

HENDERSON COUNTY SCHOOL DISTRICT

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

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Independent Auditor's Report

Kentucky State Committee for School District Audits
Henderson County School District
Henderson, 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 Henderson County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Henderson County School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing

standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Henderson County School District's basic financial statements. The combining nonmajor fund financial statements and statements of receipts and disbursements and fund balances -activity funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and notes to schedule of expenditures of

federal awards are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet – non-major funds, combining statement of revenues, expenditures and changes in fund balance – non-major governmental funds, statement of receipts, disbursements, and fund balances – activity funds, the schedule of expenditures of federal awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on consideration of the Henderson County School District's internal control over financial reporting and on test of its compliances with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Henderson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henderson County School District's internal control over financial reporting and compliance.

ATA CPAS + Advisors, PLLC

Henderson, Kentucky

November 15, 2023

HENDERSON COUNTY SCHOOLS

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Dr. Bob Lawson, Superintendent



HENDERSON COUNTY BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2023

As management of the Henderson County School 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 our readers to consider information presented here in conjunction with additional information located within the body of the audit report.

Financial Highlights:

- The beginning Governmental Fund balance for the District was \$37,318,018. The ending fund balance was \$44,168,624 which was an increase of \$6,850,606.
- The District is in good financial condition as it has been able to withstand the financial pressures of a very tight state education budget over the past several years without impairing the educational programs or facilities maintenance requirements for the District.
- The District's current assets increased by \$5.8 million during the year, while current liabilities decreased by \$600K resulting in a current ratio of 6, which is indicative of the District's solid financial position and operating efficiency. Capital assets increased by \$4.2 million.
- The District continues to make significant investments in the facilities of the District. Construction continued during fiscal year 2023 with several new projects started and continuing into fiscal year 2024. A \$4.2 million renovation at the CTE unit at Henderson County High School is coming out of the design phase and will create more learning spaces for the students. New wastewater treatment plants will be installed at Cairo, Niagara, and Spottsville Elementary schools, and all tennis courts at HCHS are undergoing renovation. A major \$17 million renovation at East Heights Elementary has been approved to begin in FY2024.

Overview of the Financial Statements

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

Government-wide financial statements - The government-wide financial statements are designed to provide the 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, liabilities and deferred outflows/inflows of resources with the difference 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.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

- 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 if the related cash transactions. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these District wide statements are divided into two types of activities:

- *Governmental Activities* - The government wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. The capital assets and related debt that are also supported by taxes and intergovernmental revenues are reported in this section.
- *Business-Type Activities* - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations, child care centers, and adult education courses. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

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 system. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- *Governmental Funds* - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, debt service fund, student activity and district student activity funds. These funds are reported using an accounting method referred to as modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The government fund statements provide a detailed short-term view of the School District's general government operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- *Proprietary Funds* - The proprietary funds include the food service and child care centers found in the business type activity funds. These funds utilize the same basis of accounting as business type activities, therefore, the statements for the proprietary fund will correspond to the statement of net assets.
- *Notes to the financial statements* - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. These notes may better explain data found in the financial statements, or provide additional information not found in the financial statements provided.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets, which is outstanding at year end.

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 those capital assets.

Net Financial Position For the Fiscal Years Ended June 30, 2023 and 2022

	June 30, 2023	June 30, 2022	Change
Current assets	\$ 58,526,949	\$ 52,745,881	\$ 5,781,068
Capital or non-current assets	76,208,884	72,008,251	4,200,633
Deferred outflows	17,224,522	11,387,985	5,836,537
Total Assets and Deferred Outflows	151,960,355	136,142,117	15,818,238
Current liabilities	\$ 9,724,605	\$ 10,375,517	\$ (650,912)
Non-current liabilities	98,002,375	93,904,082	4,098,293
Deferred Inflows	12,062,219	11,869,214	193,005
Total Liabilities and Deferred Inflows	119,789,199	116,148,813	3,640,386
Net investment in capital assets	28,439,110	21,091,389	7,347,721
Restricted	12,144,232	6,854,871	5,289,361
Unassigned	(8,412,186)	(7,950,956)	(461,230)
Total Net Financial Position	\$ 32,171,156	\$ 19,995,304	\$ 12,175,852

Total net assets and deferred outflows exceeded liabilities and deferred inflows by \$32 million an increase of \$12 million primarily due to construction.

Current assets increased by \$5.8 million during the fiscal year and capital assets increased by \$4.2 million. Total expenditures for capital assets during the year were \$7.4 million, while depreciation of assets totaled \$3.2 million. All of these factors resulted in an increase in net position of \$12 million for the year ended June 30, 2023.

The District's total revenues were \$113 million and the total expenses were \$101 million, which resulted in an increase in net position of \$12 million.

- State revenues and formula grants accounted for 50% of the total revenues while local taxes accounted for 23%.
- Expenses totaled \$101 million, with \$68.4 million or 68% of the total being expended towards student instruction and support.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>					
	<u>Governmental Activities:</u>			2023	2022	Variance
Instruction	\$	60,169,367	59%	\$ 56,840,592	58%	\$ 3,328,775
Student support		4,869,138	5%	4,535,373	5%	333,765
Instruction staff support		3,357,660	3%	3,141,978	3%	215,682
					0%	
School administrative support		5,184,229	5%	4,554,653	5%	629,576
Business support		3,279,600	3%	3,761,214	4%	(481,614)
Other		4,573,631	5%	4,365,883	4%	207,748
Plant operation and maintenance		5,524,700	5%	7,427,404	8%	(1,902,704)
Student transportation		4,239,343	4%	4,444,188	5%	(204,845)
Depreciation		3,044,465	3%	3,176,865	3%	(132,400)
Food service		6,917,957	7%	5,955,239	6%	962,718
Total Activities	\$	<u>101,160,090</u>		<u>\$ 98,203,389</u>		<u>\$ 2,956,701</u>

<u>FUNCTIONS/PROGRAMS</u>	<u>Revenues</u>					
	<u>Governmental Activities:</u>			2023	2022	Variance
Charges for services	\$	941,452	1%	\$ 874,401	1%	\$ 67,051
Operating Grants		24,721,088	22%	27,804,556	27%	(3,083,468)
Property tax		18,084,955	16%	17,338,681	17%	746,274
Motor vehicle tax		2,837,836	3%	2,960,142	3%	(122,306)
Utility tax		4,498,176	4%	3,977,960	4%	520,216
State and formula grants		56,942,826	50%	46,728,361	45%	10,214,465
Other local revenues		3,576,151	3%	2,887,883	3%	688,268
Other		1,733,458	2%	1,508,311	1%	225,147
		<u>113,335,942</u>		<u>104,080,295</u>		<u>9,255,647</u>

All changes that occurred during current year were within management's expectations. No significant variances were noted.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Governmental Fund Highlights

- Total General Fund revenues for the year were \$77 million, with \$51.4 million coming from state revenues, \$0.5 million from federal and the remaining \$25 million from local sources.
- Total General Fund Expenditures were \$74 million, with instruction costs being the largest area at \$45.1 million.
- The net excess of revenues over expenditures was \$3,484,500 and other financing sources were \$389,646, resulting in an increased in the general fund balance of \$3.9 million for the 2023 fiscal year.
- Special Revenue fund expenditures for the year were \$14.2 million. Two major sources of revenues for this fund were state grants totaling \$3.6 million and federal grants totaling \$10.2 million.
- Construction Fund expenditures included \$4.6 million for facilities acquisition and construction and Other Governmental Funds included debt service payments of \$4.3 million.
- Non-Major Fund expenditures totaled \$6.4 million while revenues totaled \$10.2 million. When combined with net transfers out of \$5.2 million, the net change in fund balance is \$1.4 million.
- Total ending fund balances as of June 30, 2023 were \$32.7 million in the General Fund, \$9.4 million in the Construction Fund, and \$2.1 million in the other governmental funds for a total of \$44.2 million.

Proprietary Fund Highlights

- Total Child Nutrition Fund Expenditures were \$6.9 million, with supplies cost being the largest area at \$3.9 million. Operating revenues were \$87,604 while non-operating revenues were \$7.1 million. The net change in Fund Balance after transfers was \$23K.
- Child Care Fund expenditures for the year were \$244,554. Operating revenues were \$763,975. After non-operating revenues of \$29,921. The resulting change in fund balance was \$549,342.

