

Financial Statements and Reports
Required by the Single Audit Act

2023

Fayette County School District

For the Fiscal Year Ended June 30, 2023



Financial Statements and Reports
Required by the Single Audit Act

Fayette County School District

For the Fiscal Year Ended June 30, 2023

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
District-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	18
Statement of Net Position - Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements	26
Required Supplementary Information	
Budgetary Comparison Information	
Schedule of Revenues and Expenditures - Budget and Actual - General Fund	69
Schedule of Revenues and Expenditures - Budget and Actual - Special Revenue Fund	70
Schedule of Revenues and Expenditures – Budget and Actual - Explanation of Significant Budget Variances	71
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System Non-Hazardous	72
Schedule of the Contributions – County Employees Retirement System Non-Hazardous	73

Schedule of the District's Proportionate Share of the Net Pension Liability – Kentucky Teachers Retirement System	74
Schedule of District Contributions – Kentucky Teachers Retirement System	75
Schedule of the District's Proportionate Share of the Net OPEB Liability – County Employees Retirement System Non-Hazardous	76
Schedule of District Contributions - OPEB – County Employees Retirement System Non-Hazardous	77
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability – Kentucky Teachers Retirement System – Medical Insurance	78
Schedule of District Contributions – OPEB – Kentucky Teachers Retirement System – Medical Insurance	79
Schedule of District's Proportionate Share of the Collective Net OPEB Liability – Kentucky Teachers Retirement System – Life Insurance	80
Schedule of District Contributions – OPEB – Kentucky Teachers Retirement System – Life Insurance	81
Notes to Required Supplementary Information – County Employees Retirement System	82
Notes to Required Supplementary Information – Teachers Retirement System	83
Combining Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	85
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	86
Reports Required by the Single Audit Act	
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 <i>Government Auditing Standards</i>	87
Independent Auditors' Report on Compliance For Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance	89
Schedule of Expenditures of Federal Awards	92
Notes to Schedule of Expenditures of Federal Awards	99
Schedule of Findings and Questioned Costs	100
Schedule of Prior Audit Findings	102



Independent Auditors' Report

Members of the Board of Education
Fayette County School District
Lexington, 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 Fayette County School District (the "District") as of and for the year ended June 30, 2023, and the related notes to 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 ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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 GAAP, 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 statement 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 (Unaudited) on pages 4 through 13, budgetary comparison information on pages 69 through 71 and the pension and other postemployment benefits liability and contributions information on pages 72 through 84 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining supplementary information on pages 85 and 86 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the 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 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.

Strothman and Company

Louisville, Kentucky
November 15, 2023

Management's Discussion and Analysis (Unaudited)

Management's Discussion and Analysis (Unaudited)

Fayette County School District

Year Ended June 30, 2023

As management of the Fayette County School District (the "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 report. This is the nineteenth year the District has prepared the annual financial report using the new financial reporting model. The reporting model is a combination of both District-Wide financial statements and fund financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to employees through trusts that have defined characteristics. The District has implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires reporting of the District's Other Postemployment Benefits ("OPEB") liability on the face of the financial statements and more extensive note disclosure and required supplementary information about OPEB liabilities. Cost-sharing governmental employers, such as the District, are required to report a new OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

The District also adopted GASB Statement No. 84 in FY2020, which was an early adoption as it was not mandatory until FY2021. Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. This statement reclassified all agency funds as special revenue funds. These funds were shifted into the Special Revenue Fund and a new non-major governmental fund, Student Activity funds. The Covid-19 national health emergency and related concerns continues as the largest issues facing school districts throughout the country. Fayette County started the 2022 school year providing all instruction in-person. We had the ability to use hybrid as relevant oversight agencies saw fit throughout the 2022 school year. Regional, local, and school virus rates continued to be monitored and drove the decisions concerning in-person/hybrid learning for 2022 school year. Funding from the CARES Act continued to cover some of the increased cost related to instruction and staffing options.

During fiscal year 2022, the District adopted the provisions of GASB Statement No. 87, *Leases*, on July 1 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and a deferred inflow of resources.

During fiscal year 2023, the District adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITAs")*, on July 1, 2022. The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

The Management's Discussion and Analysis ("MD&A") is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government* issued in June 1999.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

FINANCIAL HIGHLIGHTS

- Fayette County Public Schools served approximately 41,020 enrolled students during the 2022-2023 fiscal year through 37 elementary schools, 12 middle schools, 6 high schools, 3 technical centers, 6 specialized and magnet programs and 6 alternative support programs.
- The Board levied a tax rate of .833 in 2023, which resulted in a \$29.8 million increase in revenue for the fiscal year ended June 30, 2023. Included in the .833 was the adoption of a new nickel, which generated about \$15.5 million of the \$29.8 million total. This new nickel will be used to build and renovate schools within the District.
- The ending cash balance for the District was \$235 million in 2023 and \$148 million in 2022.
- Construction in progress activity during the fiscal year ended June 30, 2023 included continued progress on Tates Creek High School, new Middle School at Polo Club, Lafayette Athletic Facilities, Liberty bus garage, Combined CTE at Midland Avenue, Henry Clay Softball Field House, 3 Preschool classrooms at Harrison Elementary and Tates Creek High School Turf, Track and Lights.
- The District also had a new site acquisition purchase at 2160 Versailles Road to use for future schools and other programs.
- The District had two bond sales during the fiscal year ended June 30, 2023 in order to finance the new Polo Club Middle School and the CTE building at Midland Avenue.
- In total, net position increased \$4.5 million. The net position of governmental activities increased \$4.8 million, while the net position of business-type activities decreased \$341 thousand. Total assets were \$1,010,385,411 at June 30, 2023 compared to \$903,703,556 at June 30, 2022 and total liabilities were \$1,035,871,241 at June 30, 2023 compared to \$856,134,959 at June 30, 2022.
- Total Revenues were \$842.6 million for the year. General revenues accounted for \$705.2 million, 83% of the total, while program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$137.4 million or 17% of total revenues. The District incurred \$837.8 million in total expenses.

Fayette County School District

Year Ended June 30, 2023

Overview of the Financial Statements

The District's financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The District-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, plant operations and maintenance, student transportation, and operation of non-instructional services. Capital assets and related debt are also supported by taxes and intergovernmental revenues. The District-wide financial statements can be found on pages 14 through 15 of this report.

Fund Financial Statements

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

The governmental fund financial statements can be found on pages 16 through 20 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 68 of this report.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

District-Wide Financial Analysis

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Table 1 provides a summary of the District's Net Position as of June 30, 2023 and 2022.

Table 1:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 286,030,721	\$ 202,513,674	\$ 12,127,404	\$ 11,431,315	\$ 298,158,125	\$ 213,944,989
Capital assets, net of depreciation	724,585,370	686,288,958	3,074,309	3,469,609	727,659,679	689,758,567
Total Assets	1,010,616,091	888,802,632	15,201,713	14,900,924	1,025,817,804	903,703,556
Deferred outflows of resources	173,107,735	99,824,173	6,423,430	3,728,537	179,531,165	103,552,710
Short-term liabilities	111,088,170	100,026,763	3,036,696	2,690,963	114,124,866	102,717,726
Other liabilities	925,013,751	739,761,319	17,256,303	13,655,914	942,270,054	753,417,233
Total Liabilities	1,036,101,921	839,788,082	20,292,999	16,346,877	1,056,394,920	856,134,959
Deferred inflows of resources	101,398,129	107,462,525	5,544,357	6,153,666	106,942,486	113,616,191
Net Position						
Net investment in capital assets	135,993,334	206,958,847	3,074,309	3,469,609	139,067,643	210,428,456
Restricted	125,508,296	40,315,840	(7,286,522)	(7,340,691)	118,221,774	32,975,149
Unrestricted	(215,277,854)	(205,898,488)	-	-	(215,277,854)	(205,898,488)
Total Net Position	\$ 46,223,776	\$ 41,376,199	\$ (4,212,213)	\$ (3,871,082)	\$ 42,011,563	\$ 37,505,117

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

The following is a summary of the District's Changes in Net Position (Table 2):

Table 2:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues						
Program revenues						
Charges for service	\$ -	\$ 149,203	\$ 5,988,380	\$ 3,268,894	\$ 5,988,380	\$ 3,418,097
Operating grants & contributions	92,957,930	84,452,638	26,723,361	30,222,208	119,681,291	114,674,846
Capital grants & contributions	3,556,740	3,556,741	1,535,653	2,125,403	5,092,393	5,682,144
General revenues						
Property taxes	298,546,822	268,501,436			298,546,822	268,501,436
Motor vehicle taxes	17,563,510	17,838,009			17,563,510	17,838,009
Utility taxes	26,070,571	24,469,880			26,070,571	24,469,880
Occupational taxes	49,023,603	46,365,641			49,023,603	46,365,641
Seek program	98,948,378	96,550,487			98,948,378	96,550,487
Other state revenues and grants	200,759,265	160,906,333			200,759,265	160,906,333
Earnings on investments	6,282,091	201,411			6,282,091	201,411
Local revenues	8,095,131	4,542,553			8,095,131	4,542,553
Total Revenues	801,804,041	707,534,332	34,247,394	35,616,505	836,051,435	743,150,837
Expenses						
School operating & administration	780,890,960	656,884,846			780,890,960	656,884,846
School food services			32,563,722	30,089,786	32,563,722	30,089,786
After school program			2,024,803	899,771	2,024,803	899,771
Interest on debt service	16,065,504	15,056,503			16,065,504	15,056,503
Total Expenses	796,956,464	671,941,349	34,588,525	30,989,557	831,544,989	702,930,906
Change in Net Position	\$ 4,847,577	\$ 35,592,983	\$ (341,131)	\$ 4,626,948	\$ 4,506,446	\$ 40,219,931

Fayette County School District

Year Ended June 30, 2023

Statement of Net Position

(Table 1) The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress less any related debt used to acquire those assets that are still outstanding). The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. 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. This is the 21st year that the District is following GASB Statement No. 34 and comparing assets, liabilities, and net position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to the employees through trusts that have defined characteristics. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to the periods of employs services. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined pension plan. This pronouncement was mandatory for fiscal periods beginning after June 15, 2015. The data from the Kentucky Teachers Retirement System and the County Employees Retirement System related to this implementation will have a material effect on the district's financial statements.

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

Statement of Activities (Changes in net position)

The statement of activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting those services. Table 2 presents a summary of revenue and expenses for the fiscal years ended June 30, 2023 and 2022.

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

Governmental Funds – Revenue (Table 3)

**Table 3:
Total Revenue Comparison Analysis (Governmental Activities)**

Revenues	2023	2022	Change
Local Sources:			
Property Taxes	\$ 298,546,822	\$ 268,501,436	\$ 30,045,386
Motor Vehicle Taxes	17,563,510	17,838,009	(274,499)
Utility Taxes	26,070,571	24,469,880	1,600,691
Occupational Taxes	49,023,603	46,365,641	2,657,962
State Sources:			
SEEK Program	98,948,378	96,550,487	2,397,891
Other State Revenues	204,316,005	164,463,074	39,852,931
KSFCC Allocation	-	-	-
Grants	85,784,558	79,052,734	6,731,824
Earnings on Investments	6,282,091	201,411	6,080,680
Other Sources	15,268,503	10,091,660	5,176,843
Total Revenues	\$ 801,804,041	\$ 707,534,332	\$ 94,269,709

- From 2022 to 2023, total revenue increased by 14.25%. Revenue from local sources increased 9.53% and revenue from the state increased 16.19%. Revenues from grant sources increased by 8.52%.
- Among major funds, the General Fund had approximately \$627 million in revenue in the fiscal year ended June 30, 2023 (including on behalf) and \$555 million in revenue for the fiscal year ended June 30, 2022 (including on behalf), which primarily consisted of local property taxes, local occupational license taxes, utilities and motor vehicle taxes, federal programs and state funding (the SEEK program).

