



Edmonson County School District

FINANCIAL STATEMENTS

June 30, 2023

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THOUGHT LEADERSHIP

Join Our Conversation



REPORT





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Independent Auditors' Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Edmonson County School District
Brownsville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Edmonson County School District (the "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 District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, budgetary comparison, and select pension/OPEB information on pages 5 through 20 and 79 through 94 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023 on our consideration of Edmonson 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 14, 2023



FINANCIAL STATEMENTS



**EDMONSON COUNTYBOARD OF EDUCATION
BROWNSVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

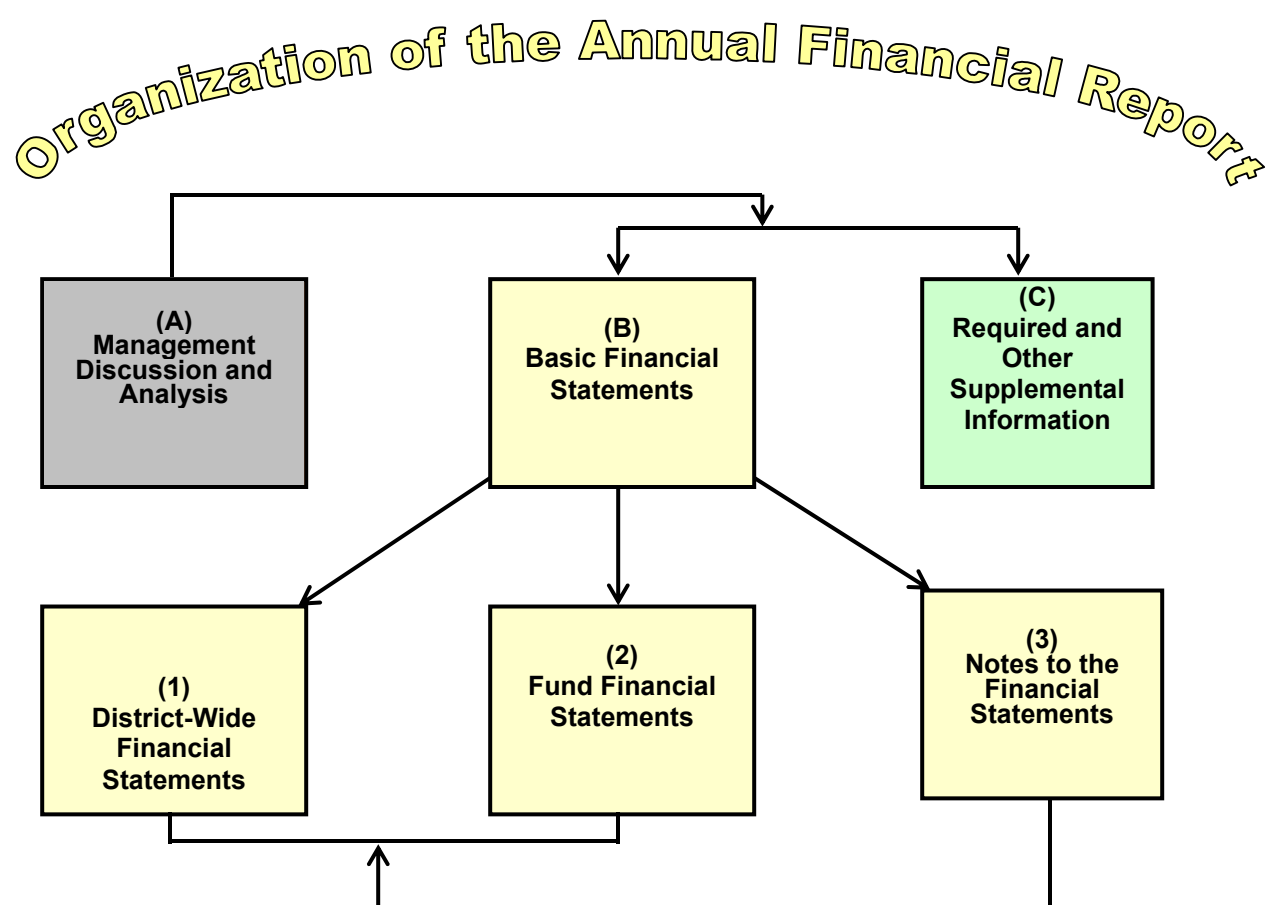
As management of the Edmonson County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the district was \$2,530,314. The ending General Fund balance was \$2,842,445, for an increase in fund balance of \$312,131. The ending general fund balance is 15% of total General Fund expenditures, which well exceeds the state minimum contingency of 2%.
- General Fund revenues accounted for \$19,173,388 in revenue or 57% of all governmental revenues. Program specific revenues in the form of grants and contributions accounted for \$15,976,186, or 47.0% of total governmental revenues of \$33,591,182.
- The school district had \$21,798,157 in expenses related to governmental activities; approximately \$15,976,186 of these expenses are offset by program specific charges for services, grants, and contributions. General revenues (primarily local taxes and state SEEK allocations) contributed \$17,614,996, which produced an increase in net position of \$11,793,025.
- The state SEEK formula provided \$7,943,213 in General Fund revenue, which was \$219,232 more than the previous fiscal year. The primary difference is due to the increase in the base SEEK funding per child amount from \$4,100 in fiscal year 2022, to \$4,200 in fiscal year 2023. The other calculation variable, which is an attendance factor, has been held to pre-pandemic levels.
- The Food Service Fund, a proprietary fund, ended fiscal year 2023 with unrestricted fund net position of (\$658,350) for an increase of \$254,241 versus fiscal year 2022.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Edmonson County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements and notes, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The District's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The District-Wide Financial Statements can be found on pages 20 through 23 of this report. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The fund financial statements can be found on pages 24 through 32 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 77 of this report.

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statements of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in those assets. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the *Statement of Net Position* and the *Statements of Activities*, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt are also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded thru fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. Deferred outflows due to debt refunding were \$37,775. In addition, the District recognized deferred outflows related to pensions and OPEB of \$5,255,916 and deferred inflows related to pensions and OPEB of \$3,918,137. Net pension and OPEB liability was recognized of \$12,265,860 for governmental activities and \$1,191,625 for business-type activities for a total of \$13,457,485. As a result of this liability recognition, the net position of the District was \$16,425,131 as of June 30, 2023, which was an increase of \$12,048,313 versus the previous year.

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 is still outstanding. The amount of capital assets, net of related debt was \$14,529,924 (an increase of \$2,205,151 versus the previous year). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting 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 two categories: governmental and proprietary funds. The only major proprietary fund is the school food service fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Edmonson County School District are the general fund, and special revenue (grants).

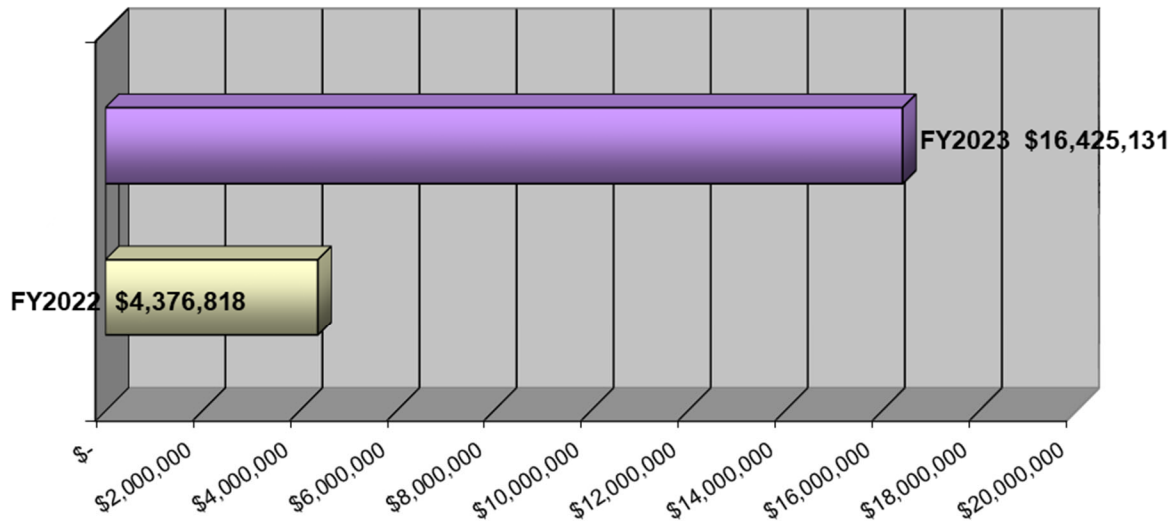
Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the *Statement of Net Position* and the *Statements of Activities*) and governmental *funds* is reconciled in the financial statements.

Proprietary Funds - Proprietary funds use the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The School District's proprietary funds consist of food service operations and day care services.

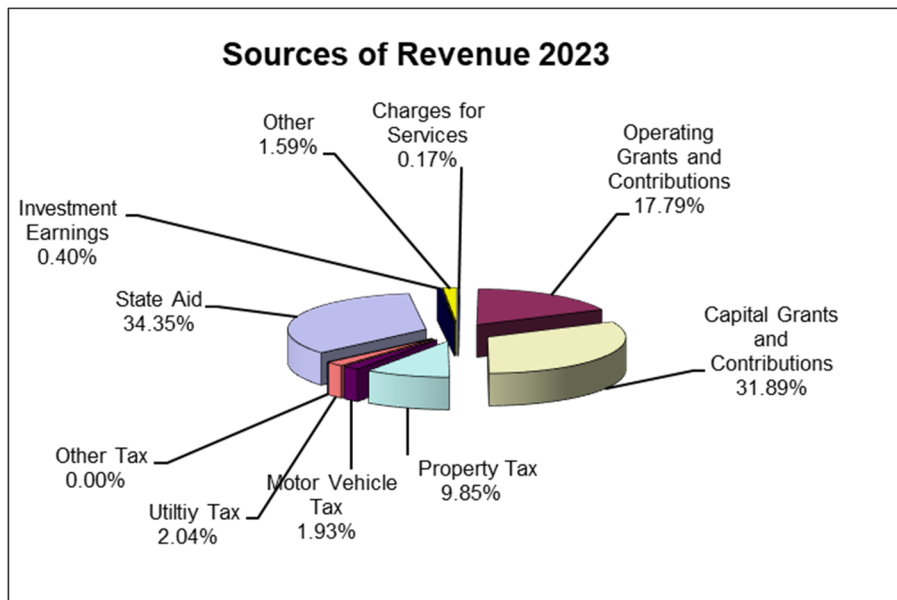
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
Net Position for June 30, 2022 and June 30, 2023

	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	
Current and Other Assets	\$ 6,919,434	\$ 16,050,877	\$ 323,899	\$ 336,933	\$ 7,243,333	\$ 16,387,810	126.2%
Capital Assets	22,314,205	24,540,242	14,943	90,503	22,329,148	24,630,745	10.3%
Total Assets	29,233,639	40,591,119	338,842	427,436	29,572,481	41,018,555	38.7%
Deferred loss on debt refunding	63,854	37,775	-	-	63,854	37,775	-40.8%
OPEB related	1,650,355	3,381,647	159,643	128,269	1,809,998	3,509,916	93.9%
Pension related	883,556	1,516,779	154,887	229,221	1,038,443	1,746,000	68.1%
Total Deferred Outflows of Resources	2,597,765	4,936,201	314,530	357,490	2,912,295	5,293,691	81.8%
Long Term Liabilities	10,751,279	11,039,066	-	-	10,751,279	11,039,066	2.7%
Net OPEB Liability	4,287,334	6,071,681	286,210	255,539	4,573,544	6,327,220	38.3%
Net Pension Liability	5,436,965	6,194,179	953,101	936,086	6,390,066	7,130,265	11.6%
Other Liabilities	2,131,274	1,472,427	-	-	2,131,274	1,472,427	-30.9%
Total Liabilities	22,606,852	24,777,353	1,239,311	1,191,625	23,846,163	25,968,978	8.9%
OPEB related	2,906,294	2,865,862	157,003	139,940	3,063,297	3,005,802	-1.9%
Pension related	1,019,738	792,560	178,760	119,775	1,198,498	912,335	-23.9%
Total Deferred Inflows of Resources	3,926,032	3,658,422	335,763	259,715	4,261,795	3,918,137	-8.1%
Investment in Capital Assets (net of debt)	12,309,830	14,439,421	14,943	90,503	12,324,773	14,529,924	17.9%
Restricted	2,192,170	11,489,537	-	-	2,192,170	11,489,537	424.1%
Unrestricted Fund	(9,203,480)	(8,837,413)	(936,645)	(756,917)	(10,140,125)	(9,594,330)	-5.4%
Total Net Position	\$ 5,298,520	\$ 17,091,545	\$ (921,702)	\$ (666,414)	\$ 4,376,818	\$ 16,425,131	275.28%