21st Century Learning Environments

The condition of physical infrastructure continues to be integral to the core mission of the District. The healthy bonding capacity of the district will allow us to continue to upgrade and build new facilities in the future.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

General Fund Budget to Actual

The General Fund had budgeted \$67.4 million in revenues, not including beginning balances, while actual revenues were \$77 million due to taxes collected being more than budgeted, state on-behalf payments being more than budgeted as well as assistance provided by the local sources were more than budgeted.

Expenditures were budgeted at \$90.6 million while actual expenditures were \$73.5 million, \$17.1 million less than budget. The source of the expense budget variances is partly related to the amounts budgeted for contingencies (\$12 million). The net increase in the General Fund balance is 3.9 million. The original budget and the final budget are the same.

Capital Assets:

The following is a summary of the District's capital asset activity for the fiscal year ended June 30, 2023:

	Balance			Balance
	June 30, 2022	Additions	Deductions	June 30, 2023
GOVERNMENTAL ACTIVITIES:				
<u>Capital Assets, not being depreciated</u>				
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Construction in progress	22,332,030	4,551,888	-	26,883,918
<u>Capital Assets, being depreciated</u>				
Land improvements	3,630,310	-	-	3,630,310
Building and improvements	101,831,600	761,842	-	102,593,442
Technology	5,548,338	397,818	-	5,946,156
Machinery and equipment	9,556,338	578,843	(1,354,086)	8,781,095
General equipment	2,645,212	7,701	-	2,652,913
Totals at historical cost	146,533,315	6,298,092	(1,354,086)	151,477,321
Land improvements	(3,279,363)	(78,098)	-	(3,357,461)
Building and improvements	(57,244,623)	(2,155,499)	-	(59,400,122)
Technology	(5,173,948)	(192,631)	-	(5,366,579)
Machinery and equipment	(7,257,734)	(520,618)	1,354,086	(6,424,266)
General equipment	(2,021,865)	(97,619)	-	(2,119,484)
Less: accumulated depreciation	(74,977,533)	(3,044,465)	1,354,086	(76,667,912)
Governmental activities, net	\$ 71,555,782	\$ 3,253,627	\$ -	\$ 74,809,409
BUSINESS TYPE ACTIVITIES:				
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,841,776	-	-	1,841,776
Technology equipment	134,848	1,057,441	-	1,192,289
Totals at historical cost	2,024,140	1,057,441	-	3,081,581
Buildings and improvements	(34,212)	(1,900)	-	(36,112)
Food service equipment	(1,421,421)	(104,581)	-	(1,526,002)
Technology equipment	(116,038)	(3,954)	-	(119,992)
Less: accumulated depreciation	(1,571,671)	(110,435)	-	(1,682,106)
Business type activities, net	\$ 452,469	\$ 947,006	\$ -	\$ 1,399,475

Construction commenced on the new Jefferson School facility during the latter portion of the fiscal year ended June 30, 2021 and continued throughout Fiscal Year 2023.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Long-Term Debt:

The following is a summary of the District's long-term debt activity for the fiscal year ended June 30, 2023:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
School Building Revenue Bonds	\$ 51,318,182	\$ -	\$ (3,170,000)	\$ 48,148,182	\$ 3,230,000
<u>Deferred amounts:</u>					
Issuance premiums	64,781	-	(5,306)	59,475	-
Issuance discounts	(466,101)	-	28,218	(437,883)	-
	<u>(401,320)</u>	<u>-</u>	<u>22,912</u>	<u>(378,408)</u>	<u>-</u>
Total governmental bonds payable	<u>\$ 50,916,862</u>	<u>\$ -</u>	<u>\$ (3,147,088)</u>	<u>\$ 47,769,774</u>	<u>\$ 3,230,000</u>

District Challenges for the Future

Henderson County School District's overall financial status remains in a safe financial position. The District is financially stable, but at risk due to continued, inadequate state funding. The district relies on federal and state funds for various programs. As with the current year, transportation costs for students is a significant financial concern now and in the future. State provided funds are being reduced while most components are increasing. The costs of bus purchases will continue to increase due to changes in EPA requirements and the need to continue to replace an aging fleet as well as the cost of diesel fuel.

Other revenue sources, such as SEEK, are impacted by the average daily attendance in the District's schools. Henderson County School's numbers have continued to decrease through the years. The District needs to continue to look for ways to improve the average daily attendance of our students and continue to provide modern facilities in hopes of growth in student enrollment.

The financial instability in the state pension fund and the rising retirement/pension costs is a financial risk that is facing Henderson County Schools. No additional state funding has been appropriated to offset this rising cost. There is a need for the District to increase local funding to provide additional revenue to offset this mandated expense increase.

Technology continues to be a major focus as we continue our 1:1 initiative. The District Technology Plan will help guide the District's technology decisions. The plan objectives, expectations, indicators, targets, and action plans are reviewed and modified in order to accommodate technology changes and/or future funding challenges. This articulates our common vision and identifies strategies for the use of technology in developing critical thinking skills that are essential for academic and workplace success.

Future teacher recruitment and retention continues to be a concern. The primary goal is to employ quality teachers, maintain competitive salary schedules to attract and retain skilled leadership, and provide professional learning opportunities for all employees. We will be tasked to find new ways to recruit and retain these teachers in Henderson County Schools. In FY2023 we continued toward increasing our certified salary schedule to maintain and gain a competitiveness with peer districts in hopes of recruiting and maintaining a quality workforce.

**HENDERSON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Report Purpose and Contact Information

This financial report is designed to provide our citizens, taxpayers, and investors and creditors, with a general overview of the Henderson County School District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional information, these inquiries should be directed to:

Cindy Cloutier, Director of Finance
Henderson County Schools
1805 Second Street
Henderson, Kentucky 42420
Telephone: 270.831.5000 or Electronic Mail: cindy.cloutier@henderson.kyschools.us

**Henderson County School District
Statement of Net Position
As of June 30, 2023**

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 42,755,572	\$ 8,394,719	\$ 51,150,291
Investments	4,000,000	-	4,000,000
Inventory	-	116,224	116,224
Accounts receivable:			
Taxes - current	731,627	-	731,627
Accounts receivable	7,480	83,809	91,289
Intergovernmental - indirect	2,437,518	-	2,437,518
Total Current Assets	49,932,197	8,594,752	58,526,949
Noncurrent Assets:			
Capital assets, net	74,809,409	1,399,475	76,208,884
Total Noncurrent Assets	74,809,409	1,399,475	76,208,884
Total Assets	124,741,606	9,994,227	134,735,833
Deferred Outflows of Resources:			
Deferred outflows related to retirement plans	16,904,713	319,809	17,224,522
Total Deferred Outflows of Resources	16,904,713	319,809	17,224,522
Total Assets and Deferred Outflows of Resources	\$ 141,646,319	\$ 10,314,036	\$ 151,960,355
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 1,499,250	\$ 424,994	\$ 1,924,244
Accrued payroll and related expenses	1,089,835	-	1,089,835
Unearned revenue	3,000,798	-	3,000,798
Current portion of bond obligations	3,230,000	-	3,230,000
Current portion of accrued sick leave	86,845	-	86,845
Interest payable	392,883	-	392,883
Total Current Liabilities	9,299,611	424,994	9,724,605
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	44,539,774	-	44,539,774
Net pension liability	26,287,365	1,693,110	27,980,475
Other postemployment benefits liability	24,454,936	401,384	24,856,320
Noncurrent portion of accrued sick leave	625,806	-	625,806
Total Noncurrent Liabilities	95,907,881	2,094,494	98,002,375
Total Liabilities	105,207,492	2,519,488	107,726,980
Deferred Inflows of Resources:			
Deferred inflows related to gain on refunding of bonds	34,554	-	34,554
Deferred inflows related to retirement plans	11,778,134	249,531	12,027,665
Total Deferred Inflows of Resources	11,812,688	249,531	12,062,219
Total Liabilities and Deferred Inflows of Resources	117,020,180	2,769,019	119,789,199
NET POSITION			
Net invested in capital assets	\$ 27,039,635	\$ 1,399,475	\$ 28,439,110
Restricted	12,144,232	-	12,144,232
Unrestricted	(14,557,728)	6,145,542	(8,412,186)
Total Net Position	\$ 24,626,139	\$ 7,545,017	\$ 32,171,156