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

Governmental Funds – Expenditures (Table 4)

Table 4
Total Expenditure Analysis (Governmental Activities)

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Expenditures			
Instruction	\$ 458,044,888	\$ 399,556,961	\$ 58,487,927
Student support services	39,734,936	32,688,287	7,046,649
Instructional staff support services	37,293,078	31,369,595	5,923,483
District administrative support services	16,106,863	8,585,836	7,521,027
School administrative support services	34,607,219	32,056,398	2,550,821
Business support services	52,642,410	43,479,004	9,163,406
Plant operations and maintenance	63,226,796	53,577,415	9,649,381
Transportation	31,913,984	29,876,394	2,037,590
Food service	1,797,663	2,298,301	(500,638)
Community services	6,994,175	6,317,432	676,743
Facilities acquisition/construction	72,397,222	35,375,364	37,021,858
Debt Service	44,893,084	43,468,352	1,424,732
Total Expenditures	<u><u>\$ 859,652,318</u></u>	<u><u>\$ 718,649,339</u></u>	<u><u>\$ 141,002,979</u></u>

- Among major funds, the General Fund had approximately \$646 million in expenditures in fiscal year ended June 30, 2023 and \$550 million in expenditures in fiscal year ended June 30, 2022, which also included on behalf figures in the General Fund.
- The changes in the balances and transactions of individual funds have all been examined and explained. Changes in the final budget when compared to the original budget were not material.
- Analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund indicate that there were no variations which would have a significant effect on future services or liquidity. The District budgeted approximately \$524 million dollars in revenue and received approximately \$555 million in general fund excluding on behalf revenue. The District also budgeted approximately \$524 million in expenses and spent approximately \$473 million in general fund excluding on behalf expenses. Our financial position remains strong and we will continue to utilize trend analysis to help predict such variances in the future.

Fayette County School District

Year Ended June 30, 2023

CURRENT ISSUES

The Covid-19 national health emergency and related concerns continues as the largest issues facing school districts throughout the country. Fayette County started the 2023 school year providing all instruction in-person. We had the ability to use hybrid as relevant oversight agencies saw fit throughout the 2023 school year. Regional, local, and school virus rates continued to be monitored and drove the decisions concerning in-person/hybrid learning for 2023 school year. Funding from the CARES Act continued to cover some of the increased cost related to instruction and staffing options.

AMAZING STUDENTS

- Bryan Station High's quiz bowl team – first place at the National Beta Club Convention
- FFA students from Locust Trace Agriscience Center – winners in Career & Leadership events and Ag Fair contests at the Kentucky FFA State Convention
- Liberty's track and field teams – KTCCCA state champions
- Henry Clay senior – state singles champion in boys' tennis
- Picadome student – Award of Merit in National PTA Reflections
- SCAPA at Bluegrass team – showcase runner-up in STLP State Championships
- Cardinal Valley Elementary – Green Ribbon School, from U.S. Department of Education
- Henry Clay debate team – 10th consecutive state championship
- Rosa Parks K-3 team – state chess championship.
- Lafayette theater students – two top awards from the Southeastern Theatre Conference
- Dunbar's swim team – combined championship at the state meet
- Beta Clubs – statewide first-place winners from Dunbar, Lafayette, Bryan Station Middle, and Leestown
- Winburn academic team – winner of the Sixth Grade Showcase
- Lafayette & Henry Clay dance teams – state champions
- STEAM Academy student – 'National Master' status in chess
- Frederick Douglass football team – Class 5A state championship and Paul Hornung Award winner
- Lafayette freshman with special needs – statewide "Yes, I Can!" award for self-advocacy
- Dunbar boys' soccer team – state champions
- FCPS seniors – 50 semifinalists for National Merit Scholarships

Management's Discussion and Analysis (Unaudited)--Continued

Fayette County School District

Year Ended June 30, 2023

DISTRICT-WIDE ACCOLADES AND STAFF KUDOS:

- Staci Davis, Southern Middle School -- Distinguished Alumni Award from the Technology Student Association (national)
- Jenny McCall of Winburn Middle – National STEM Scholar
- Hallie Piatt of Wellington Elementary & Jose Fedriani-Costa of Bryan Station Middle – FCPS Teachers of the Year
- Brandy Ashford of Bryan Station High – KCTCS High School Teacher/Counselor Pathfinder Award from BCTC
- Shelley Dickson, district math specialist – US Math Recovery Educator Award
- Cole Pleasants of Dunbar – Girls' Swimming Coach of the Year
- Lafayette – 'Family Friendly School' certification
- Ann Katherine Griffen of Beaumont – Teacher of the Year award from the national Council for Exceptional Children's Division on Autism and Developmental Disabilities
- Fallon Jackson of Locust Trace – Ideas Unlimited Award from the National Association of Agricultural Educators
- Meredith Springate of Clays Mill – ABA Educator of the Year from the Kentucky Association for Behavior Analysis
- Julie Moore of SCAPA at Bluegrass – Teacher Achievement Award winner, from KDE

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1 - June 30; other programs, i.e. some federal programs, operate on a different program calendar but are reflected in the District overall budget. By Kentucky statute the budget must have a minimum 2% contingency. The District adopted a budget for 2023 with \$42.8 million in contingency that is approximately 6.0%. The District is the second largest in the state with approximately 41,020 students and is the second largest employer in Fayette County.

This audit is posted on the District website (www.fcps.net). Questions regarding this report should be directed to Rodney Jackson, Executive Director of Financial Accounting and Benefit Services (859) 381-4141, Dr. Demetrus Liggins, Superintendent (859) 381-4104, or by mail at John D Price Administration Building, 450 Park Place, Lexington Kentucky 40511.

District-wide Financial Statements

Statement of Net Position

Fayette County School District

June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 222,970,834	\$ 12,052,179	\$ 235,023,013
Accounts and grants receivable from outside sources	44,394,065	109,885	44,503,950
Inventories	2,627,185	515,410	3,142,595
Internal balances	13,428,613	(550,070)	12,878,543
Right-to-use assets, net of accumulated amortization	2,610,024		2,610,024
Capital assets net of accumulated depreciation	724,585,370	3,074,309	727,659,679
Total Assets	1,010,616,091	15,201,713	1,025,817,804
Deferred Outflows of Resources			
Debt refunding	13,242,503		13,242,503
Deferred outflows from other post-employment benefits	117,941,353	3,296,610	121,237,963
Deferred outflows from pension	41,923,879	3,126,820	45,050,699
Total Deferred Outflows of Resources	173,107,735	6,423,430	179,531,165
Liabilities			
Accounts payable and accrued liabilities due to outside sources	63,694,891	3,036,696	66,731,587
Interest payable	5,251,309		5,251,309
Deferred revenue	9,804,367		9,804,367
Accrued sick leave			
Due within one year	1,905,933		1,905,933
Due in more than one year	8,075,150		8,075,150
School building revenue bonds			
Due within one year	27,695,000		27,695,000
Due in more than one year	532,300,000		532,300,000
Unamortized Premium	17,737,961		17,737,961
Lease liability			
Due with one year	2,736,670		2,736,670
Due in more than one year	10,942,331		10,942,331
Net pension liability	168,649,163	11,133,005	179,782,168
Net other post-employment benefits liability	187,309,146	6,123,298	193,432,444
Total Liabilities	1,036,101,921	20,292,999	1,056,394,920
Deferred Inflows of Resources			
Deferred inflows from other post-employment benefits	82,433,367	3,054,075	85,487,442
Deferred inflows from pension	18,964,762	2,490,282	21,455,044
Total Deferred Inflows of Resources	101,398,129	5,544,357	106,942,486
Net Position			
Net investment in capital assets	135,993,334	3,074,309	139,067,643
Restricted	125,508,296	(7,286,522)	118,221,774
Unrestricted (Deficit)	(215,277,854)		(215,277,854)
Total Net Position	\$ 46,223,776	\$ (4,212,213)	\$ 42,011,563

See Accompanying Notes to Financial Statements

Statement of Activities

Fayette County School District

Year Ended June 30, 2023

	<u>Program Revenues</u>				Net (Expenses) Revenues
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Functions/Programs					
Governmental Activities					
Instruction	\$ 492,019,080		\$ 92,957,930		\$ (399,061,150)
Support services					
Student	39,735,906				(39,735,906)
Instruction staff	39,793,966				(39,793,966)
District administration	15,020,455				(15,020,455)
School administration	34,607,219				(34,607,219)
Business	53,833,267				(53,833,267)
Plant operation and maintenance	67,069,101			\$ 3,556,740	(63,512,361)
Transportation	30,020,128				(30,020,128)
Food Service	1,797,663				(1,797,663)
Community Services	6,994,175				(6,994,175)
Interest on Long Term Debt	16,065,504				(16,065,504)
Total Governmental Activities	796,956,464		92,957,930	3,556,740	(700,441,794)
Business-Type Activities					
Food service	32,563,722	\$ 3,182,043	26,543,320	1,535,653	(1,302,706)
After school program	2,024,803	2,806,337	180,041		961,575
Total Business-Type Activities	34,588,525	5,988,380	26,723,361	1,535,653	(341,131)
Total Activities	\$ 831,544,989	\$ 5,988,380	\$ 119,681,291	\$ 5,092,393	\$ (700,782,925)
			Governmental Activities	Business-Type Activities	Total
Changes in Net Position					
Net Expenses			\$ (700,441,794)	\$ (341,131)	\$ (700,782,925)
General Revenues					
Taxes					
Property taxes			298,546,822		298,546,822
Motor vehicle taxes			17,563,510		17,563,510
Utility taxes			26,070,571		26,070,571
Occupational license tax			49,023,603		49,023,603
State sources					
SEEK program			98,948,378		98,948,378
Other state revenues and grants			200,759,265		200,759,265
Earnings on investments			6,282,091		6,282,091
Local revenues			8,095,131		8,095,131
Total General Revenues			705,289,371		705,289,371
Change in Net Position			4,847,577	(341,131)	4,506,446
Net Position, Beginning of Year			41,376,199	(3,871,082)	37,505,117
Net Position End of Year			\$ 46,223,776	\$ (4,212,213)	\$ 42,011,563

See Accompanying Notes to Financial Statements

Fund Financial Statements

Balance Sheet - Governmental Funds

Fayette County School District

June 30, 2023

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 86,133,202		\$ 207,699	\$ 128,203,004	\$ 8,426,929	\$ 222,970,834
Accounts and grants receivable from outside sources	21,054,992	\$ 22,928,128			410,945	44,394,065
Inventory	2,627,185					2,627,185
Interfund receivables					4,845,451	4,845,451
Due from other funds	13,428,613					13,428,613
Total Assets	<u>\$ 123,243,992</u>	<u>\$ 22,928,128</u>	<u>\$ 207,699</u>	<u>\$ 128,203,004</u>	<u>\$ 13,683,325</u>	<u>\$ 288,266,148</u>
Liabilities						
Accounts payable and accrued liabilities due to outside sources	\$ 38,656,200	\$ 17,559,678		\$ 7,421,036	\$ 57,977	\$ 63,694,891
Accrued sick leave	1,905,933					1,905,933
Deferred Revenue	174,649	2,819,773			6,809,945	9,804,367
Interfund payables					4,845,451	4,845,451
Total Liabilities	40,736,782	20,379,451		7,421,036	11,713,373	80,250,642
Fund Balances						
Restricted		2,548,677	\$ 207,699	120,781,968	1,969,952	125,508,296
Assigned	3,245,609					3,245,609
Unassigned	79,261,601					79,261,601
Total Fund Balances	<u>82,507,210</u>	<u>2,548,677</u>	<u>207,699</u>	<u>120,781,968</u>	<u>1,969,952</u>	<u>208,015,506</u>
Total Liabilities and Fund Balances	<u>\$ 123,243,992</u>	<u>\$ 22,928,128</u>	<u>\$ 207,699</u>	<u>\$ 128,203,004</u>	<u>\$ 13,683,325</u>	<u>\$ 288,266,148</u>

See Accompanying Notes to Financial Statements

Reconciliation of the Balance Sheet Governmental Funds to the
District-Wide Statement of Net Position

Fayette County School District

June 30, 2023

Total fund balance per fund financial statements	\$ 208,015,506
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources but they are reported in the statement of net position	724,585,370
Certain assets are not reported in the fund financial statements because they are not available to pay current period expenditures, but they are reported in the statement of net position	13,242,503
Right to Use Assets are not reported in the fund financial statements because they are not current financial resources but they are reported in the statement of net position	2,610,024
Deferred inflows of resources-OPEB are not reported in the fund financial statements	(82,433,367)
Deferred inflows of resources-Pension are not reported in the fund financial statements	(18,964,762)
Deferred outflows of resources-OPEB are not reported in the fund financial statements	117,941,353
Deferred outflows of resources-Pension are not reported in the fund financial statements	41,923,879
Long-term sick leave liability is noncurrent and not reported in the fund financial statements	(8,075,150)
Bond interest payable is a noncurrent liability and is not reported in the fund financial statements	(5,251,309)
Bonds payable are not reported in the fund financial statements because they are not due and payable from current financial resources, but they are presented in the statement of net position	(559,995,000)
Lease liabilities are noncurrent liabilities and are not reported in the fund financial statements	(13,679,001)
Unamortized premium is a noncurrent liability and is not reported in the fund financial statements	(17,737,961)
Net pension liability is noncurrent and is excluded from the fund financial statements	(168,649,163)
Net OPEB liability is noncurrent and is excluded from the fund financial statements	<u>(187,309,146)</u>
Net Position of Governmental Activities	<u>\$ 46,223,776</u>