ECBOE Net Position (increased by 275.28% or \$12,048,313)



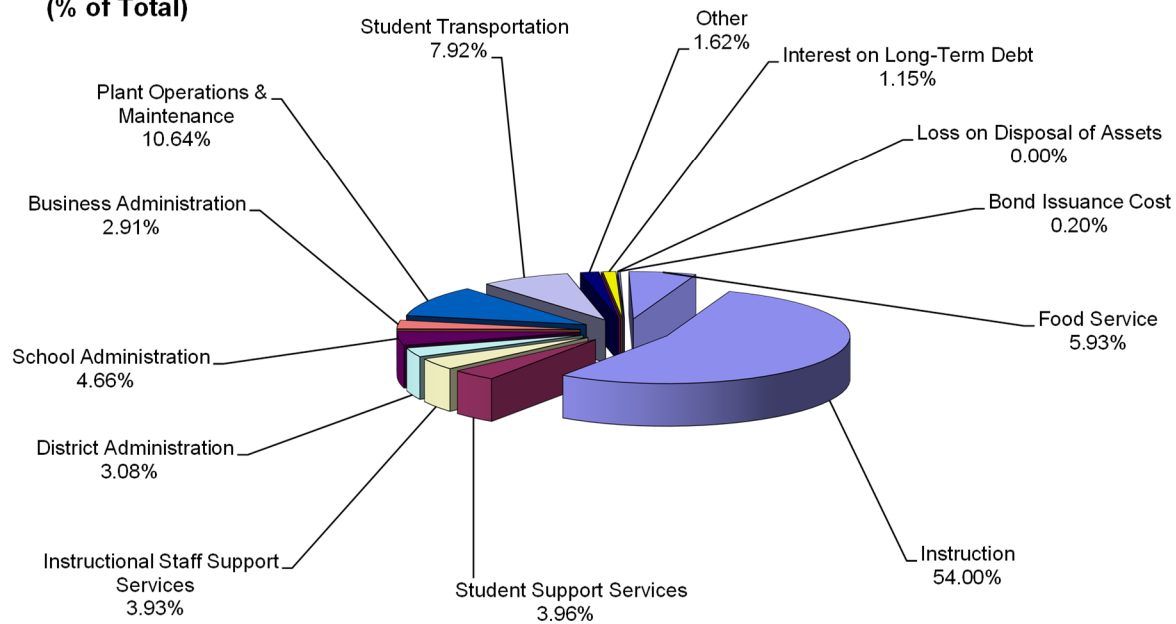
Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total % Change
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	2022-2023
Program Revenues							
Charges for Services	\$ 2,800	\$ 4,600	\$ 40,953	\$ 53,678	\$ 43,753	\$ 58,278	33.2%
Operating Grants and Contributions	4,691,164	4,736,928	1,623,587	1,530,703	6,314,751	6,267,631	-0.7%
Capital Grants and Contributions	818,005	11,234,658	-	-	818,005	11,234,658	1273.4%
General Revenue							
Taxes							
Property Tax	3,262,193	3,470,931	-	-	3,262,193	3,470,931	6.4%
Motor Vehicle Tax	588,117	680,033	-	-	588,117	680,033	15.6%
Utility Tax	685,984	718,091	-	-	685,984	718,091	4.7%
Other Tax	-	-	-	-	-	-	-
State Aid	15,046,549	12,100,663	-	-	15,046,549	12,100,663	-19.6%
Investment Earnings	96,934	129,267	1,937	10,539	98,871	139,806	41.4%
Gain on disposal of Assets	1,357	-	-	-	1,357	-	-100.0%
Transfers	27,230	(44,538)	(27,230)	44,538	-	-	-
Other	519,756	560,549	-	-	519,756	560,549	7.8%
Total Revenues	\$ 25,740,089	\$ 33,591,182	\$ 1,639,247	\$ 1,639,458	\$ 27,379,336	\$ 35,230,640	28.7%



Expenses	Governmental Activities		Proprietary Business-Type Activities		District Total		District Total % Change
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	2022-2023
Instruction	\$ 14,196,413	\$ 12,519,108	\$ -	\$ -	\$ 14,196,413	\$ 12,519,108	-11.8%
Support Services							
Student Support Services	822,057	918,273	-	-	822,057	918,273	11.7%
Instructional Staff	1,712,173	911,134	-	-	1,712,173	911,134	-46.8%
District Administration	635,626	713,222	-	-	635,626	713,222	12.2%
School Administration	977,164	1,080,846	-	-	977,164	1,080,846	10.6%
Business Administration	656,947	673,955	-	-	656,947	673,955	2.6%
Plant Operations & Maintenance	2,679,390	2,467,079	-	-	2,679,390	2,467,079	-7.9%
Student Transportation	1,787,055	1,835,332	-	-	1,787,055	1,835,332	2.7%
Other	354,035	366,385	11,518	8,998	365,553	375,383	2.7%
Building Improvement	-	-	-	-	-	-	-
Interest on Long-Term Debt	221,483	265,622	-	-	221,483	265,622	19.9%
Loss on Disposal of Assets	-	60	-	-	-	60	
Bond Issuance Cost	98,322	47,141	-	-	98,322	47,141	-52.1%
Food Service	-	-	1,266,086	1,375,172	1,266,086	1,375,172	8.6%
Total Expenses	\$ 24,140,665	\$ 21,798,157	\$ 1,277,604	\$ 1,384,170	\$ 25,418,269	\$ 23,182,327	-8.8%

Expenses 2023

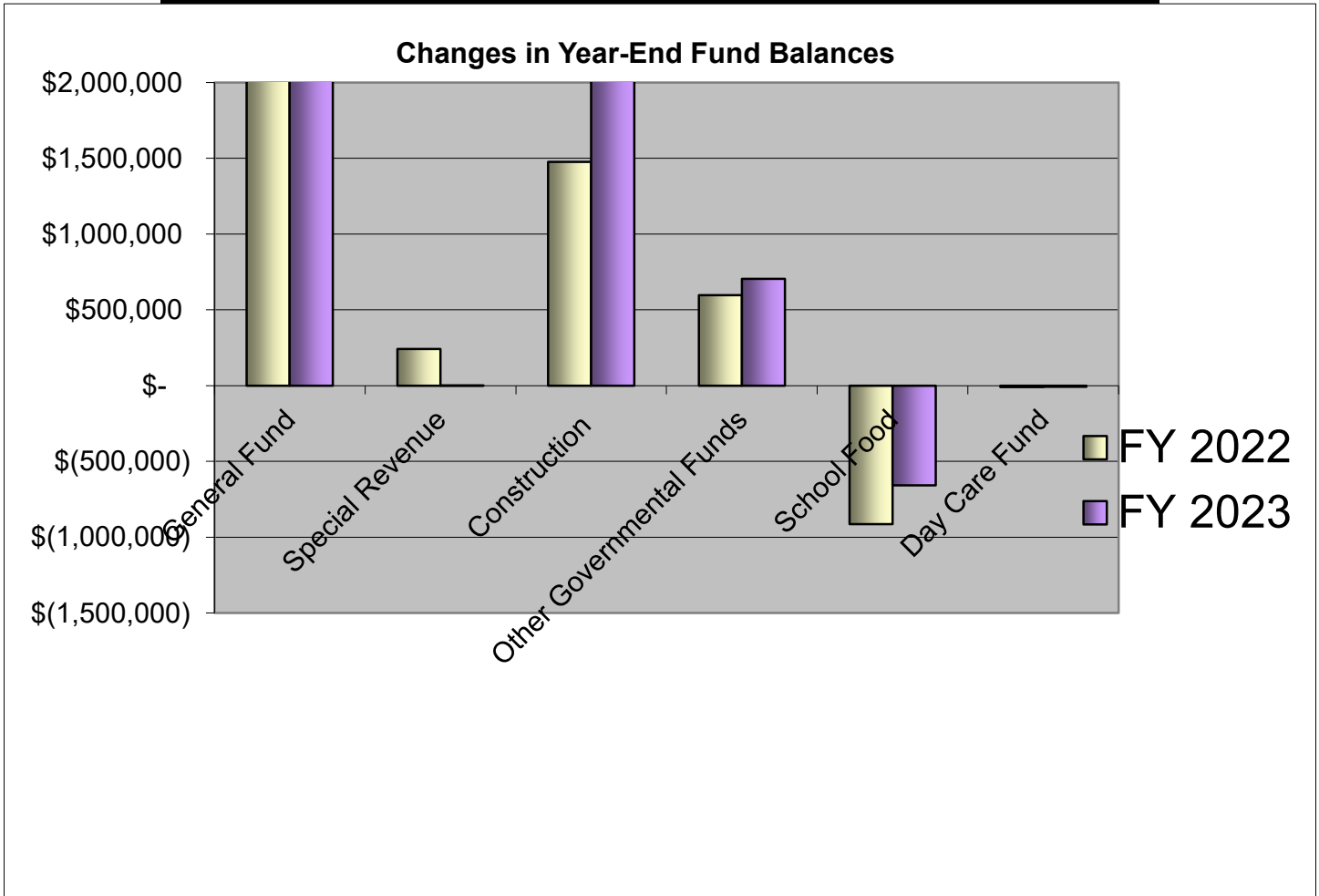
(% of Total)



- The District's total revenues were \$35,230,640 and the total expenses were \$23,182,327. Revenues exceeded expenses by \$12,048,313.
- State revenues accounted for 34% and local taxes accounted for 14% of the revenue.
- Instruction was the major expense category and accounted for 54% of the total.
- Proprietary revenues exceeded expenditures by \$255,288 and Governmental revenues exceeded expenditures by \$11,793,025.

Financial Analysis of the District Fund Balances

Changes in End-of-Year Fund Balances	FY 2022	FY 2023	Amount of Change	% Change
General Fund	\$ 2,530,314	\$ 2,842,445	\$ 312,131	12.3%
Special Revenue	251,649	2,056	(249,593)	-99.2%
Construction	1,500,434	11,101,035	9,600,601	639.9%
Other Governmental Funds	573,986	704,337	130,351	22.7%
School Food	(912,591)	(658,350)	254,241	-27.9%
Day Care Fund	(9,111)	(8,064)	1,047	-11.5%
Total	\$ 3,934,681	\$13,983,459	\$ 10,048,778	255.4%



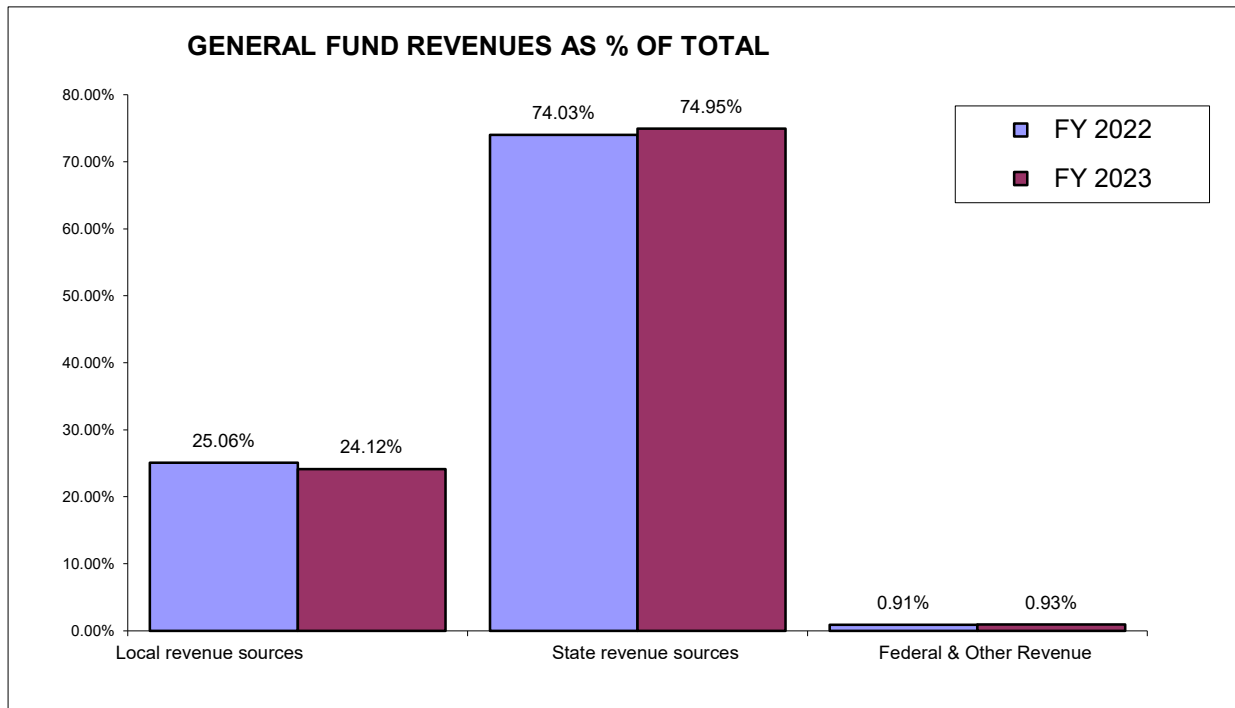
- The General Fund's fund balance increased by \$312,131.
- The Special Revenue fund decreased by \$249,593.
- The Construction Fund's fund balance increased by \$9,600,601 due to the receipt of the funds for the Vocational Center addition to the High School.
- The School Food Service (deficit) fund balance of (\$658,350) at the end of the year reflects an increase in the total fund balance of \$254,241.
- The Day Care Service fund ended FY 2023 with fund balance of (\$8,064) resulting from an increase in net position of \$1,047.