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

**Henderson County School District
Statement of Activities
For the fiscal year ended June 30, 2023**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction	\$ 60,169,367	\$ 89,873	\$ 13,950,305	\$ -	\$ (46,129,189)	\$ -	\$ (46,129,189)
Support services:							
Student	\$ 4,869,138	-	1,181,126	-	(3,688,012)	-	(3,688,012)
Instruction staff	3,357,660	-	178,184	-	(3,179,476)	-	(3,179,476)
District administrative	1,156,571	-	67,724	-	(1,088,847)	-	(1,088,847)
School administrative	5,184,229	-	1,073,781	-	(4,110,448)	-	(4,110,448)
Business	3,279,600	-	314,491	-	(2,965,109)	-	(2,965,109)
Plant operation and maintenance	5,524,700	-	422,469	-	(5,102,231)	-	(5,102,231)
Student transportation	4,239,343	-	404,299	-	(3,835,044)	-	(3,835,044)
Day care operations	491,340	-	-	-	(491,340)	-	(491,340)
Other Non-Instruction	60,464	-	-	-	(60,464)	-	(60,464)
Community service activities	1,277,630	-	-	-	(1,277,630)	-	(1,277,630)
Interest on long-term debt	1,343,072	-	-	-	(1,343,072)	-	(1,343,072)
Depreciation - unallocated	3,044,465	-	-	-	(3,044,465)	-	(3,044,465)
Total Governmental Services	<u>93,997,579</u>	<u>89,873</u>	<u>17,592,379</u>	<u>-</u>	<u>(76,315,327)</u>	<u>-</u>	<u>(76,315,327)</u>
Business Type Activities:							
Food service	6,917,957	87,604	7,098,788	-	-	268,435	268,435
Daycare operations	244,554	763,975	29,921	-	-	549,342	549,342
Total Business Activities	<u>7,162,511</u>	<u>851,579</u>	<u>7,128,709</u>	<u>-</u>	<u>-</u>	<u>817,777</u>	<u>817,777</u>
Total Activities	<u>\$ 101,160,090</u>	<u>\$ 941,452</u>	<u>\$ 24,721,088</u>	<u>\$ -</u>			<u>\$ (75,497,550)</u>
General Revenues:							
Taxes:							
Property tax				\$ 18,084,955	\$ -	\$ 18,084,955	
Motor vehicle tax				2,837,836	-	2,837,836	
Utility tax				4,498,176	-	4,498,176	
Unmined minerals				107,814	-	107,814	
Franchise tax				1,198,232	-	1,198,232	
Investment earnings				368,503	39,378	407,881	
State and formula grants				56,942,826	-	56,942,826	
Other local revenues				3,576,151	-	3,576,151	
Disposal of assets				19,531	-	19,531	
Transfers				284,891	(284,891)	-	
Total General Revenues and Transfers				<u>87,918,915</u>	<u>(245,513)</u>	<u>87,673,402</u>	
Change in Net Position				11,603,588	572,264	12,175,852	
Net Position - Beginning				13,022,551	6,972,753	19,995,304	
Net Position - Ending				<u>\$ 24,626,139</u>	<u>\$ 7,545,017</u>	<u>\$ 32,171,156</u>	

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

**Henderson County School District
Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS AND RESOURCES:</u>					
Cash and cash equivalents	\$ 33,739,457	\$ 837,431	\$ 6,103,031	\$ 2,075,653	\$ 42,755,572
Investments	-		4,000,000		4,000,000
Accounts receivable:					
Taxes - current	731,627	-	-	-	731,627
Accounts receivable	7,480	-	-	-	7,480
Intergovernmental - State	-	2,437,518	-	-	2,437,518
Total Assets and Resources	<u>\$ 34,478,564</u>	<u>\$ 3,274,949</u>	<u>\$ 10,103,031</u>	<u>\$ 2,075,653</u>	<u>\$ 49,932,197</u>
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ 564,841	\$ 274,151	\$ 658,540	\$ 1,718	\$ 1,499,250
Accrued payroll and related expenses	1,089,835	-	-	-	1,089,835
Current portion of accumulated sick leave	86,845	-	-	-	86,845
Unearned revenue	-	3,000,798	-	-	3,000,798
Total Liabilities	<u>1,741,521</u>	<u>3,274,949</u>	<u>658,540</u>	<u>1,718</u>	<u>5,676,728</u>
<u>FUND BALANCES:</u>					
Restricted	625,806	-	9,444,491	2,073,935	12,144,232
Committed	-	-	-	-	-
Assigned	5,018,749	-	-	-	5,018,749
Unassigned	27,092,488	-	-	-	27,092,488
Total Fund Balances	<u>32,737,043</u>	<u>-</u>	<u>9,444,491</u>	<u>2,073,935</u>	<u>44,255,469</u>
Total Liabilities and Fund Balances	<u>\$ 34,478,564</u>	<u>\$ 3,274,949</u>	<u>\$ 10,103,031</u>	<u>\$ 2,075,653</u>	<u>\$ 49,932,197</u>

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

**Henderson County School District
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position
As of June 30, 2023**

Total fund balance per fund financial statements \$ 44,255,469

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.

Gross capital assets	\$ 151,477,321	
Accumulated depreciation	<u>(76,667,912)</u>	74,809,409

Certain liabilities and related accounts (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but they are presented in the statement of net position, as follows:

Net pension liability	\$ (26,287,365)	
Other postemployment benefits liability	(24,454,936)	
Deferred outflows of resources	16,904,713	
Deferred inflows of resources	(11,778,134)	
Deferred inflows of resources-gain on bond refunding	(34,554)	
Long-term debt	(47,769,774)	
Long-term portion sick leave accrual	(625,806)	
Accrued interest expense	<u>(392,883)</u>	<u>(94,438,739)</u>

Net position for governmental activities \$ 24,626,139

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

Henderson County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the fiscal year ended June 30, 2023

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From local sources:					
Taxes:					
Property	\$ 14,538,407	\$ -	\$ -	\$ 3,546,548	\$ 18,084,955
Motor vehicle and watercraft	2,837,836	-	-	-	2,837,836
Utilities	4,498,176	-	-	-	4,498,176
Unmined minerals	107,814	-	-	-	107,814
Franchise	1,198,232	-	-	-	1,198,232
Tuition and fees	86,773	3,100	-	-	89,873
Earnings on investments	346,641	-	-	21,862	368,503
Other local revenues	1,278,505	106,802	-	2,190,844	3,576,151
Intergovernmental - intermediate	168,978	25,270	-	-	194,248
Intergovernmental - state	51,432,062	3,635,880	3,983,600	4,453,468	63,505,010
Intergovernmental - indirect federal	-	10,257,162	-	-	10,257,162
Intergovernmental - direct federal	521,522	57,263	-	-	578,785
Total Revenues	<u>77,014,946</u>	<u>14,085,477</u>	<u>3,983,600</u>	<u>10,212,722</u>	<u>105,296,745</u>
EXPENDITURES:					
Current:					
Instruction	45,135,504	11,430,790	-	1,944,317	58,510,611
Support services:					
Student	4,808,210	44,017	-	16,911	4,869,138
Instruction staff	2,412,877	872,964	-	71,819	3,357,660
District administrative	1,156,571	-	-	-	1,156,571
School administrative	5,081,329	102,900	-	-	5,184,229
Business	3,279,599	-	-	-	3,279,599
Plant operation and maintenance	7,270,904	-	-	70,365	7,341,269
Student transportation	4,228,562	880	-	-	4,229,442
Day Care operations	-	491,340	-	-	491,340
Facilities acquisition and construction	-	-	4,551,888	-	4,551,888
Community service activities	-	1,277,630	-	-	1,277,630
Debt service	70,045	-	-	4,344,294	4,414,339
Total Expenditures	<u>73,443,601</u>	<u>14,220,521</u>	<u>4,551,888</u>	<u>6,447,706</u>	<u>98,663,716</u>
Excess of Revenues Over (Under)Expenditures before other financing sources (uses)	<u>3,571,345</u>	<u>(135,044)</u>	<u>(568,288)</u>	<u>3,765,016</u>	<u>6,633,029</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,227,032	137,862	4,987,682	3,689,887	10,042,463
Transfers out	(856,917)	(2,818)	-	(8,897,837)	(9,757,572)
Disposal of assets	19,531	-	-	-	19,531
Total Other Financing Sources (Uses)	<u>389,646</u>	<u>135,044</u>	<u>4,987,682</u>	<u>(5,207,950)</u>	<u>304,422</u>
Change in fund balance	3,960,991	-	4,419,394	(1,442,934)	6,937,451
Fund Balance, Beginning of Year	<u>28,776,052</u>	<u>-</u>	<u>5,025,097</u>	<u>3,516,869</u>	<u>37,318,018</u>
Fund Balance, End of Year	<u>\$ 32,737,043</u>	<u>\$ -</u>	<u>\$ 9,444,491</u>	<u>\$ 2,073,935</u>	<u>\$ 44,255,469</u>