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds

Fayette County School District

Year Ended June 30, 2023

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
From local sources						
Property taxes	\$ 245,646,233				\$ 52,900,589	\$ 298,546,822
Motor vehicle taxes	16,213,900				1,349,610	17,563,510
Utility taxes	26,070,571					26,070,571
Occupational license tax	49,023,603					49,023,603
State sources						
SEEK	95,113,000				3,835,378	98,948,378
Other state revenues	181,776,830	\$ 18,982,435	\$ 3,556,740			204,316,005
Grants (principally United States government and local agencies)	973,844	83,639,391			1,171,323	85,784,558
Earnings on investments	5,483,734			\$ 798,357		6,282,091
Other sources	7,011,256	1,083,875			7,173,372	15,268,503
Total Revenues	627,312,971	103,705,701	3,556,740	798,357	66,430,272	801,804,041
Expenditures						
Instruction	393,198,603	59,037,026			5,809,259	458,044,888
Support services						
Student	36,957,544	2,777,392				39,734,936
Instruction staff	25,236,551	11,752,446			304,081	37,293,078
District administration	11,289,251	4,817,612				16,106,863
School administration	34,541,159	66,060				34,607,219
Business	47,728,536	4,913,874				52,642,410
Plant operation & maintenance	62,812,505	414,291				63,226,796

Continued

Statement of Revenues, Expenditures and Changes in Fund Balances
 - Governmental Funds--Continued

Fayette County School District

Year Ended June 30, 2023

	<u>General Funds</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Construction Funds</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Transportation	31,020,798	436,863			456,323	31,913,984
Non-Instruction		27,469			1,770,194	1,797,663
Community service	760,650	6,226,815			6,710	6,994,175
Facilities acquisition/construction				72,397,222		72,397,222
Debt service	2,423,262		42,469,822			44,893,084
Total Expenditures	<u>645,968,859</u>	<u>90,469,848</u>	<u>42,469,822</u>	<u>72,397,222</u>	<u>8,346,567</u>	<u>859,652,318</u>
Revenues in Excess of (Less Than) Expenditures	(18,655,888)	13,235,853	(38,913,082)	(71,598,865)	58,083,705	(57,848,277)
Other Financing Sources (Uses)						
Proceeds from sale of assets	27,325			7,040,901		7,068,226
Proceeds from sale of bonds				125,075,000		125,075,000
Gain from Investment of bonds				683,990		683,990
Operating transfers in	15,141,226	1,110,727	38,913,082	26,317,368		81,482,403
Operating transfers out	(5,597,789)	(13,476,484)			(61,279,739)	(80,354,012)
Proceeds from capital leases						
Total Other Financing Sources (Uses)	<u>9,570,762</u>	<u>(12,365,757)</u>	<u>38,913,082</u>	<u>159,117,259</u>	<u>(61,279,739)</u>	<u>133,955,607</u>
Net Change in Fund Balances	(9,085,126)	870,096		87,518,394	(3,196,034)	76,107,330
Fund Balances, Beginning of Year	<u>91,592,336</u>	<u>1,678,581</u>	<u>207,699</u>	<u>33,263,574</u>	<u>5,165,986</u>	<u>131,908,176</u>
Fund Balances, End of Year	<u>\$ 82,507,210</u>	<u>\$ 2,548,677</u>	<u>\$ 207,699</u>	<u>\$ 120,781,968</u>	<u>\$ 1,969,952</u>	<u>\$ 208,015,506</u>

See Accompanying Notes to Financial Statements

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the District-Wide Statement of Activities

Fayette County School District

Year Ended June 30, 2023

Net Change in Total Fund Balances - Governmental Funds \$ 76,107,330

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

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but they are presented as capital assets in the District-wide statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeded depreciation for the year	(38,322,816)
Lease payments and bond payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net position	109,261,924
Gains and losses are not presented in this financial statement because they do not provide or use current financial resources but they are presented in the District-wide statement of activities	(26,405)
Noncurrent accrued sick leave is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(8,075,150)
Accrued bond interest payable is not reported as a liability in the fund financial statements but is recorded in the statement of net position	(622,343)
Capitalized savings from bond refundings are not reported in the fund financial statements but must be amortized over the remaining life of the bonds in the statement of activities	13,242,503
Pension and OPEB Liabilities net of deferred inflows and outflows of resources are not reported as liabilities in the fund financial statements but are recorded in the statement of net position	282,405
Change in other assets and liabilities not requiring the use of current resources is not reported as expenditure in fund financial statements but are reported in the Statement of Activities	<u>(146,999,871)</u>
Change in Net Position of Governmental Activities	\$ 4,847,577

See Accompanying Notes to Financial Statements

Statement of Net Position - Proprietary Funds

Fayette County School District

June 30, 2023

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 7,508,526	\$ 4,543,653	\$ 12,052,179
Accounts receivable	105,443	4,442	109,885
Inventory	515,410		515,410
Total Current Assets	8,129,379	4,548,095	12,677,474
Noncurrent Assets			
Capital assets net of accumulated depreciation	3,074,309		3,074,309
Total Assets	11,203,688	4,548,095	15,751,783
Deferred Outflows of Resources			
Deferred Outflows OPEB	3,096,719	199,891	3,296,610
Deferred Outflows Pension	2,732,495	394,325	3,126,820
Total Deferred Outflows of Resources	5,829,214	594,216	6,423,430
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	3,014,226	22,470	3,036,696
Due to other funds	550,070		550,070
Net Pension Liability	9,699,226	1,433,779	11,133,005
Net OPEB Liability	5,645,126	478,172	6,123,298
Total Liabilities	18,908,648	1,934,421	20,843,069
Deferred Inflow of Resources			
Deferred inflows OPEB	2,896,574	157,501	3,054,075
Deferred inflows Pension	2,433,963	56,319	2,490,282
Total Deferred Inflows of Resources	5,330,537	213,820	5,544,357
Net Position			
Invested in capital assets	3,074,309		3,074,309
Restricted (Deficit)	(10,280,592)	2,994,070	(7,286,522)
Total Net Position	\$ (7,206,283)	\$ 2,994,070	\$ (4,212,213)

See Accompanying Notes to Financial Statements

Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds

Fayette County School District

Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	After School Program Fund	Total
Operating Revenues			
Lunchroom sales	\$ 3,063,637		\$ 3,063,637
Other operating revenues	118,406	\$ 2,806,337	2,924,743
Total Operating Revenues	3,182,043	2,806,337	5,988,380
Operating Expenses			
Salaries wages and fringe	16,066,750	1,641,387	17,708,137
Material and supplies	15,437,906	383,416	15,821,322
Depreciation	1,043,681		1,043,681
Total Operating Expenses	32,548,337	2,024,803	34,573,140
Operating Income (Loss)	(29,366,294)	781,534	(28,584,760)
Non-operating Revenues			
Federal grants	24,709,518		24,709,518
Donated commodities	2,000,277		2,000,277
State grants	219,445		219,445
On behalf revenues	1,614,357	180,041	1,794,398
Loss on sale of capital assets	(15,385)		(15,385)
Total Non-operating Revenues	28,528,212	180,041	28,708,253
Transfers			
Operating transfers out	(1,128,391)		(1,128,391)
Food service fixed asset additions	663,767		663,767
Total Transfers	(464,624)		(464,624)
Change in Net Position	(1,302,706)	961,575	(341,131)
Net Position, Beginning of Year	(5,903,577)	2,032,495	(3,871,082)
Net Position, End of Year	\$ (7,206,283)	\$ 2,994,070	\$ (4,212,213)

See Accompanying Notes to Financial Statements

Statement of Cash Flows - Proprietary Funds

Fayette County School District

Year Ended June 30, 2023

	Enterprise Funds		
	Food Service Fund	After School Program	Total
Cash Flows From Operating Activities			
Cash received from:			
Lunchroom sales	\$ 5,758,652		\$ 5,758,652
Other activities	118,406	\$ 2,960,676	3,079,082
Cash paid for:			
Employees	(14,166,150)	(1,451,402)	(15,617,552)
Suppliers	(14,236,131)	(370,520)	(14,606,651)
Net Cash Provided By (Used In) Operating Activities	(22,525,223)	1,138,754	(21,386,469)
Cash Flows From Noncapital Financing Activities			
Cash received for operating grants	24,928,963		24,928,963
Net Increase in Cash and Cash Equivalents	2,403,740	1,138,754	3,542,494
Cash and Cash Equivalents, Beginning of Year	5,104,786	3,404,899	8,509,685
Cash and Cash Equivalents, End of Year	<u>\$ 7,508,526</u>	<u>\$ 4,543,653</u>	<u>\$ 12,052,179</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (29,366,294)	\$ 781,534	\$ (28,584,760)
Adjustments to reconcile operating Income (loss) to net cash provided by (used in) operating activities			
Depreciation	1,043,681		1,043,681
On-behalf revenues	1,614,357	180,041	1,794,398
Operating transfers out	(1,128,391)		(1,128,391)
Donated commodities used in operations	2,000,277		2,000,277
Change in operating assets and liabilities			
Accounts receivable	2,695,015	154,339	2,849,354
Inventory	(53,337)		(53,337)
Deferred outflows	(2,570,425)	(124,468)	(2,694,893)
Accounts payable	332,838	12,896	345,734
Due to other funds	50,388		50,388
Net Pension Liability	3,061,505	118,164	3,179,669
Net OPEB Liability	381,116	39,604	420,720
Deferred inflows	(585,953)	(23,356)	(609,309)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (22,525,223)</u>	<u>\$ 1,138,754</u>	<u>\$ (21,386,469)</u>
Schedule of Non-Cash Financing Activities			
Donated commodities received from federal government	<u>\$ 2,000,277</u>		<u>\$ 2,000,277</u>
Donated capital assets	<u>\$ 663,766</u>		<u>\$ 663,766</u>

See Accompanying Notes to Financial Statements

Statement of Fiduciary Net Position

Fayette County School District

June 30, 2023

	Private Purpose Trust Funds	Agency Funds		
		Marcie Thomason Fund	Dorothy Smith Fund	John Price Fund
Assets				
Cash and cash equivalents	\$ 14,403	\$ 288,025	\$ 19,342	
Investments	1,207,807			
Total Assets	<u>\$ 1,222,210</u>	<u>\$ 288,025</u>	<u>\$ 19,342</u>	<u>\$ -</u>
Liabilities				
Accounts payable		\$ 288,025	\$ 19,342	\$ -
Due to student groups				
Total Liabilities		<u>\$ 288,025</u>	<u>\$ 19,342</u>	<u>\$ -</u>
Net Position Held in Trust	<u>\$ 1,222,210</u>			

See Accompanying Notes to Financial Statements

Statement of Changes in Fiduciary Net Position

Fayette County School District

Year Ended June 30, 2023

	Private Purpose Trust Funds
Additions	
Contributions	\$ 37,994
Gain on investments	70,387
	<hr/>
Total Additions	108,381
 Deductions	
Non-Institutional Services	47,397
	<hr/>
Total Deductions	47,397
	<hr/>
Change in Net Position	60,984
 Net Position, Beginning of Year	1,161,226
	<hr/>
Net Position, End of Year	<u><u>\$ 1,222,210</u></u>

See Accompanying Notes to Financial Statements

Notes to Financial Statements

Notes to Financial Statements

Fayette County School District

June 30, 2023

Note A--Reporting Entity

The Fayette 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 Fayette 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 sources. However, the District is not a component unit of any other governmental "reporting entity". Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations which, although associated with the District, have not originated within the District itself such as booster clubs, parent-teacher associations, etc.

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

Based on the foregoing criteria, the financial statements of the Fayette County Board of Education Finance Corporation (the "Corporation") are included in the accompanying financial statements. On December 10, 1990, the Board authorized the establishment of the Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and Kentucky Revised Statutes ("KRS") 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Note B--Summary of Significant Accounting Policies

Basis of Presentation--District-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary 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 District-wide financial statements and the statements for governmental funds.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with 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. The District allocates certain indirect costs to be included in the program expense reported for individual functions and activities in the District-wide statement of activities.