Comments on General Fund and Special Revenue Budget Comparisons

- The District's General Fund total revenues for the fiscal year ended June 30, 2023 were \$19,173,388. This is \$1,600,827 more than was budgeted in the final working budget. This variance is attributable to the higher than budgeted increase in On-Behalf funds received from the State totaling \$1,316,138. The remaining increase is due to higher than budgeted receipts from the various local tax sources.
- General fund actual revenue varied widely in several line items with the ending actual fund revenue being \$890,120 more than the prior year. This is primarily due to the state SEEK base funding increase of \$100 per ADA and accounted for \$219,232 of the increase. The General Fund also had \$217,793 in transfers from the Capital Outlay fund to cover property insurance and various maintenance expenses.
- Instructional expenditures were \$816,837 more than budget due primarily due to on behalf benefit expenditures being \$1,198,711 more than budgeted. The other line items had varying increases and decreases that are in line with usual budget variances.
- General Fund expenditures exceeded prior year actuals by significant amounts across several spending areas. The areas which saw the most increase were Salaries and Benefits, which is always expected to increase due to experience and rank changes for teacher salaries. Student Transportation expenditures decreased from prior year due to the planned school bus purchases for the District being delayed until well into the next fiscal year.
- The Special Revenue Fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year. Also, the District received three federal grants to help offset the costs of operating in a global pandemic and to make preparations to mitigate any further closures. These are one time awards that are expected to last through fiscal year 2024.

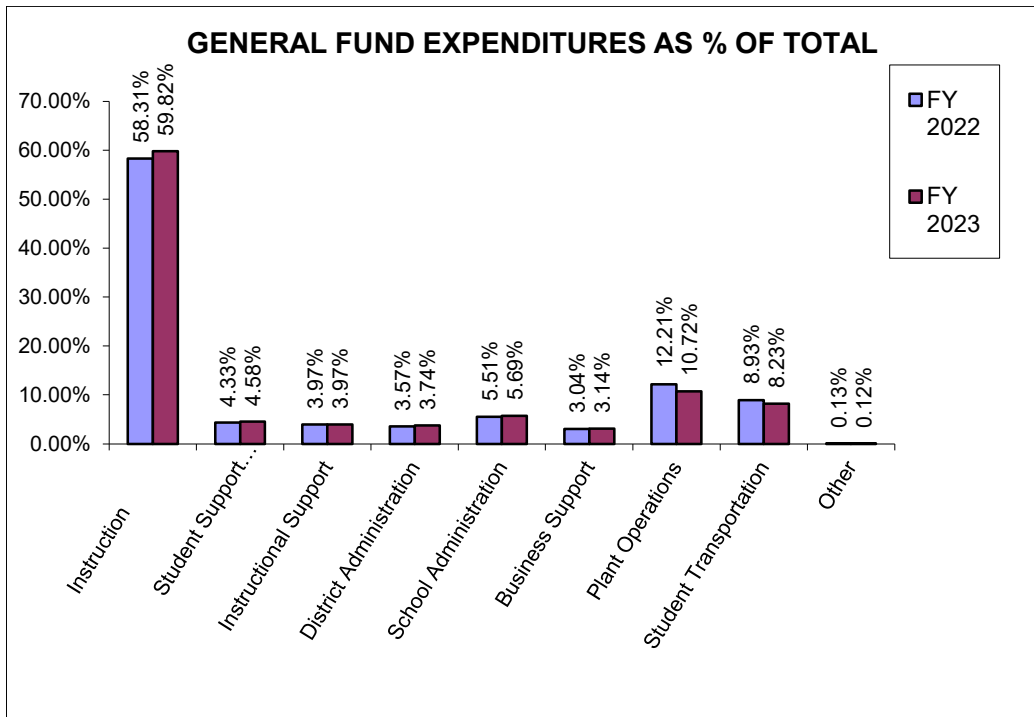
The following tables present a summary of revenue and expenditures of the General Fund for the fiscal year ended June 30, 2023.

General Fund Revenues	FY 2022	FY 2023
Local Revenue Sources:	\$ 4,316,990	\$ 4,624,591
Taxes:		
<i>Property</i>	2,849,216	3,026,829
<i>Motor Vehicle</i>	588,117	680,033
<i>Utilities</i>	685,984	718,091
Earnings on Investment	90,922	112,266
Other Local Revenue	102,751	87,372
State Revenue Sources	12,752,831	14,371,111
Federal Revenue	156,253	177,686
Total Revenues	\$ 17,226,074	\$ 19,173,388



The majority of General Fund revenue was derived from state funding (75%), with local revenue sources making up 24% of the total.

General Fund Expenditures	FY 2022	FY 2023
Instruction	\$ 10,310,318	\$ 11,332,059
Support Services		
Student Support Services	764,948	867,336
Instructional Support	702,219	751,709
District Administration	630,613	707,669
School Administration	973,459	1,078,342
Business Support	537,834	594,150
Plant Operations	2,158,816	2,030,813
Student Transportation	1,579,735	1,558,272
Other	22,672	23,594
Total Expenditures	\$ 17,680,614	\$ 18,943,944
Excess of Revenue over Expenditures	(454,540)	229,444
Operating Transfers	411,784	82,687
Net Change in Fund Balance	\$ (42,756)	\$ 312,131



Revenues in Excess of Expenditures	\$229,444
Operating Transfers	\$ 82,687
Net Change in Fund Balance	\$312,131

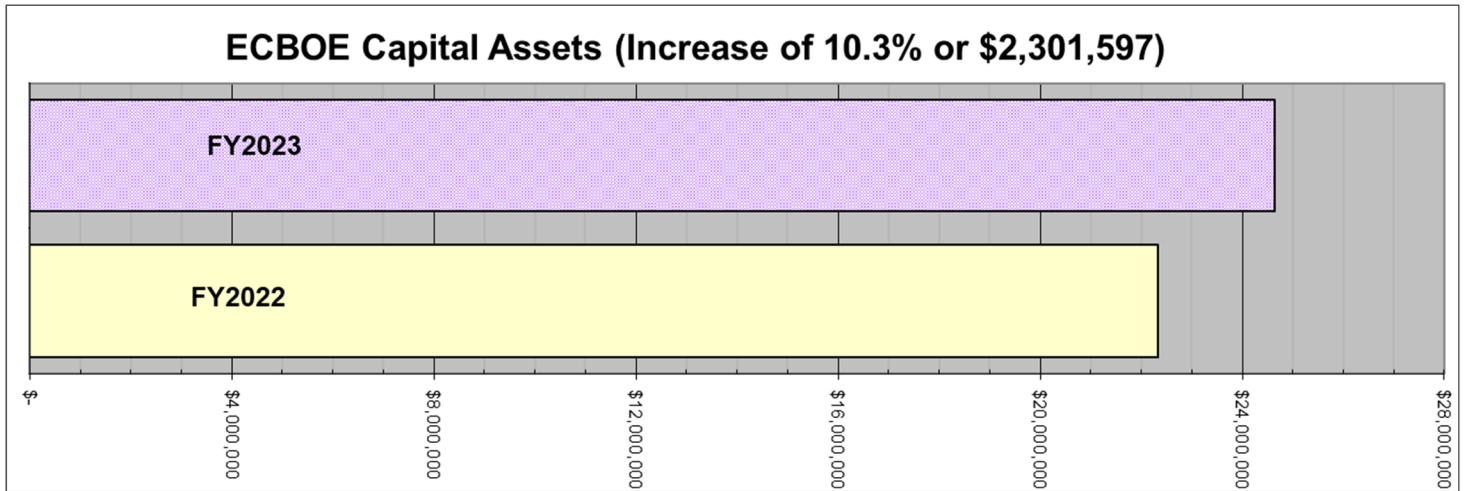
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2023, the district had invested \$24,630,745 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices and construction in process. The cumulative total initial cost of assets was \$46,240,150 with accumulated depreciation of \$22,811,917.

SUMMARY OF CAPITAL ASSETS

CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District % Change 2022-2023
	FY2022	FY2023	FY2022	FY2023	FY2022	FY2023	
	Land & Land Improvements	\$ 449,367	\$ 433,847	\$ -	\$ -	\$ 449,367	
Buildings	16,437,113	21,987,003	-	-	16,437,113	21,987,003	33.8%
Construction Work in Process	4,147,945	869,723	-	-	-	-	0.0%
Equipment & Furniture	1,279,780	1,249,669	14,943	90,503	1,294,723	1,340,172	3.5%
Total Assets	\$ 22,314,205	\$ 24,540,242	\$ 14,943	\$ 90,503	\$ 22,329,148	\$ 24,630,745	10.3%

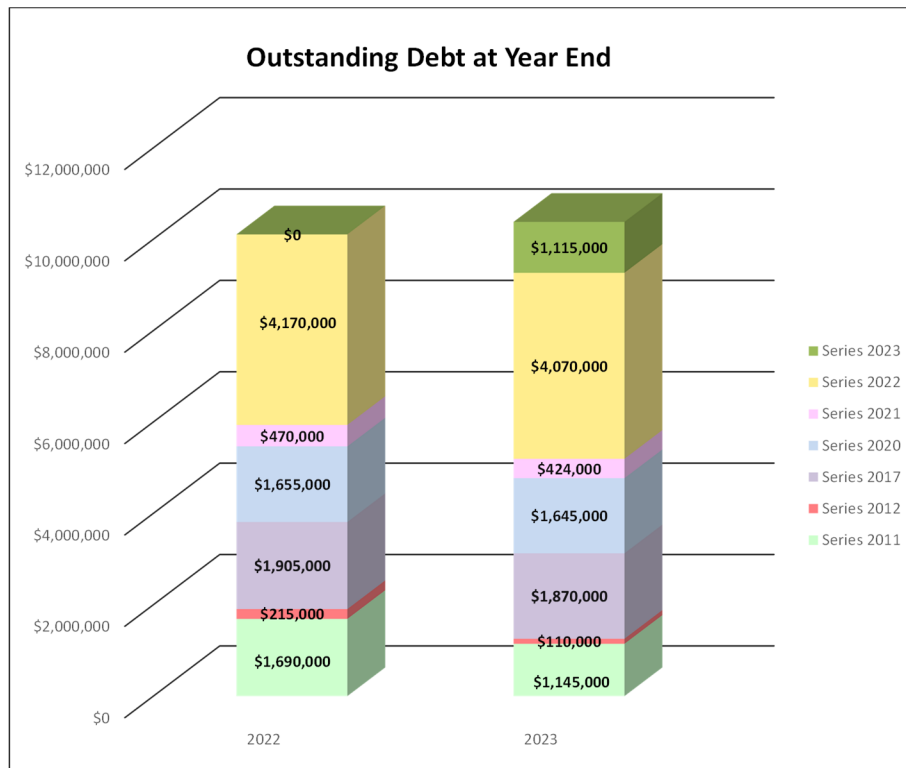


Long-Term Debt

At year-end, the district had \$10,379,000 in general obligation bonds outstanding. General obligation debt increased significantly due to the bond issuance for the LAVEC High School Building Addition Series 2023 for the fiscal year.