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

Henderson County School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the fiscal year ended June 30, 2023

Net change in total fund balances per fund financial statements		\$ 6,937,451
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources but they are presented as assets in the statement of financial position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed depreciation expense for the year.		
Depreciation expense	\$ (3,044,465)	
Capital outlay	<u>6,298,092</u>	3,253,627
Bond issue proceeds, which are reported as other sources of funds in the fund financial statements, are reflected as a liability on the statement of net position.		
Bond Issue Proceeds	\$ -	
Bond premium amortization	<u>5,306</u>	5,306
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		
Bond principal payments	\$ 3,170,000	
Amortization of bond discounts	<u>(28,218)</u>	3,141,782
Change in noncurrent portion of accrued sick leave		(22,887)
Change in interest payable		80,759
Difference between actuarially determined pension and OPEB expenses and actual contributions to the pension and OPEB plans.		
Actuarially determined pension expense	\$ (2,002,127)	
Actuarially determined OPEB expense	(3,685,651)	
Actual pension and OPEB contributions	<u>3,895,328</u>	<u>(1,792,450)</u>
Change in net position		<u>\$ 11,603,588</u>

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

**Henderson County School District
Statement of Net Position – Proprietary Funds
As of June 30, 2023**

	Food Service Fund	Child Care Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 6,684,044	\$ 1,710,675	\$ 8,394,719
Inventory	116,224	-	116,224
Accounts receivable	83,809	-	83,809
Total Current Assets	6,884,077	1,710,675	8,594,752
Noncurrent Assets:			
Capital assets	3,034,065	47,516	3,081,581
Less: accumulated depreciation	<u>(1,645,994)</u>	<u>(36,112)</u>	<u>(1,682,106)</u>
Total Noncurrent Assets	1,388,071	11,404	1,399,475
<u>Deferred Outflows of Resources:</u>			
Deferred outflows of resources-Net Pension Liability and OPEB	<u>254,532</u>	<u>65,277</u>	<u>319,809</u>
Total Assets and Deferred Outflows of Resources	\$ 8,526,680	\$ 1,787,356	\$ 10,314,036
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 422,273	\$ 2,721	\$ 424,994
Total Current Liabilities	422,273	2,721	424,994
<u>Long-Term Liabilities:</u>			
Net pension liability	1,397,349	295,761	1,693,110
Other posted employment benefits liability	319,364	82,020	401,384
Total Long-term Liabilities	1,716,713	377,781	2,094,494
Total Liabilities	2,138,986	380,502	2,519,488
<u>Deferred Inflows of Resources:</u>			
Deferred inflows of resources-Net Pension Liability and OPEB	<u>217,840</u>	<u>31,691</u>	<u>249,531</u>
<u>NET POSITION:</u>			
Invested in capital assets	1,388,071	11,404	1,399,475
Restricted	-	-	-
Unrestricted	4,781,783	1,363,759	6,145,542
Net Position	6,169,854	1,375,163	7,545,017
Total Liabilities and Net Position	\$ 8,526,680	\$ 1,787,356	\$ 10,314,036

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

Henderson County School District
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds
For the fiscal year ended June 30, 2023

	Food Service Fund	Child Care Fund	Total
<u>OPERATING REVENUES:</u>			
Lunchroom sales	\$ 81,514	\$ -	\$ 81,514
Other operating revenues	6,090	763,975	770,065
Total Operating Revenues	<u>87,604</u>	<u>763,975</u>	<u>851,579</u>
<u>OPERATING EXPENSES:</u>			
Salaries and wages	1,826,650	147,393	1,974,043
Materials and supplies	3,927,978	11,655	3,939,633
Depreciation	108,536	1,901	110,437
Other operating expenses	1,054,793	83,605	1,138,398
Total Operating Expenses	<u>6,917,957</u>	<u>244,554</u>	<u>7,162,511</u>
Operating Income (Loss)	<u>(6,830,353)</u>	<u>519,421</u>	<u>(6,310,932)</u>
<u>NON-OPERATING REVENUES:</u>			
Federal grants	5,914,241	-	5,914,241
Donated commodities	770,675	-	770,675
Restricted state revenue	43,028	-	43,028
Other state	370,844	29,921	400,765
Interest income	39,378	-	39,378
Total Non-Operating Revenues	<u>7,138,166</u>	<u>29,921</u>	<u>7,168,087</u>
Income (Loss) Before Other Financing Sources/Uses	<u>307,813</u>	<u>549,342</u>	<u>857,155</u>
<u>Non-operating income (expense)</u>			
Transfers out	<u>(284,891)</u>	<u>-</u>	<u>(284,891)</u>
Total other financing uses	<u>(284,891)</u>	<u>-</u>	<u>(284,891)</u>
Change in net position	22,922	549,342	572,264
Net position, beginning of year	<u>6,146,932</u>	<u>825,821</u>	<u>6,972,753</u>
Net position, end of year	<u>\$ 6,169,854</u>	<u>\$ 1,375,163</u>	<u>\$ 7,545,017</u>

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

**Henderson County School District
Statement of Cash Flows – Proprietary Funds
For the fiscal year ended June 30, 2023**

	Food Service Fund	Child Care Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Cash receipts from:			
Lunchroom sales	\$ 81,514	\$ -	\$ 81,514
Other activities	6,090	763,975	770,065
Cash payments for:			
Employees	(1,819,229)	(146,788)	(1,966,017)
Supplies	(2,865,157)	(11,655)	(2,876,812)
Other operating expenses	(1,054,793)	(82,954)	(1,137,747)
Net Cash Provided (Used) In Operating Activities	<u>(5,651,575)</u>	<u>522,578</u>	<u>(5,128,997)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</u>			
Receipt of interest income	39,378	-	39,378
Transfers out	(284,891)	-	(284,891)
Cash received for operating grants	7,281,289	29,921	7,311,210
Net Cash Provided By Non-Capital Financing Activities	<u>7,035,776</u>	<u>29,921</u>	<u>7,065,697</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</u>			
Purchase of equipment	(1,057,441)	-	(1,057,441)
Net Cash Used In Capital Financing Activities	<u>(1,057,441)</u>	<u>-</u>	<u>(1,057,441)</u>
Net Increase in Cash And Cash Equivalents	326,760	552,499	879,259
Cash and Cash Equivalents, Beginning of Year	6,357,284	1,158,176	7,515,460
Cash and Cash Equivalents, End of Year	<u>\$ 6,684,044</u>	<u>\$ 1,710,675</u>	<u>\$ 8,394,719</u>

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

**Henderson County School District
Statement of Cash Flows – Proprietary Funds, Continued
For the fiscal year ended June 30, 2023**

	Food Service Fund	Child Care Fund	Total
<u>RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET</u>			
<u>CASH USED IN OPERATING ACTIVITIES:</u>			
Operating income (loss)	\$ (6,830,353)	\$ 519,421	\$ (6,310,932)
<u>ADJUSTMENTS TO RECONCILE OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) IN OPERATING ACTIVITIES:</u>			
Depreciation	108,536	1,901	110,437
Donated commodities received	770,675	-	770,675
Changes in operating assets and liabilities			
Inventory	59,729	-	59,729
Deferred outflows of resources	62,691	5,086	67,777
Accounts payable	232,417	652	233,069
Net pension liability	57,161	4,635	61,796
Other post employment benefits	(11,049)	(896)	(11,945)
Deferred inflows of resources	(101,382)	(8,221)	(109,603)
Net Cash Used In Operating Activities	\$ (5,651,575)	\$ 522,578	\$ (5,128,997)
<u>SCHEDULE OF NON-CASH FINANCING ACTIVITIES:</u>			
Donated commodities received from federal government	\$ 770,675	\$ -	\$ 770,675

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Henderson County Board of Education. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board itself such as band boosters, parent-teacher associations, etc.

