigned	22,478	-	-	-	-	22,478
Unassigned	<u>18,027,955</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,027,955</u>
Total fund balances	<u>18,150,433</u>	<u>-</u>	<u>5,032,700</u>	<u>1,497,794</u>	<u>1,820,259</u>	<u>26,501,186</u>
<b>Total liabilities and fund balances</b>	<u>\$ 19,556,003</u>	<u>\$ 7,978,389</u>	<u>\$ 5,032,700</u>	<u>\$ 1,920,279</u>	<u>\$ 1,820,259</u>	<u>\$ 36,307,630</u>

**CLAY COUNTY SCHOOL DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION**

**June 30, 2023**

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Total fund balances - governmental funds	\$ 26,501,186
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	40,922,668
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	7,348,807
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(21,905,000)
Capital leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(1,185,945)
The long term portion of accumulated sick leave is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(323,555)
Net OPEB obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(9,243,312)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(9,024,602)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(6,431,915)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(58,489)</u>
Total net position - governmental activities	<u>\$ 26,599,843</u>

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



CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS  
 Year ended June 30, 2023

	General Fund	Special Revenue Funds	Facility Support Program (FSPK) Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
From local sources						
Taxes						
Property	\$ 2,202,971	\$ -	\$ 601,768	\$ -	-	\$ 2,804,739
Motor vehicle	586,725	-	-	-	-	586,725
Utility	1,228,690	-	-	-	-	1,228,690
Other	391,676	-	-	-	-	391,676
Earnings on investments	249,885	-	-	1,461	432	251,778
Other local	323,775	1,547,641	-	-	903,233	2,774,649
Intergovernmental - State	25,909,750	1,793,002	2,253,172	-	811,934	30,767,858
Intergovernmental - Federal	211,078	11,102,498	-	-	-	11,313,576
<b>Total revenues</b>	<b>31,104,550</b>	<b>14,443,141</b>	<b>2,854,940</b>	<b>1,461</b>	<b>1,715,599</b>	<b>50,119,691</b>
<b>Expenditures</b>						
Current:						
Instruction	15,404,512	7,010,782	-	-	635,167	23,050,461
Student	1,358,725	608,878	-	-	-	1,967,603
Instructional support	924,128	2,291,979	-	-	9,488	3,225,595
District administration	1,703,176	49,069	-	-	-	1,752,245
School administration	2,001,805	-	-	-	-	2,001,805
Business support	259,143	235,940	-	-	-	495,083
Plant operations and maintenance	3,299,965	245,460	-	-	-	3,545,425
Student transportation	2,684,976	8,049	-	-	1,617	2,694,642
Non-instructional	-	-	-	-	290,718	290,718
Community services	29,219	554,770	-	-	-	583,989
Building Acquisitions and Construction	-	-	-	199,668	-	199,668
Site improvement	-	-	-	8,639,128	-	8,639,128
Debt service	353,809	-	-	-	1,993,842	2,347,651
<b>Total expenditures</b>	<b>28,019,458</b>	<b>11,004,927</b>	<b>-</b>	<b>8,838,796</b>	<b>2,930,832</b>	<b>50,794,013</b>
Excess (deficit) of revenues over (under) expenditures	3,085,092	3,438,214	2,854,940	(8,837,335)	(1,215,233)	(674,322)
<b>Other financing sources (uses)</b>						
Proceeds of Bonds	-	-	-	3,450,000	-	3,450,000
Sale of Assets	34,103	-	-	-	-	34,103
Transfers in	177,762	92,730	-	3,353,182	1,462,906	5,086,580
Transfers out	(92,730)	(3,530,944)	(1,462,906)	-	-	(5,086,580)
<b>Total other financing sources (uses)</b>	<b>119,135</b>	<b>(3,438,214)</b>	<b>(1,462,906)</b>	<b>6,803,182</b>	<b>1,462,906</b>	<b>3,484,103</b>
<b>Net change in fund balance</b>	<b>3,204,227</b>	<b>-</b>	<b>1,392,034</b>	<b>(2,034,153)</b>	<b>247,673</b>	<b>2,809,781</b>
Fund balance as of June 30, 2022	14,946,206	-	3,640,666	3,531,947	1,572,586	23,691,405
<b>Fund balance as of June 30, 2023</b>	<b>\$ 18,150,433</b>	<b>\$ -</b>	<b>\$ 5,032,700</b>	<b>\$ 1,497,794</b>	<b>\$ 1,820,259</b>	<b>\$ 26,501,186</b>

## CLAY COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2023

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Net change in total fund balances - governmental funds	\$ 2,809,781
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	7,442,646
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities.	(39,981)
Bond and capital lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	1,739,843
Bond and capital lease proceeds are recognized as revenue in the governmental fund financial statements, but are increases in liabilities in the statement of net position	(3,450,000)
Calculated pension and OPEB expense is not recognized on the governmental fund financial statements, but is recognized as an expense on the Statement of Activities. while pension contributions are deferred on the Statement of Net Position	955,043
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	(18,086)
Interest payments are recognized as expenditures of financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.	<u>(43,818)</u>
Change in net position - governmental activities	<u>\$ 9,395,428</u>

CLAY COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS

June 30, 2023

	<u>Food Service Fund</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 1,280,442
Accounts Receivable	<u>31,040</u>
Total current assets	<u>1,311,482</u>
<b>Noncurrent assets</b>	
Capital assets	1,694,909
Less accumulated depreciation	<u>(1,320,398)</u>
Total noncurrent assets	<u>374,511</u>
<b>Total assets</b>	<u>1,685,993</u>
<b>Deferred outflow of resources</b>	
Deferred outflows OPEB	218,480
Deferred outflows pension	<u>415,034</u>
<b>Total deferred outflows</b>	<u>633,514</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	<u>19,578</u>
Total current liabilities	<u>19,578</u>
<b>Noncurrent liabilities</b>	
Net OPEB liability	488,176
Net pension liability	<u>1,788,484</u>
Total noncurrent liabilities	<u>2,276,660</u>
<b>Total liabilities</b>	<u>2,296,238</u>
<b>Deferred inflow of resources</b>	
Deferred inflows - OPEB	311,548
Deferred inflows - Pension	<u>324,985</u>
<b>Total deferred inflows</b>	<u>636,533</u>
<b>NET POSITION</b>	
Net investment in capital assets	374,511
Unrestricted	<u>(987,775)</u>
<b>Total net position</b>	<u>\$ (613,264)</u>

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

**CLAY COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
PROPRIETARY FUNDS**

**Year ended June 30, 2023**

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	<u>Food Service Fund</u>
<b>Operating revenues</b>	
Lunchroom sales	\$ 52,195
Total operating revenues	<u>52,195</u>
<b>Operating expenses</b>	
Salaries and wages	670,169
Employee benefits	593,481
Materials and supplies	1,223,814
Depreciation	<u>24,676</u>
Total operating expenses	<u>2,512,140</u>
Operating loss	<u>(2,459,945)</u>
<b>Nonoperating revenues</b>	
Federal grants	2,216,911
State grants	454,108
Donated commodities	107,843
Interest income	<u>795</u>
Total nonoperating revenues/(expenses)	<u>2,779,657</u>
<b>Change in net position</b>	319,712
Net position as of June 30, 2022	<u>(932,976)</u>
<b>Net position as of June 30, 2023</b>	<u>\$ (613,264)</u>