Outstanding Debt at Year End

General Obligation Bonds:		Par Amount	Governmental Activities 2022	Governmental Activities 2023
Series 2023	LAVEC High School Addition	\$1,115,000	\$0	\$1,115,000
Series 2022	Guaranteed Energy Savings Contract Project	\$4,170,000	\$4,170,000	\$4,070,000
Series 2021	Bond Refunding 2011 Series	\$515,000	\$470,000	\$424,000
Series 2020	District Wide Renovations Phase 2	\$1,705,000	\$1,655,000	\$1,645,000
Series 2017	District Wide Restroom and Facility Renovations	\$2,055,000	\$1,905,000	\$1,870,000
Series 2011	Edmonson County High School Refunding Renovation/Addition	\$5,280,000	\$1,690,000	\$1,145,000
Series 2012	Edmonson County 5/6 Center & Kyrock Elem. Renov. Refunding	\$1,055,000	\$215,000	\$110,000
TOTAL		\$15,895,000	\$10,105,000	\$10,379,000



BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximately 50% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 14% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the sixth through eighth months. This means the general fund's beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$2,842,445 of the total general fund budget as a beginning balance for next year.

By law, the budget must have a minimum 2% contingency. The district adopted a budget with \$1,434,673 in total contingency (7%) for fiscal year 2024. The beginning general fund balance for the 2023 fiscal year was \$2,530,314. Significant Board action that impacts finances include rising salary costs, additional spending on students with special needs, increased building operations and maintenance costs associated with maintenance of facilities, general fund matching dollars for the state KETS grant, and the increasing general fund bond payment schedule for the Guaranteed Energy Savings Project. The district currently participates in 27 federal and state grants. The total budget for these grants is \$2,648,006. Additionally, the federal ESSER emergency funding grants totaling \$6,256,200 will also be a factor through fiscal year 2024. Many of these grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for the Edmonson County School District are to continue to build and develop our educational programs, integrate technology into our curriculum, and continue to update and modernize our existing facilities. However, our greatest challenge is the ability to attract and retain staff, given the shallow staff pool that exists and our lack of strong tax base in comparison to surrounding districts. While we were able to give a small salary increase for the 23-24 school year, this is our greatest challenge going forward.

The Edmonson County School District has a role to educate our students to the fullest ability to create an environment of trained, educated, and knowledgeable citizens. As our district continues to focus on graduating students who are Transition Ready, we need to increase our focus by making improvements in our content presentation by utilizing research based curriculum, technology, and professional development focusing on improving the art of teaching. The primary concerns for addressing these three areas are the expense of staying updated and current with facilities, technology curriculum and funding.

The district completed the Edmonson County District Facility Plan in the past year, which included a plan for a replacement of Kyrock Elementary School and renovation of South Edmonson Elementary. There are always concerns in this area with keeping our current facilities in top operational condition and continuing to make plans for updating throughout the district with limited funding.

The Edmonson County School District has experienced decreases in student population over the past four years, which has led to a decrease in state funding that hinders the district in many areas. The District is currently exploring tax rate options to allow for upgrades in our construction and facilities. Our challenge is working with all stakeholders involved to maximize all resources and streamline programs to ensure resources are available and can be utilized to meet the needs of all students.

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or requests for additional information should be directed to Tiffany Carroll, Chief Financial Officer, (270) 597-2101, 100 Wildcat Way, P O Box 129, Brownsville, KY 42210 or e-mail to tiffany.carroll@edmonson.kyschools.us.

Edmonson County School District
Statement of Net Position

<i>June 30, 2023</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 14,571,460	\$ 178,785	\$ 14,750,245
Accounts receivable:			
Taxes	135,002	-	135,002
Intergovernmental	1,336,351	143,881	1,480,232
Internal balances	8,064	(8,064)	-
Inventory	-	22,331	22,331
Non-depreciable capital assets	1,202,512	-	1,202,512
Depreciable capital assets	45,665,296	574,854	46,240,150
Less: accumulated depreciation	(22,327,566)	(484,351)	(22,811,917)
Total assets	40,591,119	427,436	41,018,555
Deferred Outflows of Resources			
Deferred loss on debt refundings	37,775	-	37,775
OPEB related	3,381,647	128,269	3,509,916
Pension related	1,516,779	229,221	1,746,000
Total deferred outflows of resources	4,936,201	357,490	5,293,691
Liabilities			
Accounts payable	191,618	-	191,618
Accrued liabilities	654,534	-	654,534
Unearned revenue	554,852	-	554,852
Accrued interest	71,423	-	71,423
Long-term obligations:			
Due within one year:			
Outstanding bonds	891,000	-	891,000
Compensated absences	139,728	-	139,728
Due beyond one year:			
Outstanding bonds	9,490,822	-	9,490,822
Compensated absences	517,516	-	517,516
Net OPEB liability	6,071,681	255,539	6,327,220
Net pension liability	6,194,179	936,086	7,130,265
Total liabilities	24,777,353	1,191,625	25,968,978

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

Edmonson County School District
Statement of Net Position

<i>June 30, 2023</i>	Governmental Activities	Business-type Activities	Total
Deferred Inflows of Resources			
OPEB related	2,865,862	139,940	3,005,802
Pension related	792,560	119,775	912,335
Total deferred inflows of resources	3,658,422	259,715	3,918,137
Net Position (Deficit)			
Net investment in capital assets	14,439,421	90,503	14,529,924
Restricted for:			
Capital projects	11,350,351	-	11,350,351
Student activities	137,130	-	137,130
Grant programs	2,056	-	2,056
Unrestricted (deficit)	(8,837,413)	(756,917)	(9,594,330)
Total net position (deficit)	\$ 17,091,545	\$ (666,414)	\$ 16,425,131

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

**Edmonson County School District
Statement of Activities**

<i>For the year ended June 30, 2023</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction	\$ 12,519,108	\$ -	\$ 3,100,836	\$ 72,897	\$ (9,345,375)	\$ -	\$ (9,345,375)
Support Services:							
Student	918,273	-	50,058	-	(868,215)	-	(868,215)
Instructional staff	911,134	-	625,734	-	(285,400)	-	(285,400)
District administration	713,222	-	-	-	(713,222)	-	(713,222)
School administration	1,080,846	-	-	-	(1,080,846)	-	(1,080,846)
Business	673,955	-	424,882	-	(249,073)	-	(249,073)
Plant operations and maintenance	2,467,079	4,600	108,768	-	(2,353,711)	-	(2,353,711)
Student transportation	1,835,332	-	85,037	-	(1,750,295)	-	(1,750,295)
Other	366,385	-	341,613	-	(24,772)	-	(24,772)
Interest on long-term debt	265,622	-	-	11,161,761	10,896,139	-	10,896,139
Loss on disposal of assets	60	-	-	-	(60)	-	(60)
Bond issuance cost	47,141	-	-	-	(47,141)	-	(47,141)
Total governmental activities	21,798,157	4,600	4,736,928	11,234,658	(5,821,971)	-	(5,821,971)
Business-type activities							
Food services	1,375,172	43,633	1,530,703	-	-	199,164	199,164
Day care services	8,998	10,045	-	-	-	1,047	1,047
Total business-type activities	1,384,170	53,678	1,530,703	-	-	200,211	200,211
Total school district	\$ 23,182,327	\$ 58,278	\$ 6,267,631	\$ 11,234,658	\$ (5,821,971)	\$ 200,211	\$ (5,621,760)

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

Edmonson County School District
Statement of Activities

<i>For the year ended June 30, 2023</i>	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business- type Activities	Total
General Revenues			
Taxes:			
Property	3,470,931	-	3,470,931
Motor vehicle	680,033	-	680,033
Utilities	718,091	-	718,091
State aid	12,100,663	-	12,100,663
Investment earnings	129,267	10,539	139,806
Other	560,549	-	560,549
Transfers	(44,538)	44,538	-
Total general revenues and transfers	17,614,996	55,077	17,670,073
Change in net position	11,793,025	255,288	12,048,313
Net position (deficit) - beginning of year	5,298,520	(921,702)	4,376,818
Net position (deficit) - end of year	\$ 17,091,545	\$ (666,414)	\$ 16,425,131

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

Edmonson County School District
Balance Sheet
Governmental Funds

<i>June 30, 2023</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 2,994,641	\$ -	\$ 10,872,482	\$ 704,337	\$ 14,571,460
Accounts receivable:					
Taxes	135,002	-	-	-	135,002
Intergovernmental	-	1,336,351	-	-	1,336,351
Due from other funds	375,300	-	409,227	-	784,527
Total assets	\$ 3,504,943	\$ 1,336,351	\$ 11,281,709	\$ 704,337	\$ 16,827,340
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,964	\$ 2,980	\$ 180,674	\$ -	\$ 191,618
Accrued liabilities	654,534	-	-	-	654,534
Due to other funds	-	776,463	-	-	776,463
Unearned revenue	-	554,852	-	-	554,852
Total liabilities	662,498	1,334,295	180,674	-	2,177,467
Fund Balances					
Restricted	-	2,056	11,101,035	629,672	11,732,763
Committed	253,031	-	-	-	253,031
Assigned	442,598	-	-	74,665	517,263
Unassigned	2,146,816	-	-	-	2,146,816
Total fund balances	2,842,445	2,056	11,101,035	704,337	14,649,873
Total liabilities and fund balances	\$ 3,504,943	\$ 1,336,351	\$ 11,281,709	\$ 704,337	\$ 16,827,340

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

**Edmonson County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

<i>June 30,</i>	2023
Total fund balances - governmental funds	\$ 14,649,873
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$46,867,808 and the accumulated depreciation is \$22,327,566.	24,540,242
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	37,775
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds statements.	515,785
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds statements.	724,219
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds payable	(10,381,822)
Accrued interest on the bonds	(71,423)
Net OPEB liability	(6,071,681)
Net pension liability	(6,194,179)
Compensated absences	(657,244)
Total net position - governmental activities	\$ 17,091,545

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

Edmonson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2023</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 3,026,829	\$ -	\$ -	\$ 444,102	\$ 3,470,931
Motor vehicle	680,033	-	-	-	680,033
Utilities	718,091	-	-	-	718,091
Earnings on investments	112,266	4,471	351,308	17,001	485,046
Other local revenue	87,372	40,165	-	300,091	427,628
Intergovernmental - state	14,371,111	1,075,670	10,000,000	810,453	26,257,234
Direct federal	95,097	-	-	-	95,097
Intergovernmental - federal	82,589	3,689,519	-	-	3,772,108
Total revenues	19,173,388	4,809,825	10,351,308	1,571,647	35,906,168
Expenditures					
Current:					
Instruction	11,332,059	2,095,217	-	303,061	13,730,337
Support services:					
Student	867,336	50,058	-	-	917,394
Instructional staff	751,709	625,734	-	-	1,377,443
District administration	707,669	-	-	-	707,669

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

Edmonson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2023</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
School administration	1,078,342	-	-	-	1,078,342
Business	594,150	424,882	-	-	1,019,032
Plant operations and maintenance	2,030,813	108,768	-	-	2,139,581
Student transportation	1,558,272	85,037	-	1,403	1,644,712
Other	23,594	341,613	-	-	365,207
Debt service:					
Principal	-	-	-	841,000	841,000
Interest	-	-	-	232,635	232,635
Facilities acquisition and construction	-	-	3,080,596	-	3,080,596
Bond issuance costs	-	-	47,141	-	47,141
Total expenditures	18,943,944	3,731,309	3,127,737	1,378,099	27,181,089
Excess (deficiency) of revenues over expenditures	229,444	1,078,516	7,223,571	193,548	8,725,079
Other Financing Sources (Uses)					
Bond proceeds	-	-	1,112,949	-	1,112,949
Operating transfers in	272,878	35,595	1,264,081	851,773	2,424,327
Operating transfers out	(190,191)	(1,363,704)	-	(914,970)	(2,468,865)
Total other financing sources (uses)	82,687	(1,328,109)	2,377,030	(63,197)	1,068,411
Net change in fund balances	312,131	(249,593)	9,600,601	130,351	9,793,490
Fund balances - beginning of year	2,530,314	251,649	1,500,434	573,986	4,856,383
Fund balances - end of year	\$ 2,842,445	\$ 2,056	\$ 11,101,035	\$ 704,337	\$ 14,649,873