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

BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the 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 government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of 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.

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. 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:

I) Government Fund Types

- A) The General Fund is the main operating fund of the Board. 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.
- B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards which is reported separately. This is a major fund of the District.
- C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - 1) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 - 2) The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
 - 3) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONTINUED)

- D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.
- E) The District 21 and Student Activity Funds are used to hold monies transferred from school activity funds to be spent for the purpose of allowable student activities.
- F) The Student Activities Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. Project accounting is employed to maintain integrity for the various sources of funds.

II) Proprietary Fund Types (Enterprise Funds)

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

BASIS OF ACCOUNTING

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

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING (CONTINUED)

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

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

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

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

PROPERTY TAXES

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.530 per \$100 valuation for real property, \$.532 per \$100 valuation for business personal property and \$.548 per \$100 valuation for motor vehicles.

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

CAPITAL ASSETS

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

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

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

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

INTER-FUND BALANCES

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund 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.

ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

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

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCUMULATED UNPAID SICK LEAVE BENEFITS (CONTINUED)

For governmental fund financial statements the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund.

BUDGETARY PROCESS

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis as per Generally Accepted Accounting Principles (GAAP).

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

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

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

The construction fund records certificates of deposits as investments at their cost which represents fair market value.

INVENTORIES

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements, inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The Food Service Fund uses the specific identification method.

RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

All receivables are reported net of estimated uncollectible amounts.

PREPAID ASSETS

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

All debt is issued by a governmental fund. The treatment of the related discounts, premiums, and issuance costs are done on a GAAP basis.

ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (CONTINUED)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

FUND BALANCES

In accordance with Governmental Accounting Standards No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the District classifies fund balances as follows:

Non-spendable - Includes fund balance amounts which are not in spendable form or because of legal or contractual requirements.

Restricted - Includes fund balance amounts that are constrained for a specific purpose which are externally imposed by providers, such as creditors, or due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority. Funds are no longer committed when expended for intended purpose or when the board votes to reverse the commitment.

Assigned - Includes fund balance amounts that are to be used for a specific purpose that are neither considered to be restricted or committed, but rather assigned by the Deputy Superintendent of Finance or the Superintendent.

Unassigned - Includes positive fund balances within the General Fund which have not been classified in any of the above mentioned categories.

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

Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATEMENT OF NET POSITION

Net position represents the difference between assets and liabilities. The District classifies its net position into the following three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. As a rule of the governmental entity, restricted funds are expended first.
- Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

OPERATING REVENUES AND EXPENSES

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

INTER-FUND ACTIVITIES

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEFERRED OUTFLOW AND INFLOWS OF RESOURCES

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has deferred outflows related to pensions and other post-employment benefits.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has items related to pensions and other post-employment benefits that qualify for reporting in this category.

USE OF ESTIMATES

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

PENSION BENEFITS

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

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes 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 County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EFFECT OF NEW ACCOUNTING STANDARD

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model of SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription-based asset. This implementation resulted in no impact on the current year financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's cash and cash equivalents was \$51,150,291. Of the total cash balance, \$250,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

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

Financial Institution:

Independence Bank	<u>\$ 51,150,291</u>
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Allocation per Financial Statements:

Governmental Funds	\$ 42,755,572
Business Type Funds	8,394,719
Totals	<u>\$ 51,150,291</u>

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 3 – CAPITAL ASSETS

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

Governmental Assets:

GOVERNMENTAL ACTIVITIES:	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
<u>Capital Assets, not being depreciated</u>				
Land	\$ 989,487	\$ -	\$ -	\$ 989,487
Construction in progress	22,332,030	4,551,888	-	26,883,918
<u>Capital Assets, being depreciated</u>				
Land improvements	3,630,310	-	-	3,630,310
Building and improvements	101,831,600	761,842	-	102,593,442
Technology	5,548,338	397,818	-	5,946,156
Machinery and equipment	9,556,338	578,843	(1,354,086)	8,781,095
General equipment	2,645,212	7,701	-	2,652,913
Totals at historical cost	146,533,315	6,298,092	(1,354,086)	151,477,321
Land improvements	(3,279,363)	(78,098)	-	(3,357,461)
Building and improvements	(57,244,623)	(2,155,499)	-	(59,400,122)
Technology	(5,173,948)	(192,631)	-	(5,366,579)
Machinery and equipment	(7,257,734)	(520,618)	1,354,086	(6,424,266)
General equipment	(2,021,865)	(97,619)	-	(2,119,484)
Less: accumulated depreciation	(74,977,533)	(3,044,465)	1,354,086	(76,667,912)
Governmental activities, net	\$ 71,555,782	\$ 3,253,627	\$ -	\$ 74,809,409

Depreciation expenses were not allocated to governmental functions. It appears on the statement of activities as “unallocated.”

Business Type Activity Assets:

BUSINESS TYPE ACTIVITIES:	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Buildings and improvements	\$ 47,516	\$ -	\$ -	\$ 47,516
Food service equipment	1,841,776	-	-	1,841,776
Technology equipment	134,848	1,057,441	-	1,192,289
Totals at historical cost	2,024,140	1,057,441	-	3,081,581
Buildings and improvements	(34,212)	(1,900)	-	(36,112)
Food service equipment	(1,421,421)	(104,581)	-	(1,526,002)
Technology equipment	(116,038)	(3,954)	-	(119,992)
Less: accumulated depreciation	(1,571,671)	(110,435)	-	(1,682,106)
Business type activities, net	\$ 452,469	\$ 947,006	\$ -	\$ 1,399,475

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

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

Issue Date	Issue Name	Original Amount	Interest Rate	Maturity Date
2012	School Building Revenue Refunding Bonds 2012	\$ 2,225,000	0.70% - 2.00%	2024
2014	School Building Revenue Refunding Bonds 2014	\$ 7,865,000	0.90% - 3.00%	2030
2015	School Building Revenue Bonds Series 2015	\$ 3,790,000	3.00% - 3.375%	2033
2016	School Building Revenue Bonds Series 2016	\$ 17,845,000	2.00% - 3.125%	2036
2018	Energy Conservation Revenue Bonds Series 2018	\$ 1,275,000	3.00% - 3.70%	2038
2020	School Building Revenue Bonds Series 2020	\$ 21,595,000	1.10% - 2.60%	2040
2020	School Building Series 2020 Refunding Bonds	\$ 1,435,000	.45% - 2.00%	2032
2021	School Building Revenue Bonds Series 2021	\$ 4,630,000	1.00% -1.250%	2032

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

During the year ended June 30, 2022, the Board refunded the 2011 School Building Revenue Bonds Series 2011 by placing \$1,409,365 in an irrevocable escrow fund to be used solely for satisfying the scheduled debt service. Accordingly, bonds in the amount of \$1,360,000 were extinguished resulting in the accounting recognition of a gain on defeasance of \$49,365 reported in the accompanying financial statements as a deferred inflow of resources. The advanced refunding resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$89,868.