**CLAY COUNTY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS**

**Year ended June 30, 2023**

	<u>Food Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from:	
Lunchroom sales	\$ 52,195
Cash paid to/for:	
Employees	(1,181,239)
Supplies	(1,104,668)
Net cash used in operating activities	<u>(2,233,712)</u>
<b>Cash flows from non-capital financing activities</b>	
Grants received	<u>2,655,124</u>
Net cash used in non-capital financing activities	<u>2,655,124</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	<u>(44,290)</u>
Net cash used in capital and related financing activities	<u>(44,290)</u>
<b>Cash flows from investing activities</b>	
Interest income	<u>795</u>
Net cash provided from investing activities	<u>795</u>
Net increase in cash and cash equivalents	377,917
Cash and cash equivalents as of June 30, 2022	<u>902,525</u>
<b>Cash and cash equivalents as of June 30, 2023</b>	<u>\$ 1,280,442</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income/ (loss)	\$ (2,459,945)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Decrease in accounts payable	11,303
Net change in pension and OPEB expense	82,411
Donated commodities	107,843
Depreciation	24,676
<b>Net cash used in operating activities</b>	<u>\$ (2,233,712)</u>
<b>Schedule of non-cash transactions:</b>	
Depreciation	\$ 24,676
Donated commodities	107,843
<b>Total non-cash transactions</b>	<u>\$ 132,519</u>

## **1. REPORTING ENTITY**

The Clay County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Clay County 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 activities relevant to the operation of the Clay County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic 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:

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

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the significant accounting policies:

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

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

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

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

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

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### **I. Government Fund Types**

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

The Special Revenue (Grant) Funds account 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 the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.



## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### **I. Government Fund Types – continued**

The Student Activity Fund is used to account for activities of student groups

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

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) 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. This is a major fund of the District.

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

### **II. Proprietary Fund Types (Enterprise Fund)**

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

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

### **Basis of Accounting**

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

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



## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

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

Unearned Revenue/Advances from Grantors- Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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.

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

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.656 per \$100 valuation for real property, \$.656 per \$100 valuation for business personal property and \$.487 per \$100 valuation for motor vehicles.

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

### Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year 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.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

Interfund Receivables and Payables

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The entire compensated absence liability includes the remaining amount. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.



## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

### Bonds and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance are recognized in the current period. The face amount of the debt is reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### 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 on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled 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.

### Receivables

The District recognizes revenues as receivables when they are measurable, and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### 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, 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. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**Restricted** fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed** fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

**Assigned** fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

**Unassigned** fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

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

### Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2023, in the governmental funds balance sheet.



## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Net Position

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

### Operating and Non-Operating Revenues and Expenses

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

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

### 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.

### Interfund Activity

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

### 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.

### Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Postemployment Benefits Other Than OPEBs (OPEB)

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

Lease Accounting Standard

GASB State No. 87 *Leases* effective for fiscal year 2023, was issued to improve accounting and financial reporting for governments by establishing standards for leases that previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and intangible right to use the underlying asset and lessors to recognize a lease receivable and deferred inflow of resources. The District adopted the standard; however, it had no effect on the financial statements in the current year.

**3. CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2023, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2023 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank & Trust of Manchester	\$ 25,433,767	\$ 23,405,975
	<u>\$ 25,433,767</u>	<u>\$ 23,405,975</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 22,125,533
Proprietary funds	<u>1,280,442</u>
	<u>\$ 23,405,975</u>

**3. CUSTODIAL CREDIT RISK - DEPOSITS-CONTINUED**

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds  
SEEK Capital Outlay Fund  
Facility Support Program (FSPK) Fund  
School Construction Fund  
School Food Service Fund

**4. INVESTMENT REPORTING UNDER GASB 72**

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2023, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

**5. CAPITAL ASSETS**

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

	June 30, 2022		June 30, 2023	
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land & Land Improvements	\$ 3,919,658	\$ 25,000	\$ -	\$ 3,944,658
Buildings	39,596,173	-	-	39,596,173
Technology	159,451	27,005	16,092	170,364
Vehicles	5,880,873	21,182	4,545	5,897,510
General Equipment	838,913	63,421	16,816	885,518
Construction Work in Progress	<u>14,920,280</u>	<u>8,838,795</u>	<u>-</u>	<u>23,759,075</u>
Total historical cost	65,315,348	8,975,403	37,453	74,253,298
Less accumulated depreciation	<u>31,835,326</u>	<u>1,526,706</u>	<u>31,402</u>	<u>33,330,630</u>
Governmental capital assets	<u>\$ 33,480,022</u>	<u>\$ 7,448,697</u>	<u>\$ 6,051</u>	<u>\$ 40,922,668</u>
<b>Business-type Activities</b>				
Buildings	\$ 993,436	\$ -	\$ -	\$ 993,436
Technology	-	-	-	-
Food service equipment	<u>657,183</u>	<u>44,290</u>	<u>-</u>	<u>701,473</u>
Total historical cost	1,650,618	44,290	-	1,694,908
Less accumulated depreciation	<u>1,295,721</u>	<u>24,676</u>	<u>-</u>	<u>1,320,397</u>
Business-type capital assets, net	<u>\$ 354,897</u>	<u>\$ 19,614</u>	<u>\$ -</u>	<u>\$ 374,511</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2023

**5. CAPITAL ASSETS-CONTINUED**

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$ 1,120,645
District administrative	31,820
School administrative	9,614
Plant operation and maintenance	70,267
Student transportation	<u>294,360</u>
	<u>\$ 1,526,706</u>

**6. FINANCE LEASE PAYABLE**

The District has entered into multiple finance lease agreements for buses under which the buses will become the property of the District when all the terms of the finance lease agreement are met. The following schedule presents the finance lease activity for the year ended June 30, 2023:

<u>Maturity</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Balance June 30, 2022</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
March, 2024	2% - 3%	\$ 519,250	\$ 95,372	\$ -	\$ 46,929	\$ 48,443	\$ 48,443
March, 2025	1% - 2.625%	524,286	151,083	-	55,030	96,053	47,426
March, 2026	1% - 2.625%	436,349	170,328	-	44,914	125,414	45,981
March, 2027	2.55%	453,835	225,787	-	45,848	179,939	47,039
March, 2028	2.89%	433,036	258,175	-	42,596	215,579	44,040
March, 2029	2.89%	434,802	299,661	-	42,827	256,834	44,003
March, 2030	2.30%	382,984	300,382	-	36,699	263,683	37,505
		<u>\$ 3,184,542</u>	<u>\$ 1,500,788</u>	<u>\$ -</u>	<u>\$ 314,843</u>	<u>\$ 1,185,945</u>	<u>\$ 314,437</u>

The following presents a schedule by years of the future minimum lease payments under finance lease as of June 30, 2023.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023-24	\$ 314,437	\$ 30,961	\$ 345,398
2024-25	264,738	22,756	287,494
2025-26	214,302	15,791	230,093
2026-27	170,002	10,092	180,094
2027-28	116,948	5,582	122,530
2028-29	70,890	2,480	73,370
2029-30	34,628	693	35,321
Totals	<u>\$ 1,185,945</u>	<u>\$ 88,355</u>	<u>\$ 1,274,300</u>
		Less: amounts representing interest	<u>(88,355)</u>
		Net Capital lease liability	<u>\$ 1,185,945</u>

The District has no other finance leases or operating leases requiring disclosure as right of use assets as defined by *FASB Accounting Standards Codification Topic 842, Leases*.