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

**Edmonson County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

<i>For the year ended June 30,</i>	<u>2023</u>
Total net change in fund balances - governmental funds	\$ 9,793,490
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,371,876) exceeds depreciation expense (\$1,145,779) in the period.	2,226,097
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the Statement of Activities. The difference between proceeds from the sale of assets and the actual gain (loss) from the sale net to this amount for the year.	(60)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	841,000
The issuance of a bond, net of bond discount, is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(1,112,949)
Governmental funds report District OPEB contributions as expenditures. However, in the Statements of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	94,209
Cost of benefits earned net of employee contributions	(106,875)
Governmental funds report District pension contributions as expenditures. However, in the Statements of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	647,606
Cost of benefits earned net of employee contributions	(544,418)
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the Statement of Activities are recognized when they are incurred.	(45,075)
Change in net position - governmental activities	\$ 11,793,025

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

Edmonson County School District
Statement of Net Position
Proprietary Funds

<i>June 30, 2023</i>	Enterprise Fund Food Service	Day Care (Nonmajor)	Total Proprietary Funds
Assets			
Current Assets			
Cash	\$ 178,785	\$ -	\$ 178,785
Accounts receivable	143,881	-	143,881
Inventory	22,331	-	22,331
Total current assets	344,997	-	344,997
Non-Current Assets			
Fixed assets - net	90,503	-	90,503
Total assets	435,500	-	435,500
Deferred Outflows of Resources			
OPEB related	128,269	-	128,269
Pension related	229,221	-	229,221
Total deferred outflows of resources	357,490	-	357,490
Liabilities			
Current Liabilities			
Due to other funds	-	8,064	8,064
Total current liabilities	-	8,064	8,064
Long-Term Liabilities			
Net OPEB liability	255,539	-	255,539
Net pension liability	936,086	-	936,086
Total long-term liabilities	1,191,625	-	1,191,625
Deferred Inflows of Resources			
OPEB related	139,940	-	139,940
Pension related	119,775	-	119,775
Total deferred inflows of resources	259,715	-	259,715
Net Position (Deficit)			
Net investment in capital assets	90,503	-	90,503
Unrestricted (deficit)	(748,853)	(8,064)	(756,917)
Total net position (deficit)	\$ (658,350)	\$ (8,064)	\$ (666,414)

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

Edmonson County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

<i>For the year ended June 30, 2023</i>	Enterprise Fund Food Service	Day Care (Nonmajor)	Total Proprietary Funds
Operating Revenues			
Lunchroom sales	\$ 43,633	\$ -	\$ 43,633
Tuition and fees	-	10,045	10,045
Total operating revenues	43,633	10,045	53,678
Operating Expenses			
Salaries and wages	493,440	8,727	502,167
Contract services	25,183	-	25,183
Materials and supplies	843,083	48	843,131
Day care operations	-	223	223
Other operating expenses	5,614	-	5,614
Depreciation expense	7,852	-	7,852
Total operating expenses	1,375,172	8,998	1,384,170
Operating (loss) income	(1,331,539)	1,047	(1,330,492)
Non-Operating Revenues			
State operating grants	117,932	-	117,932
Federal operating grants	1,320,560	-	1,320,560
Donated commodities	92,211	-	92,211
Interest income	10,539	-	10,539
Total non-operating revenues	1,541,242	-	1,541,242
Income before transfers	209,703	1,047	210,750
Transfers	44,538	-	44,538
Change in net position	254,241	1,047	255,288
Net position (deficit) - beginning of year	(912,591)	(9,111)	(921,702)
Net position (deficit) - end of year	\$ (658,350)	\$ (8,064)	\$ (666,414)

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

Edmonson County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2023</i>	Enterprise Fund Food Service	Day Care (Nonmajor)	Total Proprietary Funds
Operating Activities			
Cash received from user charges	\$ 51,841	\$ 10,045	\$ 61,886
Cash payments to employees for services	(552,800)	(8,727)	(561,527)
Cash payments for contract services	(25,183)	-	(25,183)
Cash payments to suppliers for goods and services	(755,371)	(1,318)	(756,689)
Cash payments for other operating expenses	(5,614)	-	(5,614)
Net cash used in operating activities	(1,287,127)	-	(1,287,127)
Non Capital Financing Activities			
Acquisition of capital assets	(83,412)	-	(83,412)
Indirect cost transfer to general fund	44,538	-	44,538
Non-operating grants received	1,331,158	-	1,331,158
Net cash provided by noncapital financing activities	1,292,284	-	1,292,284
Investing Activities			
Interest on investments	10,539	-	10,539
Net cash provided by investing activities	10,539	-	10,539
Net decrease in cash	15,696	-	15,696
Cash - beginning of year	163,089	-	163,089
Cash - end of year	\$ 178,785	\$ -	\$ 178,785

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

Edmonson County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2023</i>	Enterprise Fund Food Service	Day Care (Nonmajor)	Total Proprietary Funds
Reconciliation of Operating (Loss) Income to Net Cash Used In Operating Activities			
Operating (loss) income	\$ (1,331,539)	\$ 1,047	\$ (1,330,492)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Operating Activities:			
Depreciation	7,852	-	7,852
Commodities received	92,211	-	92,211
On-behalf payments received	107,334	-	107,334
Pension contributions less than pension expense	(150,334)	-	(150,334)
OPEB contributions in excess of OPEB expense	(16,360)	-	(16,360)
Changes in assets and liabilities:			
Receivables	8,208	-	8,208
Inventories	(4,499)	-	(4,499)
Accounts payable	-	(1,047)	(1,047)
Internal balances	-	-	-
Net cash (used in) operating activities	\$ (1,287,127)	\$ -	\$ (1,287,127)

Non-Cash Activities

- The food service fund received \$92,211 of donated commodities from the federal government.
- The District received on-behalf payments of \$107,334 relating to insurance benefits.
- The District reclassified \$97,869 related to pension expense to deferred outflows of resources.
- The District reclassified \$14,239 related to OPEB expense to deferred outflows of resources.

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

Edmonson County School District Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

The Edmonson County Board of Education (the "Board"), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Edmonson County School District (the "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* as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

Blended Component Unit

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

Edmonson County School District Finance Corporation — The Edmonson County Board of Education resolved to authorize the establishment of the Edmonson County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Edmonson County Board of Education also comprise the Corporation's Board of Directors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balance is considered as resources available for use. The general fund is a major fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Governmental Fund Types (continued)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* accounts for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The Construction fund is a major fund.

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Proprietary Fund Types

Enterprise Funds

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

The *Day Care Fund* is used to account for day care services offered to the general public.

Fiduciary Fund Types (includes custodial and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Trust funds account for assets held by the District under the terms of a formal trust agreement. Custodial funds are purely custodial and do not involve measurement of results of operations.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The 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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

Budgetary Information

Budget information is presented for the General Fund and other funds with a Board approved budget. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary revenues represent original estimates modified for any adjustments approved by the Board during the fiscal year. Budgetary expenditures represent original appropriations adjusted for transfers and additional appropriations approved during the fiscal year. Once the budget is approved, it can be amended by approval of the Board.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near future are related to compensated absences, pension liability and OPEB liability.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

Edmonson County School District
Notes to Financial Statements

NOTE 2: 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 activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Inflows and Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in the financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources – Debt Related (continued)

financial statements in the current year. The deferred inflows of resources reported in the financial statements include the deferred gain on debt defeasance. The deferred gain is being amortized over the remaining life of the bond as part of other revenues.

Deferred Inflows and Outflows of Resources – Pension Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows and Outflows of Resources – OPEB Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 9 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences (continued)

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September Board meeting. Assuming property tax bills are timely mailed, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Revenues — Exchange and Non exchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Non exchange Transactions (continued)

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from non-exchange transactions must also be available before they can be recognized.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds.

Interfund Balances

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

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. Note 7 provides further detail on the District's encumbrances.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the District, these revenues are sales for food service and fees collected for daycare services. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise funds.

Subsequent Events

The District has evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through November 14, 2023, which was the date the financial statements were made available. No subsequent events occurring after this date have been evaluated for inclusion in the financial statements.

Recent Issued and Adopted Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement. The implementation of this standard was not significant to the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

GASB Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

GASB Statement No. 101, *Compensated Absences*, The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

Edmonson County School District
Notes to Financial Statements

NOTE 3: CASH

Deposits

At June 30, 2023, the carrying amounts of the District’s deposits were \$14,750,245 and the bank balances were \$14,959,600, which were covered by federal depository insurance or by collateral held by the bank’s agent in the District’s name.

The carrying amounts are reflected in the financial statements as follows:

<i>June 30,</i>	<i>2023</i>
Governmental funds	\$ 14,571,460
Proprietary funds	178,785
	\$ 14,750,245

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. The District does not have a deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. As of June 30, 2023, the District’s bank balance of \$14,959,600 was not exposed to custodial credit risk.

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2023 consist of the following:

<i>June 30, 2023</i>		
Receivable Fund	Payable Fund	Amount
General fund	Special revenue	\$ 367,236
Construction fund	Special revenue	409,227
General fund	Day care	8,064
Total interfund receivables and payables		\$ 784,527

The amounts represent interfund loans between the general fund and the special revenue and day care funds and the construction fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund and day care fund.

Edmonson County School District
Notes to Financial Statements

NOTE 5: CAPITAL ASSETS

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

<i>June 30, 2023</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 332,789	\$ -	\$ -	\$ 332,789
Construction in progress	4,147,945	3,080,596	6,358,818	869,723
Total non-depreciable historical cost	4,480,734	3,080,596	6,358,818	1,202,512
Capital assets that are depreciated:				
Land improvements	1,193,064	-	-	1,193,064
Buildings and improvements	31,844,057	6,388,451	-	38,232,508
Technology equipment	942,008	7,936	39,145	910,799
Vehicles	3,964,762	77,868	-	4,042,630
General	1,110,452	175,843	-	1,286,295
Total depreciable historical cost	39,054,343	6,650,098	39,145	45,665,296
Land improvements	1,076,486	15,520	-	1,092,006
Buildings and improvements	15,406,944	838,561	-	16,245,505
Technology equipment	833,723	34,586	39,085	829,224
Vehicles	2,895,784	219,808	-	3,115,592
General	1,007,935	37,304	-	1,045,239
Total accumulated depreciation	21,220,872	1,145,779	39,085	22,327,566
Total depreciable historical cost, net	17,833,471	5,504,319	60	23,337,730
Governmental activities, capital assets, net	\$ 22,314,205	\$ 8,584,915	\$ 6,358,878	\$ 24,540,242
Business-type activities:				
Capital assets that are depreciated:				
General	\$ 506,880	\$ 83,412	\$ 30,408	\$ 559,884
Technology equipment	14,970	-	-	14,970
Total depreciable historical cost	521,850	83,412	30,408	574,854
Less accumulated depreciation	506,907	7,852	30,408	484,351
Business-type activities, capital assets, net	\$ 14,943	\$ 75,560	\$ -	\$ 90,503

**Edmonson County School District
Notes to Financial Statements**

NOTE 5: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

<i>For the year ended June 30,</i>	<i>2023</i>
Instruction	\$ 507,094
Support services:	
District administration	3,677
Facilities operations	410,459
Student transportation	224,549
Total depreciation expense	\$ 1,145,779

NOTE 6: LONG-TERM OBLIGATIONS

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2011	\$ 5,280,000	1.00%—3.30%
2012	1,055,000	1.10%—4.30%
2017	2,055,000	2.00%—3.375%
2020	1,705,000	2.00%—2.25%
2021	515,000	1.10%
2022	4,170,000	2.00%—2.50%
2023	1,115,000	4.00%—4.375%

On June 7, 2023, the District issued \$1,115,000 in School Building Revenue Bonds with interest rates ranging from 4.00% to 4.375% for the renovation of the District's Local Area Vocational Education Center (LAVEC).

The District, through the General Fund, including utility taxes and the SEEK Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Edmonson 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.

The District has entered into "participation agreements" with the School Facility Construction Commission (SFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. 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.