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS, CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming they are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023, for debt service (principal and interest) are as follows:

Fiscal Year	Henderson County School District		Kentucky School Facility Construction Commission		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	2,718,026	\$ 1,026,788	\$ 511,974	\$ 160,404	\$ 3,230,000	\$ 1,187,192
2025	2,767,371	975,123	392,631	149,848	3,160,002	1,124,971
2026	2,837,867	913,161	407,133	138,363	3,245,000	1,051,524
2027	2,900,081	849,410	414,919	114,377	3,315,000	963,787
2028	2,971,403	783,014	428,597	126,552	3,400,000	909,566
2029-2033	14,554,492	2,859,112	2,033,688	385,928	16,588,180	3,245,040
2034-2038	10,897,330	1,175,402	1,537,670	108,325	12,435,000	1,283,727
2039-2042	2,665,231	110,402	109,769	4,548	2,775,000	114,950
			-			
Totals	\$ 42,311,801	\$ 8,692,412	\$ 5,836,381	\$ 1,188,345	\$ 48,148,182	\$ 9,880,757

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

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
School Building Revenue Bonds	\$ 51,318,182	\$ -	\$ (3,170,000)	\$ 48,148,182	\$ 3,230,000
Deferred amounts:					
Issuance premiums	64,781	-	(5,306)	59,475	-
Issuance discounts	(466,101)	-	28,218	(437,883)	-
	(401,320)	-	22,912	(378,408)	-
Total governmental bonds payable	\$ 50,916,862	\$ -	\$ (3,147,088)	\$ 47,769,774	\$ 3,230,000

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 5 – ACCRUED SICK LEAVE

In accordance with generally accepted governmental accounting principles, 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. Compensated absences are generally liquidated by the General Fund.

A summary of the changes in accumulated sick leave benefits during the fiscal year ended June 30, 2023 is as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Accrued Sick Leave	\$ 712,646	\$ 5.00	\$ -	\$ 712,651	\$ 86,845

NOTE 6 – FUND BALANCES

The following is a summary of fund balances as of June 30, 2023:

	<u>General Fund</u>	<u>Construction Fund</u>	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>District 21 Activity Fund</u>	<u>Totals</u>
<u>RESTRICTED:</u>							
Construction	\$ -	\$ 9,444,491	\$ 621,846	\$ 319,168	\$ -	\$ -	\$ 10,385,505
Sick leave	625,806	-	-	-	-	-	625,806
Student activities	-	-	-	-	1,120,128	12,793	1,132,921
Total Restricted	625,806	9,444,491	621,846	319,168	1,120,128	12,793	12,144,232
<u>COMMITTED:</u>							
Sick leave	-	-	-	-	-	-	-
<u>ASSIGNED:</u>							
State revenue shortfall	1,000,000	-	-	-	-	-	1,000,000
Future repairs	1,000,000	-	-	-	-	-	1,000,000
Future technology	1,000,000	-	-	-	-	-	1,000,000
Future bus purchases	1,000,000	-	-	-	-	-	1,000,000
Purchase obligations	1,018,749	-	-	-	-	-	1,018,749
Total Assigned	5,018,749	-	-	-	-	-	5,018,749
<u>UNASSIGNED:</u>	27,092,488	-	-	-	-	-	27,092,488
Total Fund Balances	\$ 32,737,043	\$ 9,444,491	\$ 621,846	\$ 319,168	\$ 1,120,128	\$ 12,793	\$ 44,255,469

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS

Teachers' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

Plan description: Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit 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://ktrs.ky.gov>.

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

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

Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2 percent (service prior to July 1, 1983) and 2.5 percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members, (including second retirement accounts) after July 1, 2002 receive monthly benefits equal to 2 percent of the final average salary for each year of service if, upon retirement, their total service is less than ten years. In addition, members 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 percent to 3.0 percent to be used in their benefit calculation.

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

For members who established an account on or after July 1, 2008, and before January 1, 2022, members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if the service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if the service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for each year of credited service greater than 30 years.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three highest annual salaries to compute their final average salary. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For members who established an account on or after January 1, 2022, to qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 57 and complete 10 years of Kentucky service, or
2. Attain age 65 and complete 5 years of Kentucky service.

The annual foundational benefit is equal to service times a multiplier time final average salary. The multiplier ranges from 1.70% to 2.40%, depending on age and years of service. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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

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

Contributions: Contribution rates are established by Kentucky Revised Statutes (KRS). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008 and 14.105 percent for those who joined on or after July 1, 2008, and before January 1, 2022. For members who began participating on or after January 1, 2022, non-university members contribute 14.75% of the salaries to the system. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 10.75% of salary.

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

At June 30, 2023, the District did not report a liability for the District's proportionate share of the collective net pension liability because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

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

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>163,698,788</u>
Total		<u>\$ 163,698,788</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.00 percent, which was unchanged from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$14,936,067 and revenue of \$14,936,067 for support provided by the State.

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

Inflation	2.50 percent
Salary increases, including inflation	3.00 – 7.50 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.13 percent
Measurement Date	3.37 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.10 percent
Measurement Date	7.10 percent
Post-Retirement Benefit Increases	1.50 percent annually

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2021 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2021, adopted by the board on September 20, 2022. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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 rate of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(0.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

General Information about the OPEB Plans

Plan description: Teaching-certified employees of the District are provided other postemployment benefits (OPEB) through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit 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://ktrs.ky.gov>.

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 OPEB plans:

Medical Insurance Plan

Plan description: In addition to the pension benefits describe above, Kentucky Revised Statute 161.175 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes 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 percent of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75 percent from State appropriation and 3.00 percent 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, premiums collected from retirees as described in the plan description and investment interest help to meet the medical expenses of the plan. The District's contributions to TRS for the year ended June 30, 2023 were \$896,305.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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

At June 30, 2023, the District reported a liability of \$17,219,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.693611 percent, which was an increase of 0.174595 percent from its proportion measured as of June 30, 2021.

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

District's proportionate share of the net OPEB liability	\$ 17,219,000
State's proportionate share of the net OPEB liability associated with the District	<u>5,657,000</u>
Total	<u><u>\$ 22,876,000</u></u>

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

For the year ended June 30, 2023, the District recognized OPEB expense of \$2,687,757 and revenue of \$302,343 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,238,000
Changes of assumptions	3,497,000	-
Net difference between projected and actual investment earnings on pension plan investments	915,000	-
Changes in proportion and differences between District contributions and proportional share of contributions	4,935,000	77,000
District contributions subsequent to the measurement date	<u>896,305</u>	<u>-</u>
Total	<u>\$ 10,243,305</u>	<u>\$ 7,315,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2024	\$ (156,000)
2025	(75,000)
2026	14,000
2027	1,050,000
2028	848,000
Thereafter	351,000

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation
Health Care Trend Rates	
Pre-65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Post-65	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2021 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Medical Insurance Plan were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the total OPEB liability roll forward, while the change in initial per capital claims costs were included with experience in the total OPEB roll forward.

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 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.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued) The target allocation and best estimates of arithmetic real rates of return for each 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
Global Equity	58.00%	5.10%
Fixed Income	9.00%	(0.10)%
Real Estate	6.50%	4.00%
Private Equity	8.50%	6.90%
Additional Category: High Yield	8.00%	1.70%
Other Additional Categories	9.00%	2.20%
Cash (LIBOR)	1.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.10 percent) or one percentage point higher (8.10 percent) than the current rate:

	1.00% Decrease (6.10%)	Current Discount Rate (7.10%)	1.00% Increase (8.10)
District's proportionate share of the collective net OPEB liability as of June 30, 2022	<u>\$ 21,604,000</u>	<u>\$ 17,219,000</u>	<u>\$ 13,589,000</u>

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Medical Insurance Plan (continued)

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

	<u>1.00% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
District's proportionate share of the collective net OPEB liability as of June 30, 2022	<u>\$ 12,909,000</u>	<u>\$ 17,219,000</u>	<u>\$ 22,580,000</u>

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

Life Insurance Plan

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

Benefits provided: TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability if hired prior to January 1, 2022, and ten thousand dollars is hired on or after January 1, 2022. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members if hired prior to January 1, 2022, and five thousand dollars if hired on or after January 1, 2022. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

Contributions: In order to fund the post-retirement life insurance benefit, three hundredths of one percent (0.03%) of the gross annual payroll of members is contributed by the State.

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

At June 30, 2023, the District did not report a liability for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Life Insurance Plan (continued)

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		281,000
Total	\$	281,000

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard roll actuarial techniques. The District's proportion of the net OPEB liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.00 percent, which was unchanged from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized OPEB expense of \$21,474 and revenue of \$21,474 for support provided by the State

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

Inflation	2.50%	
Real wage growth	0.25%	
Wage inflation	2.75%	
Salary increases	3.00% - 7.50%, including wage inflation	
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation	

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2021 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the Commonwealth of Kentucky (continued)

Life Insurance Plan (continued)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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 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 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%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	(0.10)%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. 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 Teachers' Retirement System of the Commonwealth of Kentucky financial report.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System

General Information about the Pension Plan

Plan description: Substantially all other employees (classified personnel) participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the CERS Board of Trustees. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the Kentucky Retirement Systems Board of Trustees.