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

The District has the following funds:

Governmental Fund Types

- (1) The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (2) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. This is a major fund of the District.
- (3) The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law. This is a major fund of the District.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

- (4) District Activity Funds, Fund 22-District activity funds are used to support co-curricular activities, and are not raised and expended by student groups. District activity funds accounted for in the district bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the “educational purpose” standard for all district expenditures.
- (5) School Activity Funds, Fund 25-School activity funds are used to support school activity groups and are raised and expended by student groups. School activity funds are accounted for in the school district secondary bank account which are subject to the Redbook guidelines. This fund is a pass through related to GASB 84.
- (6) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bond issues are used for various construction and renovation projects at educational facilities. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.
- (7) The Facility Support Program (Building Fund) of Kentucky Fund accounts for funds generated by the building tax levy and also participates in the Kentucky School Facilities Construction Commission’s construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District’s facility plan. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (8) The Support Education Excellence in Kentucky (“SEEK”) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District’s facility plan. This is a nonmajor fund of the District. In reporting these funds, there is a requirement for fiscal years ending in an odd number for the remaining fund balance if any to be restricted. In fiscal years ending with an even number, the fund balance is to be classified as unrestricted.
- (9) Permanent Funds include the Anthony Dey Fund, Lexington Industrial School Fund and the N. Isabel Schmidt Fund. Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the District.

Proprietary Fund Types (Enterprise Funds)

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

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

- (2) The After School Program Fund is used to support the after school programs at the individual schools, which have their own program. These funds are used to support the resources needed to actively manage this program.

The District applies all Governmental Accounting Standards Boards ("GASB") pronouncements to proprietary funds.

Fiduciary Fund Types (Agency and Private Purpose Funds)

- (1) The Agency funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education Publication *Uniform Program of Accounting for School Activity Funds*.
- (2) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, occupational taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Occupational tax revenues are not susceptible to accrual because generally they are not measurable until received in cash. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

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 deferred revenue.

Donated Commodities--The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses, and changes in net position as an expense and as donated commodities revenue (nonoperating revenue).

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

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

Budgetary Process--The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the statement of revenues, expenditures and changes in fund balances – governmental funds.

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

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

The budget for the Special Revenue Fund consists of the sum of each active grant's budget. Large variances between budgeted and actual activity can occur because grants with little activity during the year will have their entire budget rolled up into the combined budget for all grants.

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

Inventories--On the District-wide financial statements inventories are stated at the lower of cost or market and are expensed when used. The Food Service Fund inventories use the specific identification method and the general fund inventories use the first-in, first-out method.

The Food Service Fund's inventories consist of food and supplies valued at cost, and U. S. Government commodities whose value is determined by the U. S. Department of Agriculture.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

In the governmental funds balance sheet, inventories in the General Fund are equally offset by a reserve which indicates they do not constitute "available spendable resources" even though they are a component of total assets.

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

The property tax rates assessed for the year ended June 30, 2023 were \$0.833 per \$100 valuation for real property and \$0.833 per \$100 valuation for business personal property. Motor vehicle tax was \$0.592 per \$100 valuation of motor vehicles.

The following is the District's property tax calendar:

<u>Date</u>	<u>Event</u>
January 1, year of levy	- Assessment date
October 1, year of levy	- Taxes levied
November 30, year of levy	- 2% discount allowed
December 31, year of levy	- 1% discount allowed
January 31, following year	- Gross amount due
February 1, following year	- Delinquent date, 1 1/2% interest added per month
April 1, following year	- 10% penalty added

The District levies a 3.0% utility tax on all businesses and households within Fayette County.

In addition, the District levies an occupational license tax of 0.5% on salaries, wages, commissions and other compensation to individuals for services performed or rendered within the County, and on the net profits of all businesses, professions or occupations from activities conducted within the County.

Investments--The Private Purpose Trust Funds record investments at their quoted market prices in the statement of fiduciary net assets. All realized gains and losses in fair value are recorded in the statement of changes in fiduciary net position.

The Permanent Funds record investments at their quoted market prices in the governmental funds balance sheet. All realized gains and losses in fair value are recorded in the governmental funds statement of revenue, expenditures and changes in fund balances.

Continued

Fayette County School District

June 30, 2023

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

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized while 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.

Depreciation is computed in the District-wide statement of activities and in the proprietary funds statement of revenues, expense and changes in net position, using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25-50 years
Technology equipment	5 years
General equipment	7-15 years

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

Accrued Liabilities and Long-Term Obligations--All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

Payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, capital leases, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. School building revenue bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

Fund Balance Reserves Under GASB Statement No. 54, fund balance is separated into five categories, as follows:

Nonspendable	Permanently nonspendable by decree of the donor, such as an endowment, or items which may not be used for another purpose, such as amounts used to prepay future expenses or already-purchased inventory on hand
Restricted	Legally restricted under federal or state law, bond authority, or grantor contract
Committed	Commitments passed by the Board
Assigned	Funds assigned to management priority including issued encumbrances
Unassigned	Funds available for future operations

Encumbrances are reported as an assignment of fund balance and are not reported as expenditures until incurred. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2023 in the governmental funds balance sheet.

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

Operating Revenues and Expenses--Operating revenues are those revenues that are generated directly from the primary activity of the Proprietary Funds. For the District, those revenues are primarily charges for meals provided at the various schools.

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

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

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

Postemployment Benefits Other than Pensions ("OPEB")--For purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Teachers Retirement System and the County Employees Retirement System and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, the Systems recognize benefit payments when due and payable, in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Leases--The District adopted GASB Statement No. 87, *Leases*, during the fiscal year ended June 30, 2022. The District is a lessee for various noncancellable leases of equipment and vehicles.

Short-Term Leases

For leases with a maximum possible term of 12 months or less at commencement, the District recognizes expense/expenditure based on the provisions of the lease contract.

Leases Other than Short-Term

For all other leases, the District recognizes a lease liability and an intangible right-to-use lease asset in the applicable columns of the District-wide (governmental or business-type activities) and proprietary fund financial statements.

Measurement of Lease Amounts

At lease commencement, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the District is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Continued

Fayette County School District

June 30, 2023

Note B--Summary of Significant Accounting Policies--Continued

Key Estimates and Judgments

Key estimates and judgments include how the District determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The District generally uses its estimated incremental borrowing rate as the discount rate for leases unless the rate that the lessor charges is known.
- The lease term includes the noncancellable period of the lease plus any additional periods covered by either the District or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Period in which both the District and the lessor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.
- Payments are evaluated by the District to determine if they should be included in the measurement of the lease liability, including those payments that require a determination of whether they are reasonably certain of being made.

Remeasurement of Lease Amounts

The District monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset.

Presentation in Statement of Net Position

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt in the statement of net position.

Note C--Cash and Cash Equivalents

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may be lost. The District's cash deposits are covered by Federal Depository Insurance up to \$250,000 per financial institution, with the remainder covered by collateral agreements and collateral held at the Bank of New York Mellon in the District's name.

Fayette County School District

June 30, 2023

Note D--Investments

During the year, the District invested excess cash into short-term repurchase agreements, collateralized by U.S. Government securities. These investments are either insured or securities are held by the pledging financial institution's trust department in the District's name.

Statutes authorize the District to invest in the following:

- (1) Obligations of the United States Government and of its agencies and instrumentalities, repurchase agreements and specially approved AAA rated corporate bonds;
- (2) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities;
- (3) Any savings and loan associations insured by an agency of the United States Government up to the amount insured;
- (4) Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States Government up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Investments on the statement of fiduciary net position for agency funds consist of certificates of deposit by various schools' activity funds at several financial institutions located in Fayette County, Kentucky, having various rates of interest and maturity dates greater than ninety days. Such investments are stated at cost, which approximates their market value. These investments are covered by depositor insurance or by collateral held by the financial institutions in the District's name.

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of temporary cash investments, taxes receivable and receivables from federal and state governments.

As of June 30, 2023, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity in Years</u>
Fiduciary-Private Purpose Trust	Mutual Funds	<u>\$ 1,207,807</u>	A	N/A

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note D--Investments--Continued

GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, require the District to address the following risks related to its investments:

Credit Risk--Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the District or by the financial institution in the District's name.

Interest Rate Risk--interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or approaching maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Concentration of Credit Risk--The District's investment policy places no limit on the amount the District may invest in any one issuer.

Fair Value Measurement--The District's investments are measured and reported at fair value and classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

Investments by Fair Value Level:

		<u>Fair Value</u>	<u>Quoted Prices in Markets for Identical Assets - Level 1</u>
Fiduciary-Private Purpose Trust	Mutual Funds	\$ 1,207,807	\$ 1,207,807

Fayette County School District

June 30, 2023

Note E--Receivables

The District recognizes revenues as receivable when they are measurable and receipt is certain. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. While the District receives revenues from many different sources throughout the year, the accounts and grants receivable from outside sources may be grouped into the following categories:

	Governmental Activities/ Governmental Funds	Business-Type Activities/ Proprietary Funds	Total
Accounts and grants receivable from outside sources			
Accounts receivable	\$ 7,397,375	\$ 109,885	\$ 7,507,260
Taxes receivable	13,837,882		13,837,882
Grants receivable	22,928,128		22,928,128
	<u>\$ 44,163,385</u>	<u>\$ 109,885</u>	<u>\$ 44,273,270</u>

Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables when qualifying expenditures are incurred.

Note F--Interfund Receivables and Payables

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from two types of transactions: 1) all funds are initially received into the General Fund, thus a payable and receivable are established in the appropriate funds; and 2) payments are made in some instances from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. All interfund receivables and payables have been eliminated on the District-wide statement of net position. The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Special Revenue	KETS Match	\$ 805,430
Operating	General	Construction	Construction	26,317,368
Operating	Capital Outlay	Debt Service	Debt Service	5,945,001
Operating	Building Fund	Debt Service	Debt Service	55,334,738
Operating	Special Revenue	General Fund	Indirect Costs	14,299,578
Operating	Special Revenue	Special Revenue	FFF Transfer	305,297

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note G--Capital Assets

Capital Asset activity for the year ended June 30, 2023 consisted of the following:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
<u>Governmental Activities</u>				
Land	\$ 33,832,490	\$ 10,219,370		\$ 44,051,860
Buildings and improvements	910,152,304	24,890,448		935,042,752
Technology equipment	10,561,408	131,126	\$ (1,679,846)	9,012,688
Vehicles	31,780,158	4,339,431	(1,230,674)	34,888,915
General equipment	4,723,097	496,609	(236,971)	4,982,735
Construction in progress	98,329,814	50,430,164	(24,890,448)	123,869,530
	<u>1,089,379,271</u>	<u>90,507,148</u>	<u>(28,037,939)</u>	<u>1,151,848,480</u>
Less accumulated depreciation	<u>(403,090,313)</u>	<u>(27,293,884)</u>	<u>3,121,087</u>	<u>(427,263,110)</u>
Total Governmental Activities Capital Assets, Net	<u><u>\$ 686,288,958</u></u>	<u><u>\$ 63,213,264</u></u>	<u><u>\$ (24,916,852)</u></u>	<u><u>\$ 724,585,370</u></u>
<u>Business-Type Activities</u>				
Food service equipment	\$ 13,660,021	\$ 663,766	\$ (135,660)	\$ 14,188,127
Technology equipment	317,558		(5,585)	311,973
Vehicles	215,244			215,244
	<u>14,192,823</u>	<u>663,766</u>	<u>(141,245)</u>	<u>14,715,344</u>
Less accumulated depreciation	<u>(10,723,214)</u>	<u>(1,043,681)</u>	<u>125,860</u>	<u>(11,641,035)</u>
Total Business-Type Activities Capital Assets, Net	<u><u>\$ 3,469,609</u></u>	<u><u>\$ (379,915)</u></u>	<u><u>\$ (15,385)</u></u>	<u><u>\$ 3,074,309</u></u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note G--Capital Assets--Continued

Depreciation expense for the year ended June 30, 2023 for governmental activities by function is listed below:

<u>Function</u>	<u>Amount</u>
Instructional	\$ 24,729,979
Instruction student support	609
District administration	796,293
Plant operations and maintenance	379,079
Student transportation	<u>1,387,924</u>
	<u>\$ 27,293,884</u>

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note H--School Building Revenue Bonds

The various issues of school building revenue bonds are as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Interest Rates</u>	<u>Balance June 30, 2023</u>
2012A	\$ 42,310,000	3.000% - 4.000%	\$ 14,866,014
2013A	49,270,000	2.000% - 5.000%	3,143,263
2014A	30,260,000	2.000% - 5.000%	14,477,918
2014B	13,935,000	2.000% - 4,750%	13,735,000
2015A	30,230,000	5.000%	18,825,000
2015B	35,615,000	4.000%	31,686,742
2015D	101,665,000	3.000% - 5.000%	99,642,941
2018A	30,870,000	4.000%	28,748,542
2019	25,260,000	3.000% - 5.000%	23,010,000
2020A	71,455,000	2.000% - 5.000%	71,213,827
2020B	20,950,000	2.000% - 4.000%	20,910,000
2020C	32,605,000	.0450% - 2.000%	26,348,666
2021A	41,720,000	1.000% - 1.9000%	39,894,506
2021B	32,705,000	2.000%	32,525,000
2022A	86,325,000	5.000%	84,840,000
2023A	38,750,000	4.000% - 5.0000%	<u>38,750,000</u>
School Building Revenue Bonds			562,617,419
Unamortized Bond Premium			17,737,961
Less unamortized deferred losses			<u>(13,242,503)</u>
			<u><u>\$ 567,112,877</u></u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note H--School Building Revenue Bonds--Continued

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 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 school building revenue bonds are collateralized primarily by the educational facilities constructed by the District with bond proceeds.