**Edmonson County School District
Notes to Financial Statements**

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

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

Year	Edmonson County School District		School Facility Construction Commission		Total Debt Service
	Interest	Principal	Interest	Principal	
2023—2024	\$ 227,633	\$ 692,524	\$ 27,631	\$ 198,476	\$ 1,146,264
2024—2025	213,614	711,615	23,687	90,385	1,039,301
2025—2026	201,880	315,687	22,240	91,313	631,120
2026—2027	194,062	329,556	20,592	93,444	637,654
2027—2028	185,875	343,392	18,902	94,608	642,777
2028—2029	177,417	357,200	17,181	96,800	648,598
2029—2030	168,591	370,975	15,418	98,025	653,009
2030—2031	159,211	384,720	13,622	100,280	657,833
2031—2032	149,726	398,429	11,781	51,571	611,507
2032—2033	139,726	417,104	10,456	52,896	620,182
2033—2034	129,460	430,743	9,097	54,257	623,557
2034—2035	118,609	449,272	7,623	55,728	631,232
2035—2036	107,001	467,750	6,103	57,250	638,104
2036—2037	94,347	486,106	4,460	58,894	643,807
2037—2038	81,193	509,688	2,767	25,312	618,960
2038—2039	67,566	529,122	2,201	25,878	624,767
2039—2040	53,431	548,537	1,616	26,463	630,047
2040—2041	38,409	569,505	1,018	25,495	634,427
2041—2042	23,918	595,475	488	19,525	639,406
2042—2043	6,781	155,000	-	-	161,781
	\$ 2,538,450	\$ 9,062,400	\$ 216,883	\$ 1,316,600	\$ 13,134,333

Edmonson County School District
Notes to Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

<i>June 30, 2023</i>	Balance			Balance	Amounts
	July 1, 2022	Increases	Decreases	June 30, 2023	Due Within
					One Year
Governmental Activities:					
Bonds payable	\$ 10,105,000	\$ 1,115,000	\$ (841,000)	\$ 10,379,000	\$ 891,000
Less: deferred issuance discounts	1,165	(2,051)	3,708	2,822	-
Total bonds payable	10,106,165	1,112,949	(837,292)	10,381,822	891,000
Other liabilities:					
Compensated absences	645,114	62,001	(49,871)	657,244	139,728
Total other liabilities	645,114	62,001	(49,871)	657,244	139,728
Total long-term liabilities	\$ 10,751,279	\$ 1,174,950	\$ (887,163)	\$ 11,039,066	\$ 1,030,728

NOTE 7: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

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. At June 30, 2023, the District had \$2,056 restricted in the special revenue fund for grant programs, \$137,130 restricted in the special revenue student activity fund for student activities, \$11,101,035 restricted in the construction fund, \$83,984 restricted in the SEEK fund for debt service, and \$408,558 restricted in the FSPK for capital outlay/debt service.

NOTE 7: FUND BALANCES (CONTINUED)

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. The District had the following commitments in the general fund at June 30, 2023: \$229,196 for compensated absences balances and \$23,835 for school site based decision making balances.

Assigned fund balances are 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. The District had \$442,598 assigned related to encumbrances in the general fund and the special revenue district activity fund had \$74,665 assigned for operating costs of the District's schools at June 30, 2023. Assigned fund balances also include (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 and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2023 in the governmental funds balance sheet.

NOTE 8: PENSION PLANS

Pensions

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

NOTE 8: PENSION PLANS (CONTINUED)

General Information About the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life benefits for specified employees of local school districts and other public educational agencies in the Commonwealth.

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the retirement system.

Any regular or special teacher or professional occupying a position requiring certification or graduation from a four year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement, medical, disability, annual cost of living adjustments, and death benefits to plan members. Plan members are divided into the following three categories:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Members hired on or after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members hired after July 1, 2002 who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members Hired On or After July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 60 and complete 5 years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service, or
- 3.) Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2.0% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3.0% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For Members Hired On or After January 1, 2022:

To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 57 and complete ten years of Kentucky service, or
- 2.) Attain age 65 and complete five years of Kentucky service.

Foundational Benefit: The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

The multiplier for members is shown in the following table:

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60		1.70%	1.95%	2.20%
61		1.74%	1.99%	2.24%
62		1.78%	2.03%	2.28%
63		1.82%	2.07%	2.32%
64		1.86%	2.11%	2.36%
65 and over	1.90%	1.90%	2.15%	2.40%

Supplemental Benefit: The annual supplemental benefit is equal to the account balance that includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance or a portion thereof as a lump sum either at the time of retirement or at a later date.

For members who began participating prior to January 1, 2022, KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. Members who began participating on or after January 1, 2022, will receive a disability benefit to be determined by the board through administrative regulation.

A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members who began participating before January 1, 2022. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled workers.

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. For members who began participating before January 1, 2022, KTRS members are required to contribute 12.855% of their salaries to the system. For members employed by local school districts, the State (as a non-employer contributing entity) contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those joined on or after July 1, 2008, and before January 1, 2022. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

**Edmonson County School District
Notes to Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Contributions (continued)

For members who began participating on or after January 1, 2022, members contribute 14.75% of their salaries to the system. Employers of members, including the state (as a non-employer contributing entity), contribute 10.75% of salary.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts.

Pension Liabilities and Pension Expense

At June 30, 2023, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>41,456,330</u>
Total	\$	<u><u>41,456,330</u></u>

The net pension liability 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 June 30, 2021 rolled forward to June 30, 2022 using standard update procedures.

For the year ended June 30, 2023, the District recognized pension expense of \$1,512,069 and revenue of \$1,512,069 for support provided by the State in the government wide financial statements and pension expense of \$3,782,517 and revenue of \$3,782,517 for support provided by the State in the fund statements.

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age
Investment rate of return	7.10% net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.37%
Single equivalent interest rate	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3.0% to 2.5%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long-Term Expected Rate of Return

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

**Edmonson County School District
Notes to Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. Equity	37.4%	4.20%
Small cap U.S. Equity	2.6%	4.70%
Developed International Equity	16.5%	5.30%
Emerging Markets Equity	5.5%	5.40%
Fixed Income	15.0%	-0.10%
High Yield Bonds	2.0%	1.70%
Other Additional Categories	5.0%	2.20%
Real Estate	7.0%	4.00%
Private Equity	7.0%	6.90%
Cash	2.0%	-0.30%
Total	100.0%	

Discount Rate

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 in full at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Plan Fiduciary Net Position

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

General Information About the CERS Pension Plan

Plan Description

The District contributes to the Non-Hazardous CERS plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the plan. CERS is administered by the Board of Trustees of the Kentucky Retirement System. CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided

CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.5%. No COLA has been granted since July 1, 2011.

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

Tier 2 - Non-Hazardous Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% of their annual creditable compensation, while 1% of these contributions are deposited in an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest, however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 - Non-Hazardous Tier 3 plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR 1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% in the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Edmonson County School District
Notes to Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Contributions

Employers participating in the CERS are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.454(33), normal contribution and past service contribution rates shall be determined by the KRS Board of Trustees on the basis of the last annual valuation preceding the July 1 of a new biennium. The KRS Board of Trustees may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board of Trustees. For the fiscal year ended June 30, 2023, participating employers contributed a percentage of each employee's creditable compensation. The actuarially determined rate set by the KRS Board of Trustees for the fiscal year ended June 30, 2023 was 23.40%.

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 of \$7,130,265 for its proportionate share of the net pension liability. The net pension liability 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 June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2022 contributions to the pension plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was .098634%.

For the year ended June 30, 2023, the District recognized pension expense of \$525,745. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 7,623	\$ 63,498
Net difference between projected and actual earnings on pension plan investments	970,216	787,421
Change of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	22,686	61,416
District contributions subsequent to the measurement date	745,475	-
Total	\$ 1,746,000	\$ 912,335

NOTE 8: PENSION PLANS (CONTINUED)

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

\$745,475 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,		
2023	\$	(26,744)
2024		(27,703)
2025		(59,919)
2026		202,556
2027		-

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2021. The actuarial assumptions are:

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

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

**Edmonson County School District
Notes to Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Fixed Income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.0%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount Rate

The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the KRS plan's Annual Comprehensive Financial Report (ACFR).

NOTE 8: PENSION PLANS (CONTINUED)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
District's proportionate share of the net pension liability	\$ 8,911,947	\$ 7,130,265	\$ 5,656,667

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CERS financial report.

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans will omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

District employees, in positions requiring a four-year degree 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, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Sections 220 through 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 on the TRS website.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Plan Description (continued)

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

Health Insurance Trust

Plan Description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple employer defined benefit plan with a special funding situation, funded by employer and member contributions. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers coverage to members under the age of 65 and not eligible for Medicare through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2023, the District reported a liability of \$4,381,000 for its proportionate share of 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 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 0.176475%.

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

District's proportionate share of the net OPEB liability	\$ 4,381,000
State's proportionate share of the net OPEB liability	
associated with the District	1,439,000
Total	\$ 5,820,000

For the year ended June 30, 2023, the District recognized OPEB expense of \$96,000, which included \$215,000 related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,842,000
Changes of assumptions	890,000	-
Net difference between projected and actual earnings on OPEB plan investments	233,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,410,000	98,000
Total	\$ 2,533,000	\$ 1,940,000

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$0 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30,	
2023	\$ (61,000)
2024	(25,000)
2025	14,000
2026	298,000
2027	256,000
Thereafter	111,000

Actuarial Assumptions

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

Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Municipal Bond Index Rate	3.37%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation
Discount Rate	7.10%
Healthcare Cost Trends:	
KEHP group	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
MEHP group	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034

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

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

The demographic actuarial assumptions for retirement disability, incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The healthcare cost trend rate assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs were included with the experience in the TOL roll forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Long-Term Expected Rate of Return

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

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

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

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

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

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net OPEB liability, 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 discount rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the collective net OPEB liability	\$ 5,497,000	\$ 4,381,000	\$ 3,457,000

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends Rates

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 3,284,000	\$ 4,381,000	\$ 5,745,000

OPEB Plan Fiduciary Net Position

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

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The TRS Life Insurance Trust 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 \$5,000 payable for members who retire based on service or disability and \$2,000 for active contributing members who began participating before January 1, 2022. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

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

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		<u>72,000</u>
Total	\$	<u><u>72,000</u></u>

Actuarial Assumptions

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

Edmonson County School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results for the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

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

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

Edmonson County School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

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

Discount Rate

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

OPEB Plan Fiduciary Net Position

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

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

The District's employees are provided OPEB under the provisions of Kentucky Revised Statutes, the Kentucky Retirement Systems (KRS) board administers the CERS Insurance Fund. The KRS Insurance Fund is a cost sharing, multiple employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are all regular full-time members employed in non-hazardous duty positions of the District. OPEB may be extended to beneficiaries of the plan members under certain circumstances. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

The KRS Insurance Fund provides hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI and Humana. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The KRS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

Employers participating in the KRS Insurance Fund contribute a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS board is a percentage of each employee's creditable compensation. For the year ended June 30, 2023, the required contribution was 3.39% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2023, were \$108,448. The KRS board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of creditable compensation to an account created for the payment of health insurance benefits.

Implicit Subsidy

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB No. 75 requires that the liability associated with this implicit subsidy is included in the calculation of the total OPEB liability.

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

At June 30, 2023, the District reported a liability of \$1,946,220 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net OPEB liability was based on the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.098617%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$259,685.

Edmonson County School District
Notes to Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 195,903	\$ 446,313
Net difference between projected and actual investment earnings on OPEB plan investments	362,406	283,414
Change of assumptions	307,808	253,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,351	82,443
District contributions subsequent to measurement date	108,448	-
Total	\$ 976,916	\$ 1,065,802

For the year ended June 30, 2023, \$108,448 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		\$
2023	\$	(39,047)
2024		(34,653)
2025		(126,270)
2026		2,636
2027		-
Thereafter		-

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

Inflation		2.30%
Payroll Growth Rate		2.00%
Salary Increase	3.30% to 10.30%, varies by service for CERS non-hazardous	
Investment Rate of Return		6.25%
 Healthcare Trend Rates (Pre-65)	 Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	
Healthcare Trend Rates (Post-65)	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.	
Mortality (Pre-retirement)	PUB-2010 General Mortality table, for the Non-hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	
Mortality (Post-retirement; non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.	
Mortality (Post-retirement; disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.	

Long-Term Expected Rate of Return

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

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

Discount Rate

Single discount rates of 5.70% for the non-hazardous system were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of the cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in the Insurance Fund contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy.

**Edmonson County School District
Notes to Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2023, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the 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:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
District's proportionate share of the collective net OPEB liability	\$ 2,601,786	\$ 1,946,220	\$ 1,404,285

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Current Healthcare Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 1,446,971	\$ 1,946,220	\$ 2,545,723

OPEB Plan Fiduciary Net Position

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

NOTE 10: CONTINGENCIES

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

Edmonson County School District
Notes to Financial Statements

NOTE 11: RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

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

NOTE 12: LITIGATION

The District is subject to various other legal actions in various stages 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 combined financial statements as a result of the cases presently in progress.

NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has two funds with a deficit net position, Food Service (\$658,350) and Day Care (\$8,064). Also, the following funds had excess current year expenditures over current year appropriated revenues:

<i>Year ended June 30, 2023</i>	
Fund	Amount
Special Revenue	\$ 249,593
SEEK	60,200
District Activity Fund	21,298

Edmonson County School District
Notes to Financial Statements

NOTE 14: FUND TRANSFERS

Fund transfers for the year ended June 30, 2023 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General Fund	Special Revenue Fund	Matching	\$ 35,595
Operating	Special Revenue Fund	Food Service	Expenditures	99,623
Operating	Special Revenue Fund	Construction Fund	Construction	1,264,081
Operating	SEEK	General Fund	Expenditures	217,793
Operating	Food Service	General Fund	Indirect Costs	55,085
Operating	SEEK	Debt Service Fund	Debt Service	20,783
Operating	FSPK	Debt Service Fund	Debt Service	674,229
Operating	District Activity Fund	School Activity Fund	Expenditures	2,165
Operating	General Fund	Debt Service Fund	Debt Service	154,596

NOTE 15: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2023, was \$6,712,041. These payments were recorded in the funds as follows:

<i>Year ended June 30, 2023</i>	
Fund	Amount
General fund	\$ 6,380,680
Food Service fund	107,334
Debt Service fund	224,027
Total	\$ 6,712,041
<i>Year ended June 30, 2023</i>	
Technology	\$ 99,373
Health Insurance less Federal Reimbursements	2,368,441
Life Insurance	3,569
Administrative Fees	28,612
HRA/Dental/Vision Insurance	123,113
SFCC Debt Service	224,027
KTRS	3,864,906
Total	\$ 6,712,041

Edmonson County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2023</i>	<u>Budgeted Amounts</u>		Actual	<u>Variances</u>
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 4,389,116	\$ 4,389,116	\$ 4,624,591	\$ 235,475
State programs	13,054,973	13,054,973	14,371,111	1,316,138
Federal programs	128,472	128,472	177,686	49,214
Total revenues	17,572,561	17,572,561	19,173,388	1,600,827
Expenditures				
Current:				
Instruction	10,519,900	10,515,222	11,332,059	(816,837)
Support services:				
Student	840,417	840,417	867,336	(26,919)
Instructional staff	723,086	723,521	751,709	(28,188)
District administration	667,657	667,657	707,669	(40,012)
School administration	974,715	974,715	1,078,342	(103,627)
Business	512,562	512,562	594,150	(81,588)
Plant operations and maintenance	2,132,878	2,132,878	2,030,813	102,065
Student transportation	1,628,759	1,628,759	1,558,272	70,487
Other	1,809,067	1,813,310	23,594	1,789,716
Total expenditures	19,809,041	19,809,041	18,943,944	865,097

Edmonson County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2023</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Excess (deficiency) of revenues over expenditures	(2,236,480)	(2,236,480)	229,444	2,465,924
Other Financing Sources (Uses)				
Operating transfers - net	52,062	52,062	82,687	30,625
Total other financing sources (uses)	52,062	52,062	82,687	30,625
Net change in fund balance	(2,184,418)	(2,184,418)	312,131	2,496,549
Fund balance-beginning of year	2,184,418	2,184,418	2,530,314	345,896
Fund balance-end of year	\$ -	\$ -	\$ 2,842,445	\$ 2,842,445

Edmonson County School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2023</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 350	\$ 350	\$ 44,636	\$ 44,286
State programs	1,221,498	1,243,007	1,075,670	(167,337)
Federal programs	1,376,098	1,326,506	3,689,519	2,363,013
<hr/>				
Total revenues	2,597,946	2,569,863	4,809,825	2,239,962
<hr/>				
Expenditures				
Current:				
Instruction	1,686,797	1,626,865	2,095,217	(468,352)
Support services:				
Student	78,372	72,438	50,058	22,380
Instructional staff	482,079	486,105	625,734	(139,629)
Business	20,000	20,000	424,882	(404,882)
Plant operations and maintenance	58,000	58,000	108,768	(50,768)
Student transportation	68,824	68,824	85,037	(16,213)
Other	238,874	261,963	341,613	(79,650)
<hr/>				
Total expenditures	2,632,946	2,594,195	3,731,309	(1,137,114)

Edmonson County School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the year ended June 30, 2023</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Excess (deficiency) of revenues over expenditures	(35,000)	(24,332)	1,078,516	1,102,848
Other Financing Sources (Uses)				
Operating transfers - net	35,000	35,000	(1,328,109)	(1,363,109)
Total other financing sources (uses)	35,000	35,000	(1,328,109)	(1,363,109)
Net change in fund balance	-	10,668	(249,593)	(260,261)
Fund balance-beginning of year	-	-	251,649	251,649
Fund balance-end of year	\$ -	\$ 10,668	\$ 2,056	\$ (8,612)

Edmonson County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS

<i>As of June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 41,456,330	\$ 30,196,317	\$ 32,937,869	\$ 32,082,255	\$ 31,206,890	\$ 66,296,602	\$ 71,515,932	\$ 56,544,274	\$ 51,978,177
District's covered payroll	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359	\$ 6,532,314	\$ 6,933,221	\$ 6,801,895	\$ 7,923,760
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

Schedule of the District's Contributions-KTRS

<i>For the year ended June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,892,349	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359	\$ 6,532,314	\$ 6,933,221	\$ 6,801,895
Contributions as a percentage of covered payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System**

Changes of Benefit Terms

2022: A new benefit tier was added for members joining the system on and after January 1, 2022.

Changes of Assumptions

2022: No changes in assumptions.

2021: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

2016: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

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

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

Edmonson County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
County Employees Retirement System

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

<i>As of June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.098634%	0.100224%	0.099590%	0.100636%	0.104021%	0.108360%	0.115126%	0.113821%	0.113792%
District's proportionate share of the net pension liability	\$ 7,130,265	\$ 6,390,066	\$ 7,638,471	\$ 7,077,774	\$ 6,335,196	\$ 6,342,644	\$ 5,668,371	\$ 4,893,774	\$ 3,692,000
District's covered payroll	\$ 2,775,262	\$ 2,606,337	\$ 2,557,741	\$ 2,556,750	\$ 2,591,595	\$ 2,654,172	\$ 2,744,581	\$ 2,667,733	\$ 2,615,807
District's proportionate share of the net pension liability as a percentage of its covered payroll	256.92%	245.17%	298.64%	276.83%	244.45%	238.97%	206.53%	183.44%	141.14%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

Schedule of the District's Contributions-CERS

<i>For the year ended June 30,</i>	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 745,475	\$ 587,523	\$ 503,023	\$ 493,644	\$ 414,705	\$ 375,263	\$ 370,257	\$ 340,877	\$ 340,136
Contributions in relation to the contractually required contribution	745,475	587,523	503,023	493,644	414,705	375,263	370,257	340,877	340,136
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,185,791	\$ 2,775,262	\$ 2,606,337	\$ 2,557,741	\$ 2,556,750	\$ 2,591,595	\$ 2,654,172	\$ 2,744,581	\$ 2,667,733
Contributions as a percentage of covered payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
County Employees Retirement System**

Changes of Benefit Terms

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

2022: No changes in benefit terms.

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

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

2022: No changes in assumptions.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
County Employees Retirement System**

measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

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

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

<i>As of June 30,</i>	2023	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.176475%	0.123747%	0.124834%	0.125703%	0.123369%	0.130561%
District's proportionate share of the collective net OPEB liability	\$ 4,381,000	\$ 2,655,246	\$ 3,150,000	\$ 3,679,000	\$ 4,281,000	\$ 4,656,000
District's covered payroll	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359	\$ 6,532,314
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	86.46%	54.08%	57.11%	66.55%	74.02%	71.28%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

Schedule of the District's Contributions - KTRS

<i>For the years ended June 30,</i>	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ 394	\$ 233	\$ 324	\$ -
Contributions in relation to the contractually required contribution	-	-	394	233	324	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,892,349	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359
Contributions as percentage of covered payroll	0.00%	0.00%	0.01%	0.00%	0.01%	0.00%

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund**

Changes of Benefit Terms

2022: A new benefit tier was added for members joining the System on and after January 1, 2022.

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2022: The health care trend rates were updated to reflect future anticipated experience.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

<i>As of June 30,</i>	2023	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359	\$ 6,532,314
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

Schedule of the District's Contributions - KTRS

<i>For the years ended June 30,</i>	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,892,349	\$ 5,067,039	\$ 4,909,574	\$ 5,516,069	\$ 5,528,170	\$ 5,783,359
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund**

Changes of Benefit Terms

2022: A new benefit tier was added for members joining the System on and after January 1, 2022.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System**

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

<i>As of June 30,</i>	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.098617%	0.100201%	0.099561%	0.100609%	0.104021%	0.108360%
District's proportionate share of the net OPEB liability	\$ 1,946,220	\$ 1,918,298	\$ 2,404,095	\$ 1,692,198	\$ 1,846,801	\$ 2,178,407
District's covered payroll	\$ 2,775,262	\$ 2,606,337	\$ 2,557,741	\$ 2,556,750	\$ 2,591,595	\$ 2,654,172
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	70.13%	73.60%	93.99%	66.19%	71.26%	82.07%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Schedule of District Contributions - CERS

<i>For the years ended June 30,</i>	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 108,448	\$ 159,962	\$ 124,188	\$ 121,872	\$ 130,716	\$ 121,774
Contributions in relation to the contractually required contribution	108,448	159,962	124,188	121,872	130,716	121,774
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,185,791	\$ 2,775,262	\$ 2,606,337	\$ 2,557,741	\$ 2,556,750	\$ 2,591,595
Contributions as a percentage of covered payroll	3.40%	5.76%	4.76%	4.76%	5.11%	4.70%

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System**

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

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2022: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2022 legislative session, Senate Bill 209 was enacted which increased the insurance dollar contribution for members hired on or after July 1, 2023 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the

**Edmonson County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System**

insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

**Edmonson County School District
Combining Balance Sheet
Nonmajor Governmental Funds**

<i>June 30, 2023</i>	SEEK Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Assets						
Cash	\$ 83,984	\$ 408,558	\$ 74,665	\$ 137,130	\$ -	\$ 704,337
Total assets	\$ 83,984	\$ 408,558	\$ 74,665	\$ 137,130	\$ -	\$ 704,337
Liabilities and Fund Balances						
Fund Balances						
Restricted	\$ 83,984	\$ 408,558	\$ -	\$ 137,130	\$ -	\$ 629,672
Assigned	-	-	74,665	-	-	74,665
Total fund balances	83,984	408,558	74,665	137,130	-	704,337
Total liabilities and fund balances	\$ 83,984	\$ 408,558	\$ 74,665	\$ 137,130	\$ -	\$ 704,337

Edmonson County School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended June 30, 2023</i>	SEEK Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Revenues						
From local sources:						
Taxes:						
Property	\$ -	\$ 444,102	\$ -	\$ -	\$ -	\$ 444,102
Earnings on investments	8,881	8,120	-	-	-	17,001
Other local revenue	-	-	140,102	159,989	-	300,091
Intergovernmental - state	169,495	416,931	-	-	224,027	810,453
Total revenues	178,376	869,153	140,102	159,989	224,027	1,571,647
Expenditures						
Current:						
Instruction	-	-	163,565	139,496	-	303,061
Support services:						
Student transportation	-	-	-	1,403	-	1,403
Debt service:						
Principal	-	-	-	-	841,000	841,000
Interest	-	-	-	-	232,635	232,635
Total expenditures	-	-	163,565	140,899	1,073,635	1,378,099
Excess (deficiency) of revenues over expenditures	178,376	869,153	(23,463)	19,090	(849,608)	193,548

Edmonson County School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended June 30, 2023</i>	SEEK Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Other Financing Sources (Uses)						
Operating transfers in	-	-	2,165	-	849,608	851,773
Operating transfers out	(238,576)	(674,229)	-	(2,165)	-	(914,970)
Total other financing sources (uses)	(238,576)	(674,229)	2,165	(2,165)	849,608	(63,197)
Net change in fund balances	(60,200)	194,924	(21,298)	16,925	-	130,351
Fund balance - beginning of year	144,184	213,634	95,963	120,205	-	573,986
Fund balance - end of year	\$ 83,984	\$ 408,558	\$ 74,665	\$ 137,130	\$ -	\$ 704,337