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

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6 percent of their annual creditable compensation, while 1 percent of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5 percent. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1 percent contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5 percent of their annual creditable compensation, and an additional 1 percent to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Kentucky Retirement System Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

Interest is paid into the Tier 3 member's account. The account currently earns 4 percent interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4 percent. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4 percent, then the member's account will be credited with 75 percent of the amount of the returns over 4 percent on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 23.40 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CEERS Board of Trustees. Contributions to CERS from the District were \$2,554,400 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$27,980,475 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.387058 percent, which was a decrease of 0.027567 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$2,085,549.

The net pension expense in aggregate for all plans was \$17,021,616, with revenue of \$14,936,067 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,915	\$ 249,178
Changes of assumptions	-	-
Net difference between projected and actual investment earnings on pension plan investments	717,318	-
Changes in proportion and differences between District contributions and proportional share of contributions	530,746	1,228,911
District contributions subsequent to the measurement date	<u>2,554,400</u>	<u>n/a</u>
Total	<u><u>\$ 3,832,379</u></u>	<u><u>\$ 1,478,089</u></u>

Of the total amount reported as deferred outflows of resources related to pensions, 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 pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2024	\$ (207,450)
2025	(552,392)
2026	(235,132)
2027	794,864
2028	-
Thereafter	-

Actuarial assumptions: There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2012. The total OPEB liability as of June 30, 2023, was determined using the following updated assumptions:

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

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2021. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

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

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate: The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 6.25 percent, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent) than the current rate:

	1.00% Decrease (5.25%)	Current Discount Rate (6.25%)	1.00% Increase (7.25%)
District's proportionate share of the collective net pension liability as of June 30, 2022	\$ 34,972,122	\$ 27,980,475	\$ 22,197,803

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

The District also offers employees the option to participate in a defined contribution plan under Section 403(b) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amounts allowable by law. The District does not contribute to these plans.

General Information about the OPEB Plan

Plan description: In addition to the pension benefits described above, Kentucky Public Pensions Authority provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan. The Insurance Fund was established by KRS 61.701 to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). The responsibility for the general administration and operation of the Insurance Fund is vested with the KRS and CERS Boards of Trustees.

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2022 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.0 million and \$3.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2021, insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$3.3 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 3.39 percent of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to the Insurance Fund from the District were \$370,061 for the year ended June 30, 2023, which does not include implicit subsidies reported in the amount of \$275,356. As described above, Tier 2 and Tier 3 employees contribute 1 percent of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

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

At June 30, 2023, the District reported a liability of \$7,637,320 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.386991 percent, which was a decrease of 0.027537 percent from its proportion measured as of June 30, 2021.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,039,473. The net OPEB expense in aggregate for all plans was \$3,748,704, with revenue of \$323,817 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 768,760	\$ 1,751,415
Changes of assumptions	1,207,896	995,299
Net difference between projected and actual investment earnings on pension plan investments	309,980	-
Changes in proportion and differences between District contributions and proportional share of contributions	216,789	487,863
Implicit subsidy	275,356	n/a
District contributions subsequent to the measurement date	370,061	n/a
Total	\$ 3,148,842	\$ 3,234,577

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	<u>Amount</u>
2024	\$ (71,992)
2025	(86,304)
2026	(511,429)
2027	(61,427)
2028	-
Thereafter	-

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)
County Employees' Retirement System (continued)
OPEB Plan (continued)

Actuarial assumptions: The total OPEB liability as of June 30, 2022, was determined using the following updated assumptions:

Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates or arithmetic real rate of return for each major asset class are summarized in the table below. The long-term inflation assumption is 2.30 percent per annum.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

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

The fully-insured premiums Kentucky Public Pensions Authority pays for the CERS Health Insurance Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Discount rate: A single discount rate of 5.70% was used to measure the total OPEB liability as of June 30, 2022. The discount rate determination used an expected rate of return of 6.25 percent, and a municipal bond rate of 3.69 percent, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the collective net OPEB liability calculated using the discount rate of 5.70 percent, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.70 percent) or one percentage point higher (6.70 percent) than the current rate:

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 7 – RETIREMENT PLANS (CONTINUED)

County Employees' Retirement System (continued)

OPEB Plan (continued)

	1.00% Decrease (4.70%)	Current Discount Rate (5.70%)	1.00% Increase (6.70%)
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 10,209,879	\$ 7,637,320	\$ 5,510,671

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

	1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
District's proportionate share of the collective net OPEB liability as of June 30, 2022	\$ 5,678,178	\$ 7,637,320	\$ 9,989,880

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems financial report.

NOTE 8 – 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 refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and reimbursed disbursement, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's 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.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 9 – RISK MANAGEMENT

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

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

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

NOTE 10 – COBRA

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

NOTE 11 – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2023:

<u>From:</u>	<u>To:</u>	<u>Amount</u>
General Fund	Special Revenue	\$ 137,861
General Fund	Debt Service	719,055
Special Revenue	General Fund	2,818
Student Activity	District Activity	19,262
Child Nutrition	General Fund	284,892
Capital Outlay	Construction	367,156
Capital Outlay	General Fund	292,729
FSPK	General Fund	646,593
FSPK	Construction	4,620,527
FSPK	Debt Service	<u>2,951,570</u>
Total prior to elimination		\$ 10,042,463
Eliminations		<u>(9,757,572)</u>
Balance per Statement of Activities		<u>\$ 284,891</u>

Transfers are made from fund-to-fund based on cash availability and cash needs. Most transfers are made for the purposes of payroll, debt service, or construction expenses.

**Henderson County School District
Notes to the Basic Financial Statements
June 30, 2023**

NOTE 12 – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits, technology, and bond debt from the Commonwealth of Kentucky. The following amounts are included as revenues and expenses/expenditures on the statement of activities, and the statement of revenues, expenditures, and changes in fund balances - governmental funds, and the statement of revenues, expenses, and changes in net position - proprietary funds:

Retirement Contributions to the Teachers' Retirement System of Kentucky	\$	15,259,884
Health Insurance		8,151,230
Life Insurance		12,494
Health Reimbursement Account - HRA/Dental/Vision		474,950
Administrative Fee		99,748
Less: Federal Reimbursements of Health Benefits		<u>(709,040)</u>
Total On-Behalf Payments for Fringe Benefits		23,289,266
Technology On-Behalf Payments		187,702
School Facilities Construction Commission (SFCC) Debt Service		<u>673,669</u>
Total On-Behalf Payments	\$	<u><u>24,150,637</u></u>

NOTE 13 – LITIGATION

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

NOTE 14 – SUBSEQUENT EVENTS

In accordance with ASC 855, subsequent events were evaluated through November 15, 2023, the date these financial statements were available to be issued.