In connection with the school building revenue bonds issued after May 1, 1996, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly.

The bonds may be called prior to maturity by the District 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, for debt service as of June 30, 2023 (principal and interest) are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Commission Participation</u>	<u>District's Portion</u>
2024	\$ 27,695,000	\$ 19,791,654	\$ 3,556,741	\$ 43,929,913
2025	28,670,000	18,817,149	3,556,742	43,930,407
2026	28,810,000	17,887,974	2,768,196	43,929,778
2027	29,725,000	16,971,363	2,768,196	43,928,167
2028	27,340,000	15,990,330	2,404,612	40,925,718
2028-2033	149,295,000	59,747,829	9,944,418	199,098,411
2034-2038	163,431,594	38,216,725	5,777,031	195,871,288
2039-2042	58,460,000	17,901,900	1,256,122	75,105,778
2043-2048	49,190,825	6,124,800		55,315,625
	<u>\$ 562,617,419</u>	<u>\$ 211,449,724</u>	<u>\$ 32,032,058</u>	<u>\$ 742,035,085</u>

During the year ended June 30, 2023, the District made principal payments of \$25,530,000.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note H--School Building Revenue Bonds--Continued

For fiscal year 2023, bond issue series 2013A still had an amount of \$39,835,000 in defease that is due to be redeemed in October 2023. Bond issue series 2013A was refunded with bond series 2021A. The board approved these advance refunds on March 22, 2021, they were sold on August 23, 2021. The proceeds of 2013A were placed in an escrow account to be redeemed on October 1, 2023. The difference in funds needed to service the original series 2013A debt service payments compared to the series 2021A is \$5,782,558. This advanced refunding resulted in a net present value savings amount of \$5,261,569. The refunded amount of 2013A was \$36,805,000 and the refunded amount of \$36,805,000 is the principal payment due in October 2023 in the amount of \$3,030,000.

Note I--Accrued Sick Leave

In accordance with GAAP, the District has recorded accrued sick leave as a liability in the District-wide statement of net position since the majority of these liabilities are not expected to be liquidated with expendable available financial resources. Accrued sick leave, which has no maximum accumulation, is payable upon retirement at 30% of the value of accumulated sick leave.

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

Note J--Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
School building revenue bonds	\$ 460,450,000	\$ 125,075,000	\$ 22,907,581	\$ 562,617,419	\$ 24,045,000
Lease liabilities					
Buses	9,003,717	3,218,004	1,446,601	10,775,120	1,792,992
Right-to-use assets	646,596	2,939,456	682,171	2,903,881	230,582
Accrued sick leave	9,123,483	2,670,583	1,812,984	9,981,082	1,905,933
	<u>\$ 479,223,796</u>	<u>\$ 133,903,043</u>	<u>\$ 26,849,337</u>	<u>\$ 586,277,502</u>	<u>\$ 27,974,507</u>

Fayette County School District

June 30, 2023

Note K--On-Behalf Payments

For the year ended June 30, 2023, total payments of \$184,594,064 were made for life insurance, health insurance, Kentucky Teachers Retirement System ("KTRS") matching, and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expenditure/expense accounts on the statement of activities and on the statement of revenues, expenditures, and changes in fund balances. These revenues and expenditures are not budgeted by the District.

Note L--Contingencies

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

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

Note M--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 financial statements as a result of the cases presently in progress.

Note N--Risk Management

The District is exposed to various forms of loss of assets associated with perils such as injuries to employees, fire, personal liability, theft, vehicular accidents, errors and omissions, and fiduciary responsibility. Each of these risk areas is addressed through the purchase of insurance, and settled claims resulting from these risks having not exceeded commercial insurance coverage in any of the past three fiscal years. The District has purchased certain coverage which is retrospectively rated, including workers' compensation insurance.

Continued

Fayette County School District

June 30, 2023

Note N--Risk Management--Continued

Starting in 1979, the Fayette County Board of Education participated in Kentucky School Boards Insurance Trust ("KSBIT"), a Kentucky School Boards Association ("KSBA") program. KSBIT was created in 1978 to provide insurance to Kentucky school districts through self-insured pools that provided workers compensation, property, and liability coverage. The organization stopped offering insurance coverage in 2013 as the program had incurred an estimated \$60 million deficit on 116,000 claims and over \$400 million in claims expenses. All of Kentucky's public school districts and other education related entities that participated in KSBIT are responsible for eliminating the deficit. The Kentucky Department of Insurance ("DOI") has taken over the KSBIT insurance programs and has placed them into rehabilitation to collect money owed by former participants. An assessment plan and collection methodology was processed through Franklin Circuit Court with some modifications being made by the judge and there is additional litigation that could impact the final amount owed by all members. The rehabilitator has invoiced all former members for workers' compensation liabilities dating to 1990 and liability insurance liabilities dating back to 2008.

Fayette County's workers' compensation assessment is \$2,537,694 and its property and liability assessment is \$583,416. The District took a three-year pay back on the property and liability assessment and a seven-year pay back on the workers' compensation assessment as there are no financing costs associated with these options. The payback plan required 40% down on property and liability and 25% down on workers' compensation with the balance being paid in equal payments over 6 remaining years. The property and liability payback concluded in August 2016:

Year 1 - \$867,789 (8/31/2014)
Year 2 - \$492,237 (8/31/2015)
Year 3 - \$492,237 (8/31/2016)
Year 4 - \$317,212 (8/31/2017)
Year 5 - \$317,212 (8/31/2018)
Year 6 - \$317,212 (8/31/2019)
Year 7 - \$317,212 (8/31/2020)

A settlement was reached between the Kentucky League of Cities and schools participating in the KSBIT program. On December 14, 2016, Fayette County Public Schools received a one-time payment of \$63,416. Court orders and other information are available at www.ksbit-wc.com. The district will budget for these payments annually and pay the remaining balance on or before August 31st of each year.

Fayette County School District

June 30, 2023

Note O--Retirement Plans

Classified Employees--Classified employees (substantially all full-time District employees other than certified employees) are covered by the County Employees Retirement Systems ("CERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. CERS provides retirement, death and disability benefits to Plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the State Legislature.

Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions.

Plan members are required to contribute 5% of their annual covered compensation and the District is required to contribute at an actuarially determined rate. All new members hired after August 31, 2008 are required to contribute 6% at an actuarially determined rate. The current rate for employer match is 26.95% of the employee's total covered compensation. The contribution requirements of Plan members and the District are established and may be amended by the Kentucky Retirement System's Board of Trustees. The District's contributions to KPPA for the years ended June 30, 2023, 2022 and 2021 were \$ 21,549,600, \$19,197,533, \$15,288,916 and \$15,222,566, respectively, equal to the required contribution for that year.

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

Certified Employees--Certified employees are covered by the Kentucky Teachers' Retirement System ("TRS"), a cost-sharing multiple-employer defined benefit plan. TRS provides retirement, death and disability benefits to Plan members. Cost of living increases are 1.5% annually. Any benefit amendments must be authorized by the State Legislature.

Plan members are required to contribute 12.855% of their annual covered compensation. The Commonwealth of Kentucky provides matching contributions as required by Kentucky Revised Statutes 165.540 and 161.550. The payments made by the Commonwealth of Kentucky on behalf of the District's certified employees, amounting to \$184,594,064 are reflected in the accompanying financial statements as both revenues and expenses/expenditures. The Commonwealth of Kentucky requires payments for federally funded employees to be made by such federal funds; for the fiscal year ended June 30, 2023, this funding amounted to \$4,540,592.

TRS issues a publicly available financial report that includes financial statements and required supplementary information on the Plan. That report may be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

Retirement Plan--The District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to these Plans.

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note P--Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits 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. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements.

Note Q--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 TRS plans.

Note R--Commitments

As of June 30, 2023, the District had outstanding commitments for construction of \$99,779,245.

Note S--COBRA

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

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note T--Leases

As discussed in Note B, the District is a lessee for various non-cancellable leases of buildings, equipment, vehicles, etc.

Intangible Right-to-Use Lease Assets

A summary of lease asset activity during the year ended June 30, 2023 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Governmental Activities:					
Right-to-Use Lease Assets:					
Equipment	\$ 1,264,949	\$ 2,759,454	\$ -	\$ -	\$ 4,024,403
Total Right-to-Use Lease Assets	<u>1,264,949</u>	<u>2,759,454</u>	<u>-</u>	<u>-</u>	<u>4,024,403</u>
Less accumulated amortization:					
Equipment	335,563	1,078,816			1,414,379
Total Accumulated Amortization	<u>335,563</u>	<u>1,078,816</u>	<u>-</u>	<u>-</u>	<u>1,414,379</u>
Total Right-to-Use Lease Assets, Net	<u>\$ 929,386</u>	<u>\$ 1,680,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,610,024</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note T--Leases--Continued

Lease Liabilities

A summary of changes in the related lease liabilities during the year ended June 30, 2023 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance End of Year</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:						
Lease Liabilities:						
Buses	\$ 9,003,717	\$ 3,218,004	\$ -	\$ (1,446,601)	\$ 10,775,120	\$ 1,792,992
Equipment	<u>646,596</u>	<u>2,939,456</u>		<u>(682,171)</u>	<u>2,903,881</u>	<u>230,582</u>
Total Lease Liabilities	<u>\$ 9,650,313</u>	<u>\$ 6,157,460</u>	<u>\$ -</u>	<u>\$ (2,128,772)</u>	<u>\$ 13,679,001</u>	<u>\$ 2,023,574</u>

Future annual lease payments are as follows:

<u>Year Ending June 30</u>	<u>Principal Amount</u>	<u>Interest Amount</u>
2024	\$ 2,736,670	\$ 362,720
2025	2,504,183	285,383
2026	2,213,886	214,759
2027	1,760,047	148,157
2028	1,171,547	107,330
Thereafter	<u>3,292,668</u>	<u>194,649</u>
	<u>\$ 13,679,001</u>	<u>\$ 1,312,998</u>

Fayette County School District

June 30, 2023

Note U--Pension Plans

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

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

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

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

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

Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

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

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

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

General Information About the Teachers' Retirement System of the State of Kentucky ("TRS")

Plan Description--Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.KY.gov/employers/information/gasb-65-67/>.

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

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

Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Employees with an account established prior to July 1, 2002 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. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Employees hired on or after July 1, 2008, will receive monthly benefits equal to the average of their top three salary years multiplied by a sliding scale rate from 1.7% up to 2.5% based on years of service up to 30 years, beyond 30 years of service, the rate increases to 3.0%. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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 ("KRS"). Non-university employees are required to contribute 9.105% of their salaries to the System.