**7. LONG-TERM OBLIGATIONS**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Clay County School District Finance Corporation.

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

<u>Issue Date</u>		<u>Proceeds</u>	<u>Rates</u>
2010R	\$	5,510,000	2.40%-2.60%
2012R	\$	5,095,000	1.20%-2.75%
2014	\$	815,000	1.20%-4.125%
2017R	\$	2,715,000	2.00%-2.50%
2018	\$	1,670,000	3.00%-3.50%
2020	\$	13,345,000	2.00%-2.875%

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 Clay County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1996, 2003, and 2008 the District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008 the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table 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:

*See table on next page*

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2023

**7. LONG-TERM OBLIGATIONS - CONTINUED**

Year	Clay County School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2023-24	\$ 1,074,855	\$ 504,273	\$ 425,145	\$ 110,940	\$ 1,500,000	\$ 615,213
2024-25	1,100,002	477,376	434,998	101,087	1,535,000	578,463
2025-26	844,952	445,713	445,048	85,037	1,290,000	530,750
2026-27	864,231	424,577	450,769	80,317	1,315,000	504,894
2027-28	887,877	402,932	462,123	69,113	1,350,000	472,044
2028-29	908,418	380,767	166,582	56,590	1,075,000	437,357
2029-30	932,504	357,840	172,496	51,417	1,105,000	409,257
2030-31	956,411	334,409	173,589	46,111	1,130,000	380,519
2031-32	979,762	309,319	175,238	40,475	1,155,000	349,794
2032-33	1,007,518	282,450	187,482	34,719	1,195,000	317,169
2033-34	1,034,836	254,837	190,164	28,425	1,225,000	283,262
2034-35	1,064,998	225,273	145,002	22,015	1,210,000	247,288
2035-36	1,095,198	195,079	139,802	17,584	1,235,000	212,663
2036-37	1,128,250	162,598	146,750	13,114	1,275,000	175,713
2037-38	1,158,180	128,722	161,820	8,422	1,320,000	137,144
2038-39	1,025,193	92,572	54,807	3,121	1,080,000	95,694
2039-40	1,056,241	59,961	53,759	1,546	1,110,000	61,506
2040-41	335,000	25,300	-	-	335,000	25,300
2041-42	345,000	11,700	-	-	345,000	11,700
2042-43	120,000	2,400	-	-	120,000	2,400
	<u>\$ 17,919,426</u>	<u>\$ 5,078,097</u>	<u>\$ 3,985,574</u>	<u>\$ 770,032</u>	<u>\$ 21,905,000</u>	<u>\$ 5,848,129</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2023 is as follows:

School Building Revenue Bonds	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
2012R	\$ 3,000,000	\$ -	\$ 1,005,000	\$ 1,995,000
2014	540,000	-	35,000	505,000
2017R	1,685,000	-	265,000	1,420,000
2018	1,400,000	-	70,000	1,330,000
2020	13,255,000	-	50,000	13,205,000
2022	-	3,450,000	-	3,450,000
Net Pension Liability	10,236,067	577,019	-	10,813,086
Net OPEB Liability	7,634,845	2,096,643	-	9,731,488
Accrued Sick Leave	305,470	18,085	-	323,555
	<u>\$ 38,056,382</u>	<u>\$ 6,141,747</u>	<u>\$ 1,425,000</u>	<u>\$ 42,773,129</u>



**8. RETIREMENT PLANS**

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

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

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

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

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

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.

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

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

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 26.79% of the employee's total compensation subject to contribution. Pension has a contribution rate of 23.40% and OPEB has a contribution rate of 3.39%.

**8. RETIREMENT PLANS - CONTINUED**

**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 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/>

*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:

TRIS 1	Participation Date Unreduced retirement Reduced retirement	Before July 1, 2002 27 years service or at least 5 years service and 60 years old At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used
TRIS 2	Participation Date Unreduced retirement Reduced retirement	July 1, 2002 – June 30, 2008 27 years service or at least 5 years service and 60 years old At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.0 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
TRIS 3	Participation Date Unreduced retirement Reduced retirement	July 1, 2008 – December 31, 2022 27 years service or at least 5 years service and 60 years old At least 10 years service and 55 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 30%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used



**8. RETIREMENT PLANS – CONTINUED**

TRS 4	Participation Date	On or after January 1, 2022 - December 31, 2022
	Unreduced retirement	Age 57 with 30 years service or at least 10 years service and 60 years old or at least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 57 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 18%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 2.2 – 2.4% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries

KTRS also provides disability benefits for vested employees at a rate of sixty (60) percent of their 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.

*Contributions*—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees in TRS 1, TRS 2, and TRS 3 are required to contribute 12.855% of their salaries to the System. Non-university employees in TRS 4 are required to contribute 14.750% of their salaries to the system.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees in TRS 1 and TRS 2, 14.105% and 14.105% of salaries for local school district and regional cooperative employees in TRS 3, and 10.750% of salaries for local school district and regional cooperative employees in TRS 4. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries for employees in TRS 1 And TRS 2, 17.105% of salaries for employees in TRS 3, and 10.750% of salaries for employees in TRS 4. 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 the CERS net pension liability	\$	10,813,086
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>64,009,207</u>
	<u>\$</u>	<u>74,822,293</u>

**8. RETIREMENT PLANS – CONTINUED**

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.149579%.

For the year ended June 30, 2023, the District recognized pension expense of \$627,687 related to CERS and \$5,840,279 related to KTRS. The District also recognized revenue of \$5,840,279 for KTRS support provided by the Commonwealth. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,561	\$ 96,295
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,471,337	1,194,129
Changes in proportion and differences between District contributions and proportionate share of contributions	-	674,413
District contributions subsequent to the measurement date	<u>1,026,378</u>	<u>-</u>
Total	<u>\$ 2,509,276</u>	<u>\$ 1,964,837</u>

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

Year ended June 30:	
2023	\$ (453,123)
2024	(245,125)
2025	(90,867)
2026	<u>307,176</u>
	<u>\$ (481,939)</u>

**8. RETIREMENT PLANS – CONTINUED**

*Actuarial assumptions*—The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.50%	2.75%
Projected salary increases	3.3-10.3%	3.0-7.5%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%
Municipal bond index rate		3.37%
Single equivalent interest rate		7.10%

For KTRS, the long-term expected rate of return on pension plan investments was determined using a 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.

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 5.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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 statutorily required rates. 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 employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.37% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 13,515,016	\$ 10,813,086	\$ 8,578,366
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about pension plan's fiduciary net position, is available in separately issued financial reports of both CERS and KTRS at <http://kyret.ky.gov/> and <http://trs.ky.gov/>, respectively



## **8. RETIREMENT PLANS – CONTINUED**

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

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2023, 2022 and 2021 was \$3,237,350, \$3,179,041, and \$2,961,787, respectively. The District's contribution (both withholding and match) CERS for the years ended June 30, 2023, 2022, and 2021 was \$1,420,036, \$1,290,884, and \$1,203,365, respectively. The District met their contribution requirements.