Edmonson County School District
Combining Statement of School Activity Funds

<i>As of and for the year ended June 30, 2023</i>	Cash July 1, 2022	Cash Receipts	Cash Disbursements	Cash June 30, 2023	Fund Balance June 30, 2023
Edmonson County High School	\$ 84,653	\$ 117,356	\$ 104,603	\$ 97,406	\$ 97,406
Edmonson County Middle School	11,131	15,255	15,320	11,066	11,066
Fifth - Sixth Center	3,973	2,437	2,591	3,819	3,819
Kyrock Elementary School	12,741	16,000	14,673	14,068	14,068
South Edmonson Elementary School	7,707	8,941	5,877	10,771	10,771
Total	\$ 120,205	\$ 159,989	\$ 143,064	\$ 137,130	\$ 137,130

Edmonson County School District
Statement of School Activity Funds
Edmonson County High School

<i>As of and for the year ended June 30, 2023</i>	Cash July 1, 2022	Cash Receipts	Cash Disbursements	Transfers	Cash June 30, 2023	Fund Balance June 30, 2023
Teacher	\$ 551	\$ 249	\$ -	\$ -	\$ 800	\$ 800
Student Generated	469	5,265	3,471	910	3,173	3,173
Locker	-	13	-	(13)	-	-
Parking	-	750	-	(750)	-	-
Classroom Fees	-	3,172	-	(3,172)	-	-
Counselor Rewards	150	254	-	-	404	404
Emp/Skills/T-Shirt	697	1,332	2,037	960	952	952
PSAT	-	378	414	36	-	-
Cats Corner	-	10,324	4,635	-	5,689	5,689
Advanced Placement	1,000	50	300	-	750	750
FFA	4,539	12,404	14,272	-	2,671	2,671
Farm and Greenhouse	17,551	4,610	2,393	-	19,768	19,768
DECA	13	5,706	5,381	-	338	338
HOSA	650	898	786	-	762	762
Yearbook	11,931	18,650	12,065	(302)	18,214	18,214
Art Club	798	580	1,027	-	351	351
Drama	714	5,481	4,691	-	1,504	1,504
+1 Club	-	999	344	-	655	655
Prom	18,261	6,500	6,867	-	17,894	17,894
Skills U	4,629	2,765	3,058	-	4,336	4,336
Welding	364	-	-	-	364	364
Autoshop	99	-	-	-	99	99
Woodworking	5,997	468	-	-	6,465	6,465
FMD	447	-	96	-	351	351
Senior Trip	168	20,090	19,807	-	451	451
Beta Club	4,195	6,355	5,806	-	4,744	4,744
SADD	833	291	1,044	-	80	80

**Edmonson County School District
Statement of School Activity Funds
Edmonson County High School**

<i>As of and for the year ended June 30, 2023</i>	Cash July 1, 2022	Cash Receipts	Cash Disbursements	Transfers	Cash June 30, 2023	Fund Balance June 30, 2023
Literary Club	655	481	167	-	969	969
Horticulture Club	-	481	466	-	15	15
Math Club	956	160	182	-	934	934
Wildcat Citizenship	3,061	1,215	3,309	-	967	967
International Club	1,586	310	524	(400)	972	972
Academic Team	102	120	150	-	72	72
Y Club	820	-	-	(820)	-	-
FCA	34	-	-	-	34	34
Science Club	1,639	2,423	2,635	-	1,427	1,427
JAG	943	2,442	2,075	(258)	1,052	1,052
ID Badges	126	-	-	(126)	-	-
4-H Club	675	2,140	2,666	-	149	149
SWEEP	-	-	3,935	3,935	-	-
Total	\$ 84,653	\$ 117,356	\$ 104,603	\$ -	\$ 97,406	\$ 97,406

Edmonson County School District Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program - noncash	10.555	-	\$ -	\$ 92,211
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 23	-	333,967
COVID-19 National School Lunch Program	10.555	9980000 22	-	72,985
National School Lunch Program	10.555	7750002 23	-	<u>908,114</u>
Subtotal				1,407,277
State Administrative Expenses for Child Nutrition	10.560	7700001 22	-	2,375
COVID 19 - State Pandemic Electornic Benefit Transfer (P-EBT) Administrative Cost	10.649	9990000 21	-	3,135
Total U.S. Department of Agriculture				1,412,787
U.S. Department of Treasury				
Direct Program:				
COVID-19 - Emergency Connectivity Fund Program	32.009		-	22,536
Total Federal Communications Commission				22,536
U.S. Department of Education				
Direct Program				
Impact Aid	84.041	-	-	95,097
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2021	84.010	3100002 20	-	7
Title I Grants to Local Educational Agencies - 2022	84.010	3100002 21	-	21,641
Title I Grants to Local Educational Agencies - 2023	84.010	3100002 22	-	<u>461,713</u>
Subtotal				483,361
Title IV				
Title IV Student Support and Academic Enrichment Program - 2021	84.424	3420002 20	-	10,500
Title IV Student Support and Academic Enrichment Program - 2022	84.424	3420002 21	-	28,000
Title IV Student Support and Academic Enrichment Program - 2023	84.424	3420002 22	-	<u>10,209</u>
Subtotal				48,709

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Edmonson County School District Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Special Education Cluster				
Special Education Grants to States - 2022	84.027	3810002 21	-	240,828
Special Education Grants to States - 2023	84.027	3810002 22	-	119,238
Special Education Preschool Grants - 2022	84.173	3800002 21	-	20,458
COVID-19 Special Education Grants to States - 2022	84.027	4910002-21	-	83,188
COVID-19 Special Education Preschool Grants - 2022	84.173	3800002 21	-	<u>13,915</u>
Subtotal				477,627
Career and Technical Education -Basic Grants to States - 2022	84.048	3710002 21	-	2,233
Career and Technical Education -Basic Grants to States - 2023	84.048	3710002 22	-	<u>24,882</u>
Subtotal				27,115
Rural Education - 2022	85.358	3140002 21	-	17,574
Rural Education - 2023	85.358	3140002 22	-	<u>9,416</u>
Subtotal				26,990
Supporting Effective Instruction State Grants - 2022	84.367	3230002 21	-	22,357
Supporting Effective Instruction State Grants - 2023	84.367	3230002 22	-	<u>70,138</u>
Subtotal				92,495
COVID-19: Education Stabilization Fund				
COVID-19 - Education Stabilization Fund	84.425D	4000002 20	-	123,305
COVID-19 - Education Stabilization Fund	84.425C	4200002 21	-	16,383
COVID-19 - Education Stabilization Fund	84.425D	4200002 21	-	840,217
COVID-19 - Education Stabilization Fund	84.425U	4200002 21	-	<u>1,348,958</u>
Subtotal				2,328,863
Passed-Through State Workforce Cabinet:				
Adult Basic Education - Grants to States - 2022	84.002	373I	-	1,066
Adult Basic Education - Grants to States - 2023	84.002	373J	-	118,382
Adult Basic Education - Grants to States - 2022	84.002	365I	-	2,429
Adult Basic Education - Grants to States - 2023	84.002	365J	-	<u>59,930</u>
Subtotal				181,807
Total U.S. Department of Education				3,762,064
Total Expenditures of Federal Awards			\$ -	\$ 5,197,387

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Edmonson County School District Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nonmonetary assistance is reported in the schedule at fair value of the goods received.

NOTE 3: INDIRECT COST RATE

The District has elected to use indirect cost rates as defined by the grantor in the following programs:

- Child Nutrition Cluster
- Education Stabilization Fund

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 5: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2023.

Edmonson County School District Summary Schedule of Prior Audit Findings

Edmonson County Board of Education

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Director of Special Education, WYN CAUDILL
Supervisor of Instruction, CAROL STICE
Supervisor of State & Federal Programs, JAMIE CARNES
Chief Financial Officer, TIFFANY CARROLL
Facilities and Safety, CALLIE BELLES

Edmonson County School District Summary Schedule of Prior Audit Findings Year ended June 30, 2022

2022-001 Accounts Payable

Condition: During our audit procedures over the search of unrecorded accounts payable, we noted the District had not recorded three construction fund invoices totaling \$1,002,623 to accounts payable that were for services performed in June 2022.

Recommendation: We recommend the District enhance the accounts payable process to capture all accounts payables, including those related to construction projects, to ensure amounts are properly reflected in the District's financial statements.

Current Status: The recommendation was adopted on November 14, 2022. No similar findings were noted in the 2023 audit.



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**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits
Members of the Board of Education
Edmonson County School District
Brownsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined 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 Edmonson County School District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Edmonson 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 the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Independent Auditor's Contract – State Compliance Requirements*.

We noted certain matters that we reported to management of the 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 14, 2023

Independent Auditors' 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
Edmonson County School District
Brownsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Auditors' 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 risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 14, 2023

**Edmonson County School District
Schedule of Findings and Questioned Costs**

Section I — Summary of Auditors' Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of Auditors' report issued on compliance for major Federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))? Yes No

Identification of major Federal program:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
84.425 10.553 / 10.555 / 10.559	COVID-19 Education Stabilization Fund Child Nutrition Cluster

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

- Auditee qualified as low-risk auditee? Yes No

**Edmonson County School District
Schedule of Findings and Questioned Costs**

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.

Kentucky State Committee for School District Audits
Members of the Board of Education
Edmonson County School District
Brownsville, Kentucky

In planning and performing our audit of the financial statements of Edmonson County School District (the "District") for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 14, 2023 contains our report on the District's internal control. This letter does not affect our report dated November 14, 2023 on the financial statements of the District.

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

This communication is intended solely for the information and use of the District, Kentucky State Committee for School Districts Audits, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
November 14, 2023

Edmonson County School District Comments and Recommendations

Current Year Comments

Kyrook Elementary School

- During our testing of receipts, we noted two receipts lacked receipt numbers being listed on the deposit slip and one receipt that lacked dual initials. We recommend that all receipts have receipt numbers recorded on the deposit slip and dual initials on the deposit slip in accordance with Redbook.

Edmonson County High School

- During our sampling procedures over receipts, we noted three receipts out of 17 receipts that were not deposited timely. We recommend all receipts be deposited timely in accordance with Redbook.
- During our sampling procedures over receipts, we noted one of 17 receipts tested lacked receipt numbers being recorded on the deposit slip. We recommend receipt numbers be listed on the respective deposit slip in accordance with Redbook.

Edmonson County Middle School

- During our testing of receipts, we noted two receipts lacked receipt numbers being listed on the deposit slip. We recommend that all receipts have receipt numbers recorded on the deposit slip in accordance with Redbook.

5th/6th Center

- In our procedures over the bank reconciliation, we noted three checks totaling \$24 that had been outstanding longer than 12 months. We recommend checks over 12 months outstanding be researched and resolved.

Prior Year Comments

All prior year comments were corrected.

Edmonson County School District Management Responses

Edmonson County Board of Education

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Supervisor of State & Federal Programs, JAMIE CARNES
Chief Financial Officer, TIFFANY CARROLL
Facilities and Safety, CALLIE BELLES

Fiscal Year 2023

Management Letter Response:

Kyrock Elementary School

- As noted by the auditors, the control was missing on just two receipts. It is the opinion of management that this was the result of a few errors and not a systemic issue. The bookkeeper will continue to attend Redbook training annually and have periodic meetings with management to review necessary procedures.

Edmonson County High School

- The bookkeeper documented each instance that deposits were not made timely. Two of the instances were due to late receipt of funds before a school break when staff were out. The third occurrence was due to a sick day absence by the bookkeeper. All of these deposits were securely locked in a locked safe inside a locked office. The District has procedures in place to address a long-term absence situation, but we are not able to fill in every time there is a one day absence due to staffing size.
- The control was missing on just one receipt in the many that were tested for the audit. The bookkeeper has good awareness of this control and made an error due to oversight. The bookkeeper will continue to attend Redbook training annually and have periodic meetings with management.

Edmonson County Middle School

- The Middle School bookkeeper retired in May of fiscal year 2023. The new bookkeeper will attend annual Redbook training and be monitored by management to ensure they are aware of this control measure and implement it effectively.

Edmonson County 5th/6th Center

- The bookkeeper has not had this issue very often and overlooked the check dates. Management will review the stale check procedures with the bookkeeper.



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