The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 16.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. The required matching contribution for those employees classified as critical shortage is 24.8%. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

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

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

District's proportionate share of the CERS net pension liability	\$ 179,782,168
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>1,366,585,448</u>
	<u>\$ 1,546,367,616</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 2.487% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$30,450,506 related to CERS and \$157,752,816 related to TRS, of which \$80,832,407 was recognized on the fund financial statements as it represented amounts paid on the District's behalf during the year. The District also recognized revenue of \$157,752,816 (TRS Sched B) for TRS support provided by the Commonwealth.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 192,210	\$ 1,601,038
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	24,462,968	19,854,006
Changes in proportion and differences between District contributions and proportionate share of contributions	4,729,778	
District contributions subsequent to the measurement date	<u>15,665,743</u>	
Total	<u>\$ 45,050,699</u>	<u>\$ 21,455,044</u>

\$11,867,268 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2023	\$ 2,834,265
2024	1,949,220
2025	(1,510,786)
2026	5,107,214

Actuarial assumptions--The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	2.50%
Projected salary increases	3.3 - 10.30%	3 - 7.50%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025 with a setback of 2 years for males and 1 year for females.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2010 through 2015, is outlined in a report dated August 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	<u>100.00%</u>	

Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.00%	4.2 - 4.7%
International Equity	22.00%	5.3 - 5.4%
Fixed Income	15.00%	-0.10%
Additional Categories *	7.00%	1.7 - 2.2%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	-0.30%
Total	100.00%	

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

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 3.50% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate ("SEIR") that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note U--Pension Plans--Continued

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 224,705,404	\$ 179,782,168	\$ 142,626,924
TRs	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

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

Note V--Other Post-Employment Benefits ("OPEB")

General Information about the OPEB Plans

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

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

Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

TRS Medical Insurance Plan

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

Benefits Provided--To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions--In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from State appropriation and 3.00% from the employer. The State contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits ("OPEB") plan for members that cover all regular full-time members employed in non-hazardous duty positions of any State department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

At June 30, 2023, the District reported a liability of \$88,845,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the District's proportion was 4.14%.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

The amount recognized by the District as its proportionate share of the OPEB liability is as follows:

District's proportionate share of the CERS OPEB liability	\$ 46,175,538
District's proportionate share of the TRS OPEB liability	<u>88,845,000</u>
	<u>\$ 135,020,538</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$1,379,809. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs (CERS and TRS combined) from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,944,785	\$ 71,926,375
Changes of assumptions	37,076,374	6,401,919
Net difference between projected and actual earnings on pension plan investments	16,818,477	7,153,639
Change in proportion and differences between District contributions and proportionate share of contributions	50,225,480	5,509
District contributions subsequent to the measurement date	<u>12,172,847</u>	
Total	<u>\$ 121,237,963</u>	<u>\$ 85,487,442</u>

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,648,054 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year Ending June 30:	
2023	\$ 1,041,094
2024	1,256,722
2025	(1,087,281)
2026	10,759,139
2027	8,184,000
Thereafter	3,424,000

Actuarial assumptions--The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	2.30%	2.50%
Projected Salary increases	3.3 - 10.30%	3 - 7.5%
Investment rate of return	6.25%	7.10%
Real Wage Growth	2.00%	0.25%
Wage Inflation		2.75%
Healthcare trend rates		
Under 65	6.25% at 1/1/21 decreasing to an ultimate rate of 4.05% by FY 2034	7.25% for FY 2020 decreasing to an ultimate rate of 4.5% by FY 2034
Ages 65 and Older	5.50% at 1/1/21 decreasing to an ultimate rate of 4.05% by FY 2035	5.125% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2034
Medicare Part B Premiums		6.97% for FY 2022 with an ultimate rate of 4.5% by 2034
Municipal Bond Index Rate	3.69%	2.13%
Discount Rate	5.70%	7.10%
Single Equivalent Interest Rate		7.1%, net of OPEB plan investment expense, including inflation.

Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

TRS mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015, adopted by the Board on September 19, 2016.

CERS mortality rates for active members were based on the RP-2000 Combined Mortality Table projected to 2013 with projection scale BB (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 set back for one year for females was used. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	40.00%	8.90%
International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Private Equity	7.00%	6.90%
Fixed Income	15.00%	-0.10%
Specialty Credit / High Yield	2.00%	1.70%
Core Bonds		0.00%
Real Estate	7.00%	5.40%
Cash	2.00%	-0.30%
Other categories	5.00%	2.20%
Total	<u>100.00%</u>	

Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits (“OPEB”)--Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS’s investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	60.00%	4.45%
Core Bonds	10.00%	10.15%
Specialty Credit / High Yield	10.00%	0.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	

Discount Rate--For CERS, the discount rate used to measure the total OPEB liability was 5.34%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 65,671,548	\$ 49,124,444	\$ 35,445,502
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 123,982,930	\$ 144,308,000	\$ 164,633,070

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net OPEB liability	\$ 33,240,900	\$ 49,124,444	\$ 61,787,848
TRS	6.00%	7.00%	8.00%
District's proportionate share of net OPEB liability	\$ 108,183,000	\$ 144,308,000	\$ 189,236,000

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

Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

TRS Life Insurance Plan

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

Benefit Provided--The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable to the member's estate or to a party designated by the member.

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

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 OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

State's proportionate share of the KTRS net OPEB liability	\$ 2,358,000
District's proportionate share of the KTRS OPEB liability	<u>-</u>
	<u>\$ 2,358,000</u>

For the year ended June 30, 2023, the District recognized revenue of \$146,992 for support provided by the State. At June 30, 2023, the District did not have any deferred outflows of resources or deferred inflows of resources related to the collective net OPEB liability for life insurance benefits.

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits ("OPEB")--Continued

Actuarial Assumptions--The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	7.10%, net of OPEB Plan Investment Expense, including inflation
Projected Salary Increases	3.00 - 7.50%, including inflation
Inflation Rate	2.50%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB Plan Investment Expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined based on the allocation of assets by asset class and by the mean and variance of real returns. The municipal bond rate is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Continued

Notes to Financial Statements--Continued

Fayette County School District

June 30, 2023

Note V--Other Post-Employment Benefits (“OPEB”)--Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’ investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 (LIBOR)	2.00%	-0.30%
 Total	 <u>100.00%</u>	

Discount Rate--The discount rate used to measure the State’s total OPEB liability for life insurance was 7.50%. 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.

Fayette County School District

June 30, 2023

Note W--Adoption of New GASB Pronouncement

Effective July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements* ("SBITAs"). The objective of this statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance and consistency of information about SBITAs. This statement establishes that a SBITA results in an intangible asset and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments, and required note disclosures. The adoption during the year did not result in any adjustments or disclosures due to the immaterial nature of the affected IT arrangements.

Note X--Recent GASB Pronouncements

The GASB has issued several reporting standards that will become effective for fiscal year 2023 and later years' financial statements.

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

Statement No. 101, *Compensated Absences*, this Statement updates the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The District is currently evaluating the impact that will result from adopting these GASB standards and is therefore unable to disclose the impact that adopting these standards will have on the District's financial position and the results of its operations when the standards are adopted.

Note Y--Subsequent Events

In preparing these financial statements, management of the District has evaluated events and transactions for potential recognition or disclosure through November 15, 2023, the date the financial statements were available to be issued.

Fayette County School District

June 30, 2023

Note Z--Impact of COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus ("COVID-19") as a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the District, COVID-19 may impact various parts of operations and financial results for the fiscal year ended June 30, 2022. District management has taken the appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is still unknown and cannot be reasonably estimated as these events are still developing. In response to COVID-19, government assistance was allocated to the District. Federal ESSER funding totaling \$156,821,995 was awarded to the District through the Kentucky Department of Education and the Division of Child Care, allocated Federal CARES Act; CRRSA; and ARPA funds, totaling \$3,278,005 to the 18 licensed FCPS After-School Programs of which some of these funds were expended and recognized as grant revenue in fiscal year 2022. The remaining awarded funds are available to draw in the fiscal year ending June 30, 2023 and June 30, 2024 as applicable for eligible expenditures. These funds are approved for expenditures that are necessary to maintain the operation and continuity of services in local education agencies and continuing to employ existing staff of the local educational agency. The final ARP ESSER III grants officially ends September 30, 2024.

Required Supplementary Information

Budgetary Comparison Information

Statement of Revenues and Expenditures - Budget and Actual
General Fund

Fayette County School District

June 30, 2023

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Revenues				
From local sources				
Property taxes	\$ 246,823,335	\$ 246,823,335	\$ 245,646,233	\$ (1,177,102)
Motor vehicle taxes	14,500,000	14,500,000	16,213,900	1,713,900
Utility taxes	23,000,000	23,000,000	26,070,571	3,070,571
Occupational license tax	43,000,000	43,000,000	49,023,603	6,023,603
Earnings on investments	200,000	200,000	5,483,734	5,283,734
Other sources	5,158,000		7,985,100	7,985,100
State sources				
SEEK	92,181,878	92,181,878	95,113,000	2,931,122
Other state revenues	137,872,000	69,507,557	181,776,830	112,269,273
Total Revenues	562,735,213	489,212,770	627,312,971	138,100,201
Expenditures				
Instruction	384,828,278	352,003,104	393,198,603	(41,195,499)
Support services				
Student	33,884,393	36,282,233	36,957,544	(675,311)
Instruction staff	33,912,208	29,776,000	25,236,551	4,539,449
District administration	7,712,810	10,238,099	11,289,251	(1,051,152)
School administration	32,777,708	34,700,375	34,545,113	155,262
Business	39,437,701	49,307,941	48,099,760	1,208,181
Plant operation & maintenance	54,232,248	63,429,076	63,179,541	249,535
Student transportation	24,497,271	30,882,702	31,020,798	(138,096)
Community service	643,048	812,964	760,650	52,314
Debt service	1,681,048	1,681,048	1,681,048	
Total Expenditures	613,606,713	609,113,542	645,968,859	(36,855,317)
Revenues in Excess of (Less Than) Expenditures	(50,871,500)	(119,900,772)	(18,655,888)	101,244,884
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	6,500	6,500	27,325	20,825
Operating transfer in	8,715,000	9,556,648	15,141,226	5,584,578
Operating transfers out	(3,000,000)	(7,792,359)	(5,597,789)	2,194,570
Proceeds from capital lease				
Contingency	(42,850,000)	(42,850,000)		42,850,000
Total Other Financing Sources (Uses)	(37,128,500)	(41,079,211)	9,570,762	50,649,973
Revenues in Excess of (Less Than) Expenditures	(88,000,000)	(160,979,983)	(9,085,126)	\$ 151,894,857
Fund Balance, July 1, 2022	(16,460,210)	(133,304,986)	91,592,336	
Fund Balance, June 30, 2023	\$ (104,460,210)	\$ (294,284,969)	\$ 82,507,210	

See Accompanying Independent Auditors' Report

Statement of Revenues and Expenditures-Budget and Actual
Special Revenue Fund

Fayette County School District

June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
State sources-Other state revenue		\$ 18,891,263	\$ 18,982,435	\$ 91,172
Governmental grants	\$ 97,988,338	34,645,257	83,639,391	48,994,134
Other sources		377,567	1,083,875	706,308
Total Revenues	97,988,338	53,914,087	103,705,701	49,791,614
Expenditures				
Instruction	95,953,924	29,793,466	59,037,026	(29,243,560)
Support services				
Student		-	2,777,392	(2,777,392)
Instruction staff		3,180,729	11,752,446	(8,571,717)
District administration		(489,520)	4,817,612	(5,307,132)
School administration		169,001	66,060	102,941
Business		4,814,670	4,913,874	(99,204)
Plant operation & maintenance		149,004	414,291	(265,287)
Student transportation		977,140	436,863	540,277
Food Service		130,000	27,469	102,531
Community service activities		5,575,961	6,226,815	(650,854)
Total Expenditures	95,953,924	44,300,451	90,469,848	(46,169,397)
Revenues in Excess of (Less Than) Expenditures	2,034,414	9,613,636	13,235,853	3,622,217
Other Financing Sources (Uses)				
Operating transfers in		705,666	1,110,727	405,061
Operating transfer out	(2,034,414)	(15,761,075)	(13,476,484)	2,284,591
Total Other Financing Sources (Uses)	(2,034,414)	(15,055,409)	(12,365,757)	2,689,652
Revenues in Excess of Expenditures		(5,441,773)	870,096	<u>\$ 6,311,869</u>
Fund Balance, July 1, 2022		(121,396)	1,678,581	
Fund Balance, June 30, 2023	\$ -	\$ (5,563,169)	\$ 2,548,677	

See Accompanying Independent Auditors' Report

Schedule of Revenues and Expenditures – Budget and Actual

Fayette County School District

Year Ended June 30, 2023

Explanation of Significant Budget Variances

General Fund

The Commonwealth of Kentucky pays certain employee benefit expenses, including health insurance and the employer match for the Kentucky Teachers Retirement Systems, on-behalf of its districts. Districts have the option to budget these expenses for financial statement presentation. For the 2019-2020 fiscal years, these expenses were budgeted and totaled \$125 million. On the expenditure side, beyond the effects of on-behalf payments, expenditures that increased included Instruction, Student Support, School Administration Support, Business Support Services, Plant Operations, Student Transportation and Community Services.

Special Revenue Fund

Most budget variances in this fund occur as a result of the difficulties in preparing an annual budget for grants that may cover periods of twenty-four months or longer, where the budget may have been recognized in one year and expenditures continue into future years. This is most noticeable in governmental grants revenues and instruction expenditures. In these categories, the District had multiple-year grants that were significantly reduced for current year funding. For these grants, the District continues to spend the existing grant, which was budgeted in the annual budget in a previous year, with no or a reduced budget to compare to in the current year. The District utilizes month to date project reports to review and analyze the true effect of the Special Revenue Fund related to the multi-year grant project effect.