## **9. OTHER POST-EMPLOYMENT BENEFITS**

### **General Information about the Kentucky Teachers' Retirement System of the State of Kentucky (TRS)**

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1983 General Assembly and is governed by the Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

#### **Medical Insurance Plan**

*Plan description* – In addition to the 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.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance.

*Funding Policy* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

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

At June 30, 2023, the District reported a liability of \$6,780,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.273098%.



**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

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

District's proportionate share of the KTRS net OPEB liability	\$ 6,780,000
Commonwealth's proportionate share of the KTRS net OPEB liability associated with the District	<u>2,338,000</u>
	<u>\$ 9,118,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$314,016 and revenue of \$314,016 for support provided by the state. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows on resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,850,000
Changes of assumptions	1,377,000	-
Net difference between projected and actual earning on plan investments	360,000	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,716,000	370,000
District contribution subsequent to the measurement date	497,487	-
Total	<u>\$ 3,950,487</u>	<u>\$ 3,220,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30,</u>	
2023	\$ (236,000)
2024	(172,000)
2025	(91,000)
2026	352,000
2027	260,000
Thereafter	<u>120,000</u>
	<u>\$ 233,000</u>

**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

*Actuarial assumptions* - The total OPEB liabilities in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034
Municipal bond index rate	3.37%
Discount Rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

The long-term expected rate of return on OPEB plan investments was determined using a 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.

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

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

	<u>1% Decrease</u> 6.10%	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
KTRS			
District's proportionate share of net OPEB liability	\$ 8,506,000	\$ 6,780,000	\$ 5,350,000

**9. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability	\$ 5,083,000	\$ 6,780,000	\$ 8,891,000

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

**Life Insurance Plan**

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

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

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

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

At June 30, 2023, the District did not report a liability for a proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability of the OPEB liability that was associated with the District were as follows:

District's proportionate share of the KTRS net OPEB Life Insurance Plan Liability	\$ -
Commonwealth's proportionate share of KTRS net OPEB Life Insurance Liability associated with the District	<u>111,000</u>
Total	<u>\$ 111,000</u>

*Actuarial assumptions* – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:



**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal bond index rate	3.37%
Discount Rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation.

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

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

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

	1% decrease	discount rate	1% increase
KTRS	<u>6.10%</u>	<u>7.10%</u>	<u>8.10%</u>
State's proportionate share			
of net OPEB liability - Life Insurance	\$ 171,000	\$ 111,000	\$ 62,000

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

**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 provided OPEBs through the County Employees Retirement System Non-Hazardous (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agent 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 an 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/>.

**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

*Benefits Provided-* CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating 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. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

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

Tier 1	Participation date	Before September 1, 2008
	Contribution Percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution Percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution Percentage	1%

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

At June 30, 2023, the District reported a liability of \$2,951,488 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022 the District's proportion was 0.149555%.

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

District's proportionate share of the CERS net pension net OPEB liability	\$ 2,951,488
Commonwealth's proportionate share of the CERS net OPEB Liability associated with the District	<u>-</u>
Total	<u>\$ 2,951,488</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$105,414. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

*See table on next page*

**9. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

	OPEB-CERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297,092	\$ 676,845
Changes of assumptions	466,799	384,639
Net difference between projected and actual earning on plan investments	546,596	429,804
Changes in proportion and differences between contributions and proportionate share of contributions	-	392,322
District contribution subsequent to the measurement date	148,694	-
Total	<u>\$ 1,459,181</u>	<u>\$ 1,883,610</u>

Of the total amount reported as deferred outflows of resources related to the OPEB, \$212,203 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District's MIP OPEB expense as follows:

Year ended June 30,	
2023	\$ (143,000)
2024	(140,430)
2025	(261,866)
2026	(24,787)
	<u>\$ (570,123)</u>

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

*Discount rate* -The discount rates used to measure the total OPEB liability for life insurance was 5.70%. 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 table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%. as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate.



**9. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

	1% decrease	Current discount rate	1% increase
	<u>4.70%</u>	<u>5.70%</u>	<u>6.70%</u>
CERS			
District's proportionate share of net OPEB liability	\$ 3,945,669	\$ 2,951,488	\$ 2,129,632

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates- The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% decrease</u>	<u>Trend rate</u>	<u>1% increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 2,194,366	\$ 2,951,488	\$ 3,860,649

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

**10. DEFERRED COMPENSATION**

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

**11. OPERATING LEASES**

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification Topic 842, Leases. The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases. For the year ended June 30, 2023, aggregate cost for equipment and copier rentals was approximately \$27,048.

**12. CONTINGENCIES**

*Grants* - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2023, may be impaired. 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.

**13. LITIGATION**

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

**14. 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. Settled claims resulting from these risks have created a potential liability as discussed in the *Litigation* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

**15. DEFICIT FUND BALANCES**

The District had a deficit net position in the Food Service Fund due to the recognition of a net pension and OPEB liability. No other funds had deficit fund balances, but some funds may have deficit operating balances.

**16. 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). There were no instances of noncompliance noted.

**17. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS Match	\$ 92,730
Operating	Special Revenue	General	In-Direct Cost	177,762
Operating	Special Revenue	Construction	Construction	3,353,182
Operating	Building Fund	Debt Service	Debt Service	1,462,905
				<u>\$ 5,086,579</u>

**18. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2023, the general fund had a \$5,882,388 interfund receivable due from the special revenue fund and the asset and liability are recorded in the respective funds.

**19. ON-BEHALF PAYMENTS**

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

For the year ended June 30, 2023, total payments of \$9,934,028 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District.

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2023

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**19. ON-BEHALF PAYMENTS - CONTINUED**

These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Retirement contributions to the Teachers' Retirement System of Kentucky	\$	5,967,777
Health and Life insurance		3,804,598
Other Less Federal		(472,950)
Technology		103,667
Debt Service		530,936
	<u>\$</u>	<u>9,934,028</u>

**20. FUND BALANCE DESIGNATIONS**

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 100,000	Sick Leave Retirement Benefit

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 22,478	Purchase Obligations

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Student Activity	\$ 444,740	Other
Capital Outlay	\$ 1,375,519	SFCC Escrow/Construction
Building Fund	\$ 5,032,700	SFCC Escrow/Construction
Construction	\$ 1,497,794	Future Construction



**21. COVID-19 PANDEMIC**

COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The continued spread of the disease represents a significant risk that operations could continue to be disrupted in the near future. The District currently has measures in place to move to nontraditional instruction, if needed. The extent to which COVID-19 may impact the District will depend on future developments and governmental regulations, which are highly uncertain and cannot be predicted. As a result, the District has not yet determined the impact this disruption may have on its financial statements for the year ending June 30, 2023.

During the fiscal year, the District expended \$5,496,030 in federal awards under the COVID-19 Elementary and Secondary School Emergency Relief Fund.