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net Pension Liability
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion (Percentage) of Net Pension Liability	2.49%	2.41%	2.39%	2.37%	2.26%	2.23%	2.33%	2.39%	2.52%
District's Proportion (Amount) of Net Pension Liability	\$ 179,782,168	\$ 153,483,684	\$ 183,461,045	\$ 166,598,548	\$ 137,771,830	\$ 130,354,035	\$ 115,180,974	\$ 102,690,080	\$ 81,724,304
District's Covered-Employer payroll	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	221.60%	214.38%	289.96%	271.98%	225.57%	227.21%	212.59%	183.25%	102.42%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	52.42%	57.33%	47.81%	50.45%	53.54%	55.30%	55.50%	59.97%	66.80%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 15,665,743	\$ 11,867,268	\$ 11,825,051	\$ 9,691,632	\$ 8,118,518	\$ 7,564,024	\$ 6,646,241	\$ 6,802,888	\$ 6,671,804
Contributions in relation to the actuarially determined contribution	<u>15,665,743</u>	<u>11,867,268</u>	<u>11,825,051</u>	<u>9,691,632</u>	<u>8,118,518</u>	<u>7,564,024</u>	<u>6,646,241</u>	<u>6,802,888</u>	<u>6,671,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981	\$ 56,036,975	\$ 79,796,735
Contributions as a percentage covered- employee payroll	19.3096%	16.5758%	18.6894%	15.8220%	13.2920%	13.1845%	12.2667%	12.1400%	8.3610%

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

Schedule of the District's Proportionate Share of the Net Pension Liability
 - Kentucky Teachers Retirement System

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net pension liability associated with the District	8.1871%	7.9375%	7.9375%	7.3906%	7.5726%	7.3505%	7.1970%	7.0862%	7.0004%
Commonwealth's proportionate share of the net pension liability associated with the District	<u>1,366,585,448</u>	<u>1,012,641,135</u>	<u>1,093,095,583</u>	<u>1,025,857,579</u>	<u>991,563,128</u>	<u>1,983,376,595</u>	<u>2,123,121,587</u>	<u>1,648,984,314</u>	<u>1,438,529,901</u>
Total	<u>\$ 1,366,585,448</u>	<u>\$ 1,012,641,135</u>	<u>\$ 1,093,095,583</u>	<u>\$ 1,025,857,579</u>	<u>\$ 991,563,128</u>	<u>\$ 1,983,376,595</u>	<u>\$ 2,123,121,587</u>	<u>\$ 1,648,984,314</u>	<u>\$ 1,438,529,901</u>
District's covered-employee payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,760,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,911,879	\$ 225,602,190	\$ 217,587,702
District's proportionate share of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Commonwealth's proportionate share of the net pension liability as a percentage of District's covered-employee payroll	4827.97%	739.75%	412.86%	398.20%	403.59%	814.60%	907.66%	730.93%	661.13%
Plan Fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.20%	42.49%	45.59%

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

See Accompanying Independent Auditors' Report

Schedule of District Contributions
 - Kentucky Teachers Retirement System

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 12,468,880	\$ 80,832,407	\$ 79,120,515	\$ 77,201,469	\$ 71,846,318	\$ 70,468,176	\$ 34,934,106	\$ 34,103,241	\$ 6,305,145
Contributions in relation to the contractually required contribution	<u>12,468,880</u>	<u>80,832,407</u>	<u>79,120,515</u>	<u>77,201,469</u>	<u>71,846,318</u>	<u>70,468,176</u>	<u>34,934,106</u>	<u>34,103,241</u>	<u>6,305,145</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Districts' covered payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,760,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128	\$ 233,638,752	\$ 225,602,190	\$ 217,587,702
Contributions as a percentage of covered-employee payroll	44.0510%	59.0496%	29.8838%	29.9669%	29.2432%	28.9422%	14.9522%	15.1165%	2.8977%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2023</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's Proportion (Percentage) of Net OPEB Liability	2.489%	2.412%	2.391%	2.368%	2.262%	2.227%	N/A
District's Proportion (Amount) of Net OPEB Liability	\$ 49,124,444	\$ 46,175,538	\$ 57,742,574	\$ 39,833,924	\$ 40,162,603	\$ 44,770,619	\$ 32,271,102
District's Covered-Employer payroll	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
District's Proportionate Share (Amount) of the Net Pension Liability As a Percentage of District's Covered-Employer Payroll	60.55%	64.50%	91.26%	65.03%	65.76%	78.04%	59.56%
Total Pension Plan's Fiduciary Net Position as a Percentage of Total Pension Liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	52.40%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB
 - County Employees Retirement System Non-Hazardous

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 4,459,807	\$ 4,298,485	\$ 4,118,199	\$ 4,684,231	\$ 5,168,083	\$ 5,101,778	\$ 6,646,241
Contributions in relation to the actuarially determined contribution	<u>4,459,807</u>	<u>4,298,485</u>	<u>4,118,199</u>	<u>4,684,231</u>	<u>5,168,083</u>	<u>5,101,778</u>	<u>6,646,241</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 81,129,406	\$ 71,594,107	\$ 63,271,267	\$ 61,254,308	\$ 61,078,268	\$ 57,370,409	\$ 54,180,981
Contributions as a percentage covered- employee payroll	5.4972%	6.0040%	6.5088%	7.6472%	8.4614%	8.8927%	12.2667%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
 - Kentucky Teachers Retirement System - Medical Insurance

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	5.813%	4.141%	4.123%	3.998%	3.894%	3.865%
District's proportionate share of the net OPEB liability	\$ 144,308,000	\$ 88,845,000	\$ 104,050,000	\$ 117,017,000	\$ 135,114,000	\$ 137,820,000
Commonwealth's proportion of the net OPEB liability associated with the District	1.910%	3.363%	3.303%	3.229%	3.356%	3.157%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>47,407,000</u>	<u>72,153,000</u>	<u>83,348,000</u>	<u>94,499,000</u>	<u>116,441,000</u>	<u>112,579,000</u>
Total	<u>\$ 191,715,000</u>	<u>\$ 160,998,000</u>	<u>\$ 187,398,000</u>	<u>\$ 211,516,000</u>	<u>\$ 251,555,000</u>	<u>\$ 250,399,000</u>
District's covered-employee payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	509.82%	64.90%	39.30%	45.42%	54.99%	56.60%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.60%	25.50%	21.20%

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

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB
 - Kentucky Teachers Retirement System - Medical Insurance

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 7,713,040	\$ 7,349,569	\$ 7,281,216	\$ 6,961,825	\$ 6,936,623	\$ 6,621,930
Contributions in relation to the actuarially determined contribution	<u>7,713,040</u>	<u>7,349,569</u>	<u>7,281,216</u>	<u>6,961,825</u>	<u>6,936,623</u>	<u>6,621,930</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	27.2492%	5.3690%	2.7504%	2.7023%	2.8234%	2.7197%

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

See Accompanying Independent Auditors' Report

Schedule of the District's Proportionate Share of the Net OPEB Liability
 - Kentucky Teachers Retirement System - Life Insurance

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportion of the net OPEB liability associated with the District	18.0303%	7.3329%	7.8649%	7.0642%	7.0856%	6.8627%
Commonwealth's proportionate share of the net OPEB liability associated with the District	<u>2,358,000</u>	<u>959,000</u>	<u>2,520,000</u>	<u>2,195,000</u>	<u>1,998,000</u>	<u>1,507,000</u>
Total	<u>\$ 2,358,000</u>	<u>\$ 959,000</u>	<u>\$ 2,520,000</u>	<u>\$ 2,195,000</u>	<u>\$ 1,998,000</u>	<u>\$ 1,507,000</u>
District's covered-employee payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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 is intended to show information for ten years. Additional years will be displayed as they become available.

See Accompanying Independent Auditors' Report

Schedule of the Contributions - OPEB
 - Kentucky Teachers Retirement System - Life Insurance

Fayette County School District

Years Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 28,305,583	\$ 136,889,049	\$ 264,730,640	\$ 257,622,151	\$ 245,685,825	\$ 243,479,128
Contributions as a percentage covered- employee payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

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

Notes to Required Supplementary Information - County Employee Retirement System

Fayette County School District

Year Ended June 30, 2023

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2021	Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30% - 11.55% OPEB - single discount rate changed from 5.68% to 5.34%
2020	Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%
2019	Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%
2018	Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the prince inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.
2017	None
2016	Pension -the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Notes to Required Supplementary Information - Teachers Retirement System

Fayette County School District

Year Ended June 30, 2023

Pension:

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2021	The municipal bond index rate decreased from 3.89% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89% The discount rate increased from 4.49% to 7.5%
2018	The municipal bond index rate increased from 3.01% to 3.56% The discount rate increased from 4.20% to 4.49%
2017	The municipal bond index rate decreased from 3.82% to 3.01% The discount rate decreased from 4.88% to 4.20%
2016	The municipal bond index rate decreased from 4.35% to 3.82%

Medical Insurance Plan

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	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

2021	The municipal bond index rate decreased from 3.50% to 2.19% Health Care Cost Trends for Under Age 65 decreased from 7.5% to 7.25% Health Care Cost Trends for Ages 65 and Older decreased from 5.50% to 5.25% Health Care Cost Trends for Medicare Part B Premiums increased from 2.63% to 6.49%
2020	The municipal bond index rate decreased from 3.89% to 3.50% Health Care Cost Trends for Under Age 65 decreased from 7.75% to 7.50% Health Care Cost Trends for Ages 65 and Older decreased from 5.75% to 5.50% Health Care Cost Trends for Medicare Part B Premiums increased from 0.00% to 2.63%
2019	The municipal bond index rate increased from 3.56% to 3.89% Health Care Costs Trends for Medicare Part B Premiums decreased from 1.02% to 0.00%
2018	None

Notes to Required Supplementary Information - Teachers Retirement System--Continued

Fayette County School District

Year Ended June 30, 2023

Life Insurance Plan

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None

Changes of Assumptions

2021	The municipal bond index rate decreased from 3.50% to 2.19%
2020	The municipal bond index rate decreased from 3.89% to 3.50%
2019	The municipal bond index rate increased from 3.56% to 3.89%
2018	None

Combining Supplementary Information

Combining Balance Sheet - Nonmajor Governmental Funds

Fayette County School District

June 30, 2023

	<u>Permanent Funds</u>					
	<u>Building Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>School Activity Fund</u>	<u>District Activity Fund</u>	<u>Lexington Industrial School Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 1,969,131	\$ -	\$ 5,508,334	\$ 948,643	\$ 821	\$ 8,426,929
Interfund Receivables				4,845,451		4,845,451
Accounts receivable			230,680			230,680
Accounts receivable-taxes				180,265		180,265
Total Assets	<u>\$ 1,969,131</u>	<u>\$ -</u>	<u>\$ 5,739,014</u>	<u>\$ 5,974,359</u>	<u>\$ 821</u>	<u>\$ 13,683,325</u>
Liabilities						
Accounts Payable			\$ 4,641	\$ 53,336		\$ 57,977
Interfund Payables			4,845,451			4,845,451
Deferred Revenue			888,922	5,921,023		6,809,945
Total Liabilities			5,739,014	5,974,359		11,713,373
Fund Balances						
Restricted	\$ 1,969,131				\$ 821	1,969,952
Unassigned						-
Total Fund Balances	<u>1,969,131</u>				<u>821</u>	<u>1,969,952</u>
Total Liabilities and Fund Balances	<u>\$ 1,969,131</u>	<u>\$ -</u>	<u>\$ 5,739,014</u>	<u>\$ 5,974,359</u>	<u>\$ 821</u>	<u>\$ 13,683,325</u>

See Accompanying Independent Auditors' Report

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds

Fayette County School District

Year Ended June 30, 2023

	<u>Permanent Funds</u>					
	<u>Building Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>School Activity Fund</u>	<u>District Activity Fund</u>	<u>Lexington Industrial School Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues						
Local sources						
Property taxes	\$ 52,900,589					\$ 52,900,589
Motor vehicle taxes	1,349,610					1,349,610
State Sources						
SEEK program		\$ 3,835,378				3,835,378
Earnings on investments						
Federal Sources			\$ 1,171,323			1,171,323
Other sources			5,535,474	\$ 1,633,060	\$ 4,838	7,173,372
Total Revenues	54,250,199	3,835,378	6,706,797	1,633,060	4,838	66,430,272
Expenditures						
Instruction			4,260,171	1,549,088		5,809,259
Support services						
Instruction staff			220,109	83,972		304,081
Student Transportation			456,323			456,323
Non-Instruction			1,770,194			1,770,194
Community service activities					6,710	6,710
Total Expenditures			6,706,797	1,633,060	6,710	8,346,567
Revenue in Excess of (Less Than) Expenditures	54,250,199	3,835,378	-		(1,872)	58,083,705
Other Financing Sources (Uses)						
Operating transfers out	(55,334,738)	(5,945,001)				(61,279,739)
Net Change in Fund Balances	(1,084,539)	(2,109,623)			(1,872)	(3,196,034)
Fund Balances						
Beginning of Year	3,053,670	2,109,623			2,693	5,165,986
Fund Balance End of Year	\$ 1,969,131	\$ -	\$ -	\$ -	821	\$ 1,969,952

See Accompanying Independent Auditors' Report.

Reports Required by the Single Audit Act

**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***



**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**

Members of the Board
Fayette County School District
Lexington, Kentucky

Report on Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fayette 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, and have issued our report thereon dated November xx, 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 with specific state statutes or regulations identified in the *Kentucky School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

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 District's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Strothman and Company

Louisville, Kentucky
November 15, 2023

**Independent Auditors' Report on Compliance for Each Major
Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**



Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Members of the Board of Education
Fayette County School District
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fayette County School District's (the "District") compliance with the types of compliance requirements described 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 the Audit 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 ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller 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 and 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 GAAS, 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 GAAS, 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated November xx, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Strothman and Company

Louisville, Kentucky
November 15, 2023

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards
Fayette County School District
Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass Though Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
U.S. Department of Education				
Pass-through from:				
KY Department of Education				
	Title I Cluster			
Title I Grants to Local Educational Agencies	84.010A	31000002-20-310G		\$ 432,323
Title I Grants to Local Educational Agencies	84.010A	31000002-20-310GM		48,385
Title I Grants to Local Educational Agencies	84.010A	31000002-20-310GN		10,612
Title I Grants to Local Educational Agencies	84.010A	31000002-20-310GP		1,696
Title I Grants to Local Educational Agencies	84.010A	31000002-21-310I		2,668,224
Title I Grants to Local Educational Agencies	84.010A	31000002-21-310IM		19,587
Title I Grants to Local Educational Agencies	84.010A	31000002-21-310IN		27,725
Title I Grants to Local Educational Agencies	84.010A	31000002-21-310J		10,270,666
Title I Grants to Local Educational Agencies	84.010A	31000002-22-310JM		398,221
Title I Grants to Local Educational Agencies	84.010A	31000002-22-310JN		84,560
Title I Grants to Local Educational Agencies	84.010A	3100202-18-320EC		51,309
Title I Grants to Local Educational Agencies	84.010A	3100202-20-320GA		67,140
Title I Grants to Local Educational Agencies	84.010A	3100202-20-320GC		110,130
Title I Grants to Local Educational Agencies	84.010A	3100202-21-320IC		144,834
Title I Grants to Local Educational Agencies	84.010	3100202-22-320JC		1,198
Title I Grants to Local Educational Agencies	84.010	3100202-22-320JE		124,457
				<u>14,461,067</u>
Migrant Education_State Grant Program	84.011A	3110002-21-311I		425,023
Migrant Education_State Grant Program	84.011A	3110002-22-311J		115,301
				<u>540,324</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	S013A180017-313G		19,000
				<u>19,000</u>

Continued

Schedule of Expenditures of Federal Awards--Continued
Fayette County School District
 Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Though Number	Passed Through to Subrecipients	Total Expenditures
Education for Homeless Children and Youth	84.196A	3990002-21-316I		129,022
Education for Homeless Children and Youth	84.196A	3990002-22-316J		64,257
				193,279
Career and Technical Education -- Basic Grants to States	84.048	3710002-22-348I		15,837
Career and Technical Education -- Basic Grants to States	84.048	3710002-22-348IA		47,719
Career and Technical Education -- Basic Grants to States	84.048	3710002-22-348J		545,547
				609,103
Special Education Cluster				
Special Education_Grants to States	84.027A	3810002-20-337G		48,040
Special Education_Grants to States	84.027A	3810002-20-337GP		1,397
Special Education_Grants to States	84.027A	3810002-21-337I		3,780,287
Special Education_Grants to States	84.027A	3810002-21-337IP		243,089
Special Education_Grants to States	84.027	3810002-22-337J		2,744,268
Special Education_Grants to States	84.027	3810002-22-337JC		494,798
Special Education_Grants to States	84.027	3810002-22-337JP		83,079
				7,394,958
Special Education_Preschool Grants	84.173A	3800002-20-343GP		2,483
Special Education_Preschool Grants	84.173A	3810002-21-343IP		6,770
				9,253
Corporation for National and Community Service				
AmeriCorps	94.006	33-540-587JR		138,245
				138,245

Continued

Schedule of Expenditures of Federal Awards--Continued
Fayette County School District
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Though Number	Passed Through to Subrecipients	Total Expenditures
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GA		2,751
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GB		39,250
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GC		23,322
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GL		4,666
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GT		16,188
Twenty-First Century Community Learning Centers	84.287	3400002-20-550GX		28,050
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IA		99,691
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IB		95,000
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IC		76,740
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IL		96,674
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IM		80,086
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IT		83,106
Twenty-First Century Community Learning Centers	84.287	3400002-21-550IX		86,891
				<u>732,415</u>
Comprehensive Literacy Development	84.371C	3220002-21-466G		106,838
Comprehensive Literacy Development	84.371C	3220002-21-466I		13,698
Comprehensive Literacy Development	84.371C	3220002-21-466J		46,985
Comprehensive Literacy Development	84.371C	3220001-21-466JS		139,871
				<u>307,392</u>
Department of Health and Human Services				
Refugee and Entrant Assistance_Discretionary Grants	93.576	254-108000-2022-420I		40,263
Refugee and Entrant Assistance_Discretionary Grants	93.576	254-108000-2022-420J		5,661
Refugee and Entrant Assistance_Discretionary Grants	93.576	254-108000-2022-420JA		298
				<u>46,222</u>

Continued

Schedule of Expenditures of Federal Awards--Continued
Fayette County School District
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Though Number	Passed Through to Subrecipients	Total Expenditures
English Language Acquisition Grants	84.365A	3300002-20-345G		121,632
English Language Acquisition Grants	84.365A	3300002-21-345I		493,432
				615,064
Improving Teacher Quality State Grants	84.367A	3230002-20-401G		19,690
Improving Teacher Quality State Grants	84.367A	3230002-20-401GP		68,104
Improving Teacher Quality State Grants	84.367A	3230002-21-401I		1,001,413
Improving Teacher Quality State Grants	84.367A	3230002-21-401IP		74,336
Improving Teacher Quality State Grants	84.367A	3230002-22-401J		560,412
Improving Teacher Quality State Grants	84.367A	3230002-22-401JM		98,053
Improving Teacher Quality State Grants	84.367A	3230002-22-401JP		61,596
				1,883,604
Student Support and Academic Enrichment Program	84.424A	3420002-20-552GA		6,518
Student Support and Academic Enrichment Program	84.424A	3420002-20-552GP		28,824
Student Support and Academic Enrichment Program	84.424A	3420002-20-552GS		64,073
Student Support and Academic Enrichment Program	84.424A	3420002-20-552GW		10,905
Student Support and Academic Enrichment Program	84.424A	3420002-21-552IP		31,051
Student Support and Academic Enrichment Program	84.424A	3420002-21-552IS		136,579
Student Support and Academic Enrichment Program	84.424A	3420002-21-552IT		109,860
Student Support and Academic Enrichment Program	84.424A	3420002-20-552IW		1,178
Student Support and Academic Enrichment Program	84.424A	3420002-21-552JP		21,070
Student Support and Academic Enrichment Program	84.424A	3420002-21-552JS		174,075
Student Support and Academic Enrichment Program	84.424A	3420002-21-552JT		40,699
				624,832
Education Stabilization Funds				
Governor's Emergency Education Relief Fund	84.425C	564GF		1,060,887
Governor's Emergency Education Relief Fund	84.425C	633F		118,332
				1,179,219
Education Stabilization Fund	84.425D	4000002-20-613F		70,729
Education Stabilization Fund	84.425D	4200002-21-554GD		9,276,316
Education Stabilization Fund	84.425D	4200003-21-554GL		47,242
				9,394,287

Continued

Schedule of Expenditures of Federal Awards--Continued

Fayette County School District

Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Though Number	Passed Through to Subrecipients	Total Expenditures
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473G		28,224,508
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GB		41,272
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300003-21-473GC		15,788
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GE		485,913
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GG		9,324
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GI		254,058
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GL		12,597,017
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GP		155,837
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002-21-473GV		1,985
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	ARP Preschool -562J		221,598
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	ARP ESSER-22-563J		57,362
				<u>42,064,662</u>
American Rescue Plan – Elementary and Secondary School Emergency Relief –Homeless Children and Youth	84.425W	4980002-21-476I		108,012
American Rescue Plan – Elementary and Secondary School Emergency Relief –Homeless Children and Youth	84.425W	4980002-21-476IC		2,016
				<u>110,028</u>
American Rescue Plan – Individuals with Disabilities Education	84.027X	4910002-21-478I		1,680,399
American Rescue Plan – Individuals with Disabilities Education	84.027X	4910002-21-478IP		88,032
				<u>1,768,431</u>
American Rescue Plan – Individuals with Disabilities Education-Preschool	84.173X	4900002-21-488I		294,489
American Rescue Plan – Individuals with Disabilities Education-Preschool	84.173X	4900002-21-488IP		14,897
				<u>309,386</u>
Child Care and Development Block Grant	93.575	576I		760,398
Child Care and Development Block Grant	93.575	658FL		33,399
Child Care and Development Block Grant	93.575	658FP		24,480
Child Care and Development Block Grant	93.575	672G		319,607
				<u>1,137,884</u>

Continued

Schedule of Expenditures of Federal Awards--Continued
Fayette County School District
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass Throug Number	Passed Through to Subrecipients	Total Expenditures
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	493F		157
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	493J		545
				702
Pediatric Mental Helath Care Access Program	93.11	479J		11,547
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	2200005-21-482IC		23,388
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	2200005-21-482JC		92,417
				115,805
Department of Justice				
STOP School Violence	16.839	494G		254,009
				254,009
Public Safety Partnership and Community Policing Grant	16.710	437G		250,046
				250,046
Emergency Connectivity Fund Program	32.009	559I		180,023
				180,023
Total Kentucky Department of Education				84,350,787
U.S. Department of Defense				
Language Grant Program	12.900	344J		67,792
				67,792

Continued

Schedule of Expenditures of Federal Awards--Continued
Fayette County School District
Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
U.S. Department of Agriculture				
Child Nutrition Cluster				
National School Breakfast Program	10.553	034-165-999-0A		5,556,951
National School Lunch Program	10.555	034-165-999-0A		16,584,941
Summer Food Service Program for Children	10.559			149,719
Fresh Fruit and Vegetable Program	10.582	12-3539-0-1-605		451,977
				<u>22,743,588</u>
Child and Adult Care Food Program	10.558			569,720
				<u>569,720</u>
Food Distribution Cluster				
Commodity Supplemental Food Program	10.565			2,000,277
				<u>2,000,277</u>
Total U.S. Department of Agriculture				<u>25,313,585</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u>\$ 109,732,164</u>

See Notes to Schedule of Expenditures of Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Fayette County School District

June 30, 2023

Note A--Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Fayette 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 Regulation 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 assets, or cash flows of the District.

Note B--Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C--Indirect Cost Rate

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

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Fayette County School District

Year Ended June 30, 2023

Section I – Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the Fayette County School District (the "District").
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported.
5. The auditors' report on compliance for the major federal programs of the District expresses an unmodified opinion.
6. There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

Schedule of Findings and Questioned Costs--Continued

Fayette County School District

Year Ended June 30, 2023

Section I – Summary of Audit Results--Continued

7. The programs tested as major programs include:

<u>Federal Grantor/Program Title</u>	<u>Assistance Listing Number</u>
U.S. Department of Education	
Title I Cluster	
Title I Grants to Local Educational Agencies	84.010
Title I Grants to Local Educational Agencies	84.010A
Education Stabilization Fund	84.425

8. The threshold used for distinguishing between Type A and B programs was \$3,000,000.

9. The District qualified as a low risk auditee.

Section II – Findings – Financial Statement Audit

There were no findings to be reported.

Section III – Findings – Major Federal Program Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.

Schedule of Prior Audit Findings

Schedule of Prior Audit Findings

Fayette County School District

Year Ended June 30, 2023

Section II – Findings – Financial Statement Audit

There were no findings to be reported.

Section III – Findings – Major Federal Program Audit

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.