**22. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through November 14, 2023, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 2,090,150	\$ 2,090,150	\$ 2,202,971	\$ 112,821
Motor vehicle	500,000	500,000	586,725	86,725
Utility	1,000,000	1,000,000	1,228,690	228,690
Other	375,000	375,000	391,676	16,676
Earnings on investments	85,000	85,000	249,885	164,885
Other local	124,000	124,000	323,775	199,775
Intergovernmental - State	24,341,768	24,341,768	25,909,750	1,567,982
Intergovernmental - Federal	125,000	125,000	211,078	86,078
Total revenues	<u>28,640,918</u>	<u>28,640,918</u>	<u>31,104,550</u>	<u>2,463,632</u>
<b>Expenditures</b>				
Current:				
Instruction	15,875,979	15,875,979	15,404,512	471,467
Student	1,810,156	1,810,156	1,358,725	451,431
Instructional support	888,420	888,420	924,128	(35,708)
District administration	1,415,369	1,415,369	1,703,176	(287,807)
School administration	1,852,533	1,852,533	2,001,805	(149,272)
Business operations	437,508	437,508	259,143	178,365
Plant operations and maintenance	3,217,267	3,217,267	3,299,965	(82,698)
Student transportation	2,640,203	2,640,203	2,684,976	(44,773)
Non-instructional	-	-	-	-
Community service	5,007	5,007	29,219	(24,212)
Debt service	353,809	353,809	353,809	-
Contingency	14,990,874	14,990,874	-	14,990,874
Total expenditures	<u>43,487,125</u>	<u>43,487,125</u>	<u>28,019,458</u>	<u>15,467,667</u>
Excess (deficit) of revenues over (under) expenditures	(14,846,207)	(14,846,207)	3,085,092	17,931,299
<b>Other financing sources (uses)</b>				
Sale of assets	-	-	34,103	34,103
Transfers in	-	-	177,762	177,762
Transfers out	-	-	(92,730)	(92,730)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>119,135</u>	<u>119,135</u>
<b>Net change in fund balance</b>	(14,846,207)	(14,846,207)	3,204,227	18,050,434
Fund balance as of June 30, 2022	<u>14,846,207</u>	<u>14,846,207</u>	<u>14,946,206</u>	<u>99,999</u>
<b>Fund balance as of June 30, 2023</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,150,433</u>	<u>\$ 18,150,433</u>



**CLAY COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 1,818,443	\$ 1,818,443	\$ 1,547,641	\$ (270,802)
Intergovernmental - State	1,853,352	1,853,352	1,793,002	(60,350)
Intergovernmental - Federal	5,051,270	5,051,270	11,102,498	6,051,228
Total revenues	<u>8,723,065</u>	<u>8,723,065</u>	<u>14,443,141</u>	<u>5,720,076</u>
<b>Expenditures</b>				
Current:				
Instruction	5,699,025	5,699,025	7,010,782	(1,311,757)
Student support services	189,287	189,287	608,878	(419,591)
Instructional support	2,068,278	2,068,278	2,291,979	(223,701)
District administration	-	-	49,069	(49,069)
Business Support Services	82,671	82,671	235,940	(153,269)
Plant operations & maintenance	223,321	223,321	245,460	(22,139)
Student transportation	-	-	8,049	(8,049)
Non instructional	-	-	-	-
Community service	553,213	553,213	554,770	(1,557)
Total expenditures	<u>8,815,795</u>	<u>8,815,795</u>	<u>11,004,927</u>	<u>(2,189,132)</u>
Deficit of revenues under expenditures	<u>(92,730)</u>	<u>(92,730)</u>	<u>3,438,214</u>	<u>3,530,944</u>
<b>Other financing sources</b>				
Operating transfers in	92,730	92,730	92,730	-
Operating transfers out	-	-	(3,530,944)	(3,530,944)
Total other financing sources	<u>92,730</u>	<u>92,730</u>	<u>(3,438,214)</u>	<u>(3,530,944)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance as of June 30, 2023</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND**

**Year ended June 30, 2023**

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The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 COUNTY EMPLOYEES RETIREMENT SYSTEM

June 30, 2023

	<u>District's proportion of net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered-employee payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2023	0.149579%	\$ 10,813,086	\$ 4,352,752	248.42%	52.42%
2022	0.160546%	\$ 10,236,067	\$ 4,015,534	254.91%	57.33%
2021	0.168290%	\$ 12,907,704	\$ 4,138,341	311.91%	47.81%
2020	0.171600%	\$ 12,068,986	\$ 4,310,729	279.98%	50.45%
2019	0.185900%	\$ 11,076,437	\$ 4,339,172	255.27%	53.54%
2018	0.185900%	\$ 10,882,177	\$ 4,532,699	240.08%	53.30%
2017	0.199400%	\$ 9,815,866	\$ 4,465,649	219.81%	55.50%
2016	0.210840%	\$ 9,065,266	\$ 4,753,874	190.69%	59.97%
2015	0.213107%	\$ 6,914,000	\$ 5,026,253	137.56%	66.80%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS  
 COUNTY EMPLOYEES RETIREMENT SYSTEM

Year ended June 30, 2023

	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2023	\$ 1,018,544	\$ 1,018,544	\$ -	\$ 4,352,752	23.40%
2022	\$ 850,088	\$ 850,088	\$ -	\$ 4,015,534	21.17%
2021	\$ 798,700	\$ 798,700	\$ -	\$ 4,138,341	19.30%
2020	\$ 831,971	\$ 831,971	\$ -	\$ 4,310,729	19.30%
2019	\$ 703,814	\$ 703,814	\$ -	\$ 4,339,172	16.22%
2018	\$ 656,335	\$ 656,335	\$ -	\$ 4,532,699	14.48%
2017	\$ 834,042	\$ 834,042	\$ -	\$ 4,465,649	18.68%
2016	\$ 811,021	\$ 811,021	\$ -	\$ 4,753,874	17.06%
2015	\$ 869,201	\$ 869,201	\$ -	\$ 5,026,253	17.29%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND  
Year ended June 30, 2023**

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Changes of Benefit Terms

None.

Changes of Assumptions

None.

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY - MEDICAL INSURANCE PLAN

County Employees Retirement System

June 30, 2023

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.160508%	\$ 2,951,488	\$ 4,352,752	67.81%	60.95%
2022	0.160508%	\$ 3,072,845	\$ 4,015,534	76.52%	62.91%
2021	0.168241%	\$ 4,062,509	\$ 4,138,341	98.17%	51.67%
2020	0.170000%	\$ 2,885,562	\$ 4,610,729	62.58%	60.44%
2019	0.185915%	\$ 3,228,941	\$ 4,339,172	74.41%	57.62%
2018	0.185915%	\$ 3,737,527	\$ 4,532,699	82.46%	52.40%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



**CLAY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN**

**County Employees Retirement System**

**Year Ended June 30, 2023**

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	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
<b>2023</b>	\$ 147,558	\$ 147,558	\$ -	\$ 4,352,752	3.39%
<b>2022</b>	\$ 232,098	\$ 232,098	\$ -	\$ 4,015,534	5.78%
<b>2021</b>	\$ 196,985	\$ 196,985	\$ -	\$ 4,138,341	4.76%
<b>2020</b>	\$ 219,471	\$ 219,471	\$ -	\$ 4,610,729	4.76%
<b>2019</b>	\$ 228,240	\$ 228,240	\$ -	\$ 4,339,172	5.26%
<b>2018</b>	\$ 213,037	\$ 213,037	\$ -	\$ 4,532,699	4.70%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN  
Year ended June 30, 2023**

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Changes of Benefit Terms

None.

Changes of Assumptions

Single Discount Rates used to calculate the total OPEB liability increased from 5.20% to 5.70%

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 KENTUCKY TEACHERS' RETIREMENT SYSTEM  
 June 30, 2023

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2023	100%	\$ 64,009,207	56.41%
2022	100%	\$ 51,555,932	65.59%
2021	100%	\$ 58,353,917	58.27%
2020	100%	\$ 54,680,148	58.80%
2019	100%	\$ 54,687,316	59.30%
2018	100%	\$ 117,189,836	39.83%
2017	100%	\$ 130,201,086	35.22%
2016	100%	\$ 103,325,725	42.49%
2015	100%	\$ 106,821,950	45.59%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF STATE CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM**

Year ended June 30, 2023

	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2023	\$ 5,840,279	\$ 5,840,279	\$ -
2022	\$ 4,115,363	\$ 4,115,363	\$ -
2021	\$ 4,223,775	\$ 4,223,775	\$ -
2020	\$ 4,114,985	\$ 4,114,985	\$ -
2019	\$ 3,962,512	\$ 3,962,512	\$ -
2018	\$ 4,163,680	\$ 4,163,680	\$ -
2017	\$ 2,142,346	\$ 2,142,346	\$ -
2016	\$ 2,136,915	\$ 2,136,915	\$ -
2015	\$ 2,517,294	\$ 2,517,294	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
KENTUCKY TEACHERS RETIREMENT SYSTEM  
Year ended June 30, 2023**

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Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
 Kentucky Teachers' Retirement System  
 June 30, 2023

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	0.273098%	\$ 6,780,000	\$ 2,227,000	\$ 16,782,814	40.40%	47.75%
2022	0.212600%	\$ 4,562,000	\$ 3,705,000	\$ 16,418,015	27.79%	51.74%
2021	0.220000%	\$ 5,603,000	\$ 4,488,000	\$ 15,917,658	35.20%	39.05%
2020	0.220000%	\$ 6,291,000	\$ 5,081,000	\$ 15,889,612	39.59%	32.58%
2019	0.231207%	\$ 7,540,000	\$ 6,498,000	\$ 15,236,873	49.49%	25.50%
2018	0.231207%	\$ 8,244,000	\$ 6,734,000	\$ 15,483,138	53.25%	21.18%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN

Kentucky Teachers' Retirement System

Year Ended June 30, 2023

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2023	\$ 503,484	\$ 503,484	\$ -	\$ 16,782,814	3.00%
2022	\$ 492,543	\$ 492,543	\$ -	\$ 16,418,015	3.00%
2021	\$ 477,588	\$ 477,588	\$ -	\$ 15,917,658	3.00%
2020	\$ 476,688	\$ 476,688	\$ -	\$ 15,889,612	3.00%
2019	\$ 457,106	\$ 457,106	\$ -	\$ 15,236,873	3.00%
2018	\$ 464,494	\$ 464,494	\$ -	\$ 15,483,138	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Kentucky Teachers' Retirement System - Medical Insurance Plan**

**Year ended June 30, 2023**

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Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.



CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY - LIFE INSURANCE PLAN

Kentucky Teachers' Retirement System

June 30, 2023

	State's proportion of net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	Plan fiduciary net position as a percentage of the total OPEB liability
2023	100%	\$ 111,000	73.97%
2022	100%	\$ 49,000	89.15%
2021	100%	\$ 136,000	71.57%
2020	100%	\$ 118,000	73.40%
2019	100%	\$ 111,000	75.00%
2018	100%	\$ 90,000	79.99%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT

SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN

Kentucky Teachers' Retirement System

Year ended June 30, 2023

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	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2023	\$ 8,455	\$ 8,455	\$ -
2022	\$ 7,547	\$ 7,547	\$ -
2021	\$ 6,534	\$ 6,534	\$ -
2020	\$ 4,991	\$ 4,991	\$ -
2019	\$ 3,871	\$ 3,871	\$ -
2018	\$ 3,961	\$ 3,961	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN  
Year ended June 30, 2023**

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Changes of Benefit Terms

None.

Changes of Assumptions

Municipal Bond Index Rate changed from 2.13% to 3.37%.

**OTHER SUPPLEMENTARY INFORMATION**



CLAY COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2023

	Student Activity Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 444,740	\$ 1,375,519	\$ -	\$ 1,820,259
<b>Total assets</b>	<u>\$ 444,740</u>	<u>\$ 1,375,519</u>	<u>\$ -</u>	<u>\$ 1,820,259</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Fund Balances: Restricted	\$ 444,740	\$ 1,375,519	\$ -	\$ 1,820,259
<b>Total liabilities fund balances</b>	<u>\$ 444,740</u>	<u>\$ 1,375,519</u>	<u>\$ -</u>	<u>\$ 1,820,259</u>

CLAY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2023

	Student Activity Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Earnings on investments	432	-	-	432
Other local	903,233	-	-	903,233
Intergovernmental - State	-	280,998	530,936	811,934
	<u>903,665</u>	<u>280,998</u>	<u>530,936</u>	<u>1,715,599</u>
<b>Expenditures</b>				
Instruction	635,167	-	-	635,167
Instructional support	9,488	-	-	9,488
Other	1,617	-	-	1,617
Non-Instruction	290,718	-	-	290,718
Debt service	-	-	1,993,842	1,993,842
	<u>936,990</u>	<u>-</u>	<u>1,993,842</u>	<u>2,930,832</u>
<b>Other financing sources (uses)</b>				
Transfers	-	-	1,462,906	1,462,906
	<u>-</u>	<u>-</u>	<u>1,462,906</u>	<u>1,462,906</u>
<b>Net change in fund balance</b>				
	(33,325)	280,998	-	247,673
Fund balance as of June 30, 2022	478,065	1,094,521	-	1,572,586
<b>Fund balance as of June 30, 2023</b>	<u>\$ 444,740</u>	<u>\$ 1,375,519</u>	<u>\$ -</u>	<u>\$ 1,820,259</u>

**CLAY COUNTY SCHOOL DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS  
 Year Ended June 30, 2023**

<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2023</u>	<u>Accounts Receivable June 30, 2023</u>	<u>Accounts Payable June 30, 2023</u>	<u>Balances June 30, 2023</u>
Big Creek Elementary School	\$ 7,686	\$ 36,325	\$ 34,255	\$ 9,756	\$ -	\$ -	\$ 9,756
Burning Springs Elementary Schoo	18,296	69,987	80,041	8,242	-	-	8,242
Goose Rock Elementary School	64,295	38,905	43,041	60,159	-	-	60,159
Hacker Elementary School	21,089	44,672	53,844	11,917	-	-	11,917
Horse Creek Learning Center	5,651	408	582	5,477	-	-	5,477
Manchester Elementary School	63,874	62,972	54,298	72,548	-	-	72,548
Oneida Elementary School	18,612	19,890	16,911	21,591	-	-	21,591
Paces Creek Elementary School	26,757	80,662	91,355	16,064	-	-	16,064
Clay County Middle School	<u>38,402</u>	<u>79,785</u>	<u>87,536</u>	<u>30,651</u>	<u>-</u>	<u>-</u>	<u>30,651</u>
Totals	<u>\$ 264,662</u>	<u>\$ 433,606</u>	<u>\$ 461,863</u>	<u>\$ 236,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,405</u>

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
CLAY COUNTY HIGH SCHOOL ACTIVITY FUND  
Year ended June 30, 2023

	Balances June 30, 2022	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Balances June 30, 2023
General	\$ 20,430	\$ 8,343	\$ 16,223	\$ (5,606)	\$ 6,944	\$ -	\$ -	6,944
Vending Machines	18,629	9,238	12,465	-	15,402	-	-	15,402
Staff fund	2,942	5,391	6,766	-	1,567	-	-	1,567
Ticket Change	-	1,000	1,000	-	-	-	-	-
Concession Change	-	2,000	2,000	-	-	-	-	-
Sweep	-	5,580	5,580	-	-	-	-	-
Basketball, Boys	14,799	35,817	33,405	(195)	17,016	-	-	17,016
Basketball, Girls	12,484	44,758	34,383	(180)	22,679	-	-	22,679
Football Club	3,158	47,171	54,315	3,987	1	-	-	1
Baseball	3,670	39,897	36,778	(195)	6,594	-	-	6,594
Cross-country	284	2,481	1,507	(45)	1,213	-	-	1,213
Cheerleaders	10,416	64,839	70,332	(405)	4,518	-	-	4,518
Bass Fishing	498	1,500	1,637	-	361	-	-	361
Girl's Golf	3,214	8,332	11,023	(180)	343	-	-	343
Softball	14,374	11,510	15,228	(540)	10,116	-	-	10,116
Golf-Boys	5,730	16,155	17,953	-	3,932	-	-	3,932
Tennis	3,057	1,990	2,848	-	2,199	-	-	2,199
Volleyball	5,301	12,298	15,180	(180)	2,239	-	-	2,239
Track	2,000	3,435	4,430	(45)	960	-	-	960
Archery	1,120	4,529	3,567	-	2,082	-	-	2,082
Band	13	878	635	-	256	-	-	256
Choir	345	11,157	9,581	-	1,921	-	-	1,921
FCCLA	1,049	19,923	14,183	-	6,789	-	-	6,789
FBLA	2,700	-	-	-	2,700	-	-	2,700
TSA/Robotics	2,293	-	-	-	2,293	-	-	2,293
Home economics	950	-	601	-	349	-	-	349
KYA/KUNA	-	4,217	5,492	1,588	313	-	-	313
KUNA	-	2,798	1,210	(1,588)	-	-	-	-
Tiger Tribe	981	-	60	-	921	-	-	921
Theatre	5,832	33,949	37,923	(450)	1,408	-	-	1,408
Theatre Jr	487	-	350	195	332	-	-	332
Letterman	233	11,046	14,795	3,516	-	-	-	-
JROTC	17	2,141	1,072	(450)	636	-	-	636
Library	1,541	129	623	-	1,047	-	-	1,047
JKG	4,224	5,440	3,742	-	5,922	-	-	5,922
Tiger's Den	1,494	-	-	-	1,494	-	-	1,494

Continued on next page



**CLAY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**CLAY COUNTY HIGH SCHOOL ACTIVITY FUND**  
**Year ended June 30, 2023**

	Balances June 30, 2022	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Balances June 30, 2023
Tiny Tigers	465	-	-	-	465	-	-	465
Yearbook	54,537	28,963	22,590	-	60,910	-	-	60,910
13th Region	11,384	8,311	4,247	-	15,448	-	-	15,448
Advanced Placement	93	4,993	680	-	4,406	-	-	4,406
Chrome	197	1,940	90	-	2,047	-	-	2,047
Beverly's FMD	44	-	-	(44)	-	-	-	-
Crystal's FMD	721	812	1,188	44	389	-	-	389
Academic Team	860	980	2,613	773	-	-	-	-
Prom	837	6,123	6,837	-	123	-	-	123
<b>Total accounts</b>	<b>\$ 213,403</b>	<b>\$ 470,064</b>	<b>\$ 475,132</b>	<b>\$ -</b>	<b>\$ 208,335</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 208,335</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<b>Expenditures</b>			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002-19	\$ 3,027
Title I Grants to Local Educational Agencies	84.010	3100002-20	24,664
Title I Grants to Local Educational Agencies	84.010	3100002-21	271,042
Title I Grants to Local Educational Agencies	84.010	3100202-20	117,239
Title I Grants to Local Educational Agencies	84.010	3100002-22	<u>2,720,320</u>
			3,136,292
 <i>Special Education Cluster</i>			
Special Education Grants to States	84.027A	3810002-20	80,562
Special Education Grants to States	84.027A	3810002-21	144,065
Special Education Grants to States	84.027A	3810002-22	<u>982,038</u>
			<u>1,206,665</u>
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.027X	4910002-21	<u>85,004</u>
			<u>85,004</u>
Special Education Preschool Grants	84.173A	3800002-21	45,677
Special Education Preschool Grants	84.173A	3800002-21	<u>9,861</u>
			<u>55,538</u>
COVID-19 Individuals with Disabilities Education Act/American Rescue Plan Act of 2021 (ARP)	84.173X	4900002-21	<u>3,608</u>
			<u>3,608</u>
 <b>Total Special Education Cluster</b>			
			<u>1,350,815</u>
Career and Technical Education - Basic Grants to States	84.048	3710002-21	3,859
Career and Technical Education - Basic Grants to States	84.048	3710002-22	<u>43,585</u>
			47,444
Rural and Low-Income School Program	84.358B	3140002-21	8,900
Rural and Low-Income School Program	84.358B	3140002-22	<u>69,914</u>
			78,814
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	3160002-21	52,141
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	3160002-22	<u>295,794</u>
			347,935
Supporting Effective Instruction State Grants	84.367A	3230002-22	<u>243,099</u>
			243,099
Student Support and Academic Enrichment Grant	84.424A	3420002-20	6,844
Student Support and Academic Enrichment Grant	84.424A	3420002-21	82,557
Student Support and Academic Enrichment Grant	84.424A	3420002-22	<u>144,063</u>
			233,464

**CLAY COUNTY SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

**Year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education - Continued</u>			
Passed through the Kentucky Department of Education:			
Education Stabilization Fund			
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	4200002-21	3,289,319
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-21	2,188,290
COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	563X	18,421
			<u>5,496,030</u>
<b>Total U.S. Department of Education</b>			<u>10,933,892</u>
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002-22	295,049
National School Lunch Program	10.555	7750002-23	1,282,397
National School Lunch Program	10.555	9980000-22	70,624
Non-Cash Assistance (Commodities) National School Lunch Program	10.555	57502.02	107,843
			<u>1,755,913</u>
School Breakfast Program	10.553	7760005-22	101,153
School Breakfast Program	10.553	7760005-23	462,100
			<u>563,253</u>
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>2,319,166</u>
Passed through the Kentucky Department of Education			
State Administrative Expenses for Child Nutrition	10.560	7700001-22	2,453
Pandemic EBT Administrative Costs	10.649	9990000-21	3,135
<b>Total U.S. Department of Agriculture</b>			<u>2,324,754</u>
<u>U.S. Department of Health and Human Services</u>			
Cooperative Agreement to Promote Adolescent Health through School-Based Prevention and School-Based Surveillance	93.079	493X	300
<b>Total U.S. Department of Homeland Security</b>			<u>300</u>
<u>U.S. Department of Homeland Security</u>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	677X	168,304
<b>Total U.S. Department of Homeland Security</b>			<u>168,304</u>
<b>Total federal expenditures</b>			<u>\$ 13,426,950</u>



**CLAY COUNTY SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2023

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Clay County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this Schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the District.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2023 is \$107,843.

**3. CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

**4. INDIRECT COST RATE**

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

**5. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



**Cloyd & Associates, PSC**  
Certified Public Accountants  
and  
Business Advisors

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

We have audited, in accordance with the 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 prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Clay County School District's basic financial statements, and have issued our report thereon dated November 14, 2023.

**Report on Internal Control over Financial Reporting**

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

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

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



## **Report on Compliance and Other Matters**

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

We noted other matters involving the internal control over financial reporting that we have reported to the management of Clay County School District in a separate letter dated November 14, 2023.

### **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.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 14, 2023





**Cloyd & Associates, PSC**

*Certified Public Accountants*

*and*

*Business Advisors*

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

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Clay County School District's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Clay County School District's major federal programs for the year ended June 30, 2023. The Clay County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Clay County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors Responsibilities for the Audit of Compliance section of our report.

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





## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the 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 risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## **Report on Internal Control over Compliance**

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

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

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

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

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 14, 2023

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 Year Ended June 30, 2023

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statement noted	_____	Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<input checked="" type="checkbox"/> None reported
Type of auditors’ 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	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Education Stabilization Fund:	
COVID-19 Elementary and Secondary School Relief (ESSER) Fund	84.425D
COVID-19 American Rescue Plan - Elementary and Secondary School Relief (ARP ESSER)	84.425U

Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	_____	Yes	<input checked="" type="checkbox"/> No
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(Continued)



**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year Ended June 30, 2023

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year Ended June 30, 2023

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**Status of Prior Year Findings**

There were no prior year audit findings.

**MANAGEMENT LETTER COMMENTS**



**Cloyd & Associates, PSC**  
Certified Public Accountants  
and  
Business Advisors

**MANAGEMENT LETTER**

Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

In planning and performing our audit of the basic financial statements of Clay County School District (District) for the year ended June 30, 2023, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

If during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency we have included them on the memorandum that accompanies this letter which summarizes comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 14, 2023, on the basic financial statements of Clay County School District.

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 14, 2023



**Prior Year Comments – School Activity Funds**

Big Creek Elementary

1. Several instances of receipts not being deposited timely.  
*No instances identified in the current year.*
2. Several instances of invoices not being signed or cancelled.  
*No instances identified in the current year.*
3. Several instances where ticket sales forms were not properly filled out.  
*No instances identified in the current year.*

Burning Springs Elementary

1. Several instances of receipts not being deposited timely.  
*Similar instances were identified in the current year. This is a repeat finding in the current year.*
2. Several instances where ticket sales forms were not properly filled out.  
*No instances identified in the current year.*
3. Several instances where invoices did not have the proper approval signature.  
*Similar instances were identified in the current year. This is a repeat finding in the current year.*
4. Several invoices not properly cancelled upon payment.  
*Similar instances were identified in the current year. This is a repeat finding in the current year.*
5. Several checks did not have 2 signatures as required.  
*No instances identified in the current year.*
6. Several instances where ticket sales forms were not properly filled out.  
*No instances identified in the current year.*

Goose Rock Elementary

1. Several instances of receipt numbers not being written on deposit slip.  
*No instances identified in the current year.*

Hacker Elementary

1. Several instances of invoices being issued before purchase orders.  
*Similar instances were identified in the current year. This is a repeat finding in the current year.*

**CLAY COUNTY SCHOOL DISTRICT**  
MANAGEMENT LETTER COMMENTS-CONTINUED  
Year Ended June 30, 2023

---

Horse Creek Learning Center

1. Several instances of receipts not being deposited timely.

*Similar instances were identified in the current year. This is a repeat finding in the current year.*

Manchester Elementary

1. Several instances of bank statements not being dated.

*This was not noted in the current year.*

Oneida Elementary

1. Several instances of receipt numbers not being written on deposit slip.

*This was not noted in the current year.*

Clay County Middle School

1. Several instances of receipts not being deposited timely.

*This was not noted in the current year.*

Clay County High School

1. Several instances of receipts not being deposited timely.

*Similar instances were identified in the current year. This is a repeat finding in the current year.*

**Current Year Comments –School Activity Funds**

Burning Springs Elementary

1. Several instances of receipts not being deposited timely.

*Management Response: The school principal will monitor the timeliness of each deposit to ensure all deposits have been paid in a timely manner. The director of finance will review how the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

2. Several instances of receipt numbers not being written on deposit slip.

*Management Response: The school principal will monitor the deposits on a monthly basis to ensure the receipt numbers are being wrote on the deposit slip. The director of finance will also review the deposit slips to verify the receipt numbers are being wrote on the deposit slip during the on-site audit. Additional Redbook training will be made available to staff, if needed.*

3. Several instances where invoices did not have the proper approval signature.

*Management Response: The school principal will monitor all invoices for proper approval and sign if necessary. The director of finance will review invoices for proper approval during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

4. Several invoices not properly cancelled upon payment.

*Management Response: The school principal will monitor all invoices for proper cancellation. The director of finance will review invoices for proper cancellation during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

Goose Rock Elementary

1. Several instances of receipts not being deposited timely.

*Management Response: The school principal will monitor the timeliness of each deposit to ensure all deposits have been paid in a timely manner. The director of finance will review how the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

Hacker Elementary

1. Several instances of invoices being issued before purchase orders.

*Management Response: The school principal will monitor the purchase orders to ensure that purchase orders are properly issued prior to the invoice date. The director of finance will also review purchase orders to ensure that purchase orders are properly issued prior to the invoice date during the on-site audit. Additional Redbook training will be made available to staff, if needed.*

**CLAY COUNTY SCHOOL DISTRICT**  
MANAGEMENT LETTER COMMENTS-CONTINUED  
Year Ended June 30, 2023

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Horse Creek Learning Center

1. Several instances of receipts not being deposited timely.

*Management Response: The school principal will monitor the timeliness of each deposit to ensure all deposits have been paid in a timely manner. The director of finance will review how the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

Manchester Elementary

1. Several instances of receipts not being deposited timely.

*Management Response: The school principal will monitor the timeliness of each deposit to ensure all deposits have been paid in a timely manner. The director of finance will review how the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

Clay County High School

1. Several instances of receipts not being deposited timely.

*Management Response: The school principal will monitor the timeliness of each deposit to ensure all deposits have been paid in a timely manner. The director of finance will review how the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*