**Henderson County Board of Education
Statement of Budgetary Comparison – General
For the fiscal year ended June 30, 2023**

	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
From local sources				
Taxes:				
Property	\$ 13,714,762	\$ 13,714,762	\$ 14,538,407	\$ 823,645
Motor vehicle and watercraft	2,350,000	2,350,000	2,837,836	487,836
Utilities	3,450,000	3,450,000	4,498,176	1,048,176
Unmined minerals	85,000	85,000	107,814	22,814
Franchise	890,000	890,000	1,198,232	308,232
Tuition and fees	40,000	40,000	86,773	46,773
Earnings on investments	175,000	175,000	346,641	171,641
Other local revenues	324,151	324,151	1,278,505	954,354
Intergovernmental - intermediate	-	-	168,978	168,978
Intergovernmental - state	46,022,047	46,022,047	51,432,062	5,410,015
Intergovernmental - direct federal	300,000	300,000	521,522	221,522
Total Revenues	<u>67,350,960</u>	<u>67,350,960</u>	<u>77,014,946</u>	<u>9,663,986</u>
<u>EXPENDITURES:</u>				
Instruction	49,011,967	49,011,967	45,135,504	3,876,463
Support services:				
Student	4,771,514	4,771,514	4,808,210	(36,696)
Instruction staff	2,396,404	2,396,404	2,412,877	(16,473)
District administrative	1,280,962	1,280,962	1,156,571	124,391
School administrative	4,805,602	4,805,602	5,081,329	(275,727)
Business	3,568,781	3,568,781	3,279,599	289,182
Plant operation & maintenance	8,310,478	8,310,478	7,270,904	1,039,574
Student transportation	4,849,572	4,849,572	4,228,562	621,010
Community services	8,727	8,727	-	8,727
Food Service	59	59	-	59
Debt Service	70,044	70,044	70,045	(1)
Contingency	11,535,954	11,535,954	-	11,535,954
Total Expenditures	<u>90,610,064</u>	<u>90,610,064</u>	<u>73,443,601</u>	<u>17,166,463</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(23,259,104)</u>	<u>(23,259,104)</u>	<u>3,571,345</u>	<u>26,830,449</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	291,745	291,745	1,227,032	935,287
Transfers out	160,000	160,000	(856,917)	(1,016,917)
Capital Asset Disposal	-	-	19,531	19,531
Total Other Financing Sources (Uses)	<u>451,745</u>	<u>451,745</u>	<u>389,646</u>	<u>(62,099)</u>
Change in fund balance	(22,807,359)	(22,807,359)	3,960,991	26,768,350
Fund Balance, Beginning of Year	<u>28,776,052</u>	<u>28,776,052</u>	<u>28,776,052</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 5,968,693</u>	<u>\$ 5,968,693</u>	<u>\$ 32,737,043</u>	<u>\$ 26,768,350</u>

See Independent Auditor's Report

**Henderson County Board of Education
Statement of Budgetary Comparison – Special Revenue
For the fiscal year ended June 30, 2023**

	<u>BUDGETED AMOUNTS</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>REVENUES:</u>				
Tuition and Fees	\$ -	\$ -	\$ 3,100	\$ 3,100
Other local revenues	118,161	118,161	106,802	(11,359)
Intergovernmental - state	3,845,735	3,845,735	3,635,880	(209,855)
Intergovernmental - federal	5,556,058	5,556,058	10,339,695	4,783,637
Total Revenues	<u>9,519,954</u>	<u>9,519,954</u>	<u>14,085,477</u>	<u>4,565,523</u>
<u>EXPENDITURES:</u>				
Instruction	7,561,820	7,561,820	11,430,790	(3,868,970)
Support services:				
Student	29,352	29,352	44,017	(14,665)
Instruction staff	868,945	868,945	872,964	(4,019)
School administrative	102,835	102,835	102,900	(65)
Plant operations and maintenance	-	-	-	-
Student transportation	880	880	880	-
Day care operations	-	-	491,340	(491,340)
Community services	1,113,317	1,113,317	1,277,630	(164,313)
Total Expenditures	<u>9,677,149</u>	<u>9,677,149</u>	<u>14,220,521</u>	<u>(4,543,372)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(157,195)</u>	<u>(157,195)</u>	<u>(135,044)</u>	<u>22,151</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating transfers in	160,000	160,000	137,862	(22,138)
Operating transfers out	-	-	(2,818)	(2,818)
Total Other Financing Sources	<u>160,000</u>	<u>160,000</u>	<u>135,044</u>	<u>(24,956)</u>
Change in fund balance	2,805	2,805	-	(2,805)
Fund Balance, Beginning of Year	<u>(2,805)</u>	<u>(2,805)</u>	<u>-</u>	<u>2,805</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net Pension Liability
Kentucky Teachers' Retirement System Pension Plan
As of the measurement date for the last ten years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportion of the collective net pension liability associated with the District	0.9662%	0.9791%	0.9768%	0.9753%	0.9654%	0.9555%	1.0231%	1.1368%	1.0832%
State's proportionate share of the collective net pension liability associated with the District	<u>163,698,788</u>	<u>127,421,645</u>	<u>138,443,757</u>	<u>133,072,905</u>	<u>126,415,356</u>	<u>257,816,883</u>	<u>301,816,489</u>	<u>264,542,143</u>	<u>222,594,552</u>
Total	<u>\$ 163,698,788</u>	<u>\$ 127,421,645</u>	<u>\$ 138,443,757</u>	<u>\$ 133,072,905</u>	<u>\$ 126,415,356</u>	<u>\$ 257,816,883</u>	<u>\$ 301,816,489</u>	<u>\$ 264,542,143</u>	<u>\$ 222,594,552</u>
District's covered-employee payroll	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694	\$ 35,915,858	\$ 33,946,994
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.20%	42.50%	45.59%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Pension Contributions
Kentucky Teachers' Retirement System Pension Plan
For the last ten fiscal years***

	<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>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212	\$ 35,630,694	\$ 35,915,858
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
Kentucky Teachers' Retirement System Medical Insurance Plan
As of the measurement date for the last ten years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.693611%	0.519016%	0.520171%	0.516889%	0.495510%	0.502088%
District's proportionate share of the collective net OPEB liability	\$ 17,219,000	\$ 11,137,000	\$ 13,128,000	\$ 15,128,000	\$ 17,193,000	\$ 17,903,000
State's proportion of the collective net OPEB liability associated with the District	0.227861%	0.421506%	0.416676%	0.417423%	0.427026%	0.410134%
State's proportionate share of the collective net OPEB liability associated with the District	<u>5,657,000</u>	<u>9,044,000</u>	<u>10,516,000</u>	<u>12,217,000</u>	<u>14,817,000</u>	<u>14,624,000</u>
Total	<u>\$ 22,876,000</u>	<u>\$ 20,181,000</u>	<u>\$ 23,644,000</u>	<u>\$ 27,345,000</u>	<u>\$ 32,010,000</u>	<u>\$ 32,527,000</u>
District's covered-employee payroll	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	48.10%	31.91%	39.22%	46.25%	54.63%	49.05%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.20%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
Kentucky Teachers' Retirement System Medical Insurance Plan
For the last ten fiscal years***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 896,305	\$ 821,414	\$ 921,407	\$ 918,521	\$ 899,753	\$ 882,688
Contributions in relation to the statutorily required contribution	<u>(896,305)</u>	<u>(821,414)</u>	<u>(921,407)</u>	<u>(918,521)</u>	<u>(899,753)</u>	<u>(882,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
Contributions as a percentage of covered-employee payroll	3.00%	2.75%	2.75%	2.75%	2.75%	2.80%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
Kentucky Teachers' Retirement System Life Insurance Plan
As of the measurement date for the last ten years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportion of the collective net OPEB liability associated with the District	0.904691%	0.919476%	0.916092%	0.913454%	0.901553%	0.891477%
State's proportionate share of the collective net OPEB liability associated with the District	<u>281,000</u>	<u>120,000</u>	<u>318,000</u>	<u>284,000</u>	<u>254,000</u>	<u>196,000</u>
Total	<u>\$ 281,000</u>	<u>\$ 120,000</u>	<u>\$ 318,000</u>	<u>\$ 284,000</u>	<u>\$ 254,000</u>	<u>\$ 196,000</u>
District's covered-employee payroll	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916	\$ 36,502,212
District's proportionate share of the collective 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%	80.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
Kentucky Teachers' Retirement System Life Insurance Plan
For the last ten fiscal years***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,300,592	\$ 35,795,388	\$ 34,905,600	\$ 33,470,210	\$ 32,708,490	\$ 31,468,916
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net Pension Liability
County Employees' Retirement System Pension Plan
As of the measurement date for the last ten years*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.387058%	0.414625%	0.394526%	0.391683%	0.393264%	0.394236%	0.408610%	0.436502%	0.437600%
District's proportionate share of the collective net pension liability	\$ 27,980,475	\$ 26,435,596	\$ 30,259,818	\$ 27,547,240	\$ 23,950,976	\$ 23,075,845	\$ 20,118,396	\$ 18,767,532	\$ 14,197,000
District's covered-employee payroll	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050	\$ 10,338,682	\$ 10,200,575
District's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	250.13%	241.30%	289.00%	272.51%	238.63%	233.36%	202.42%	181.53%	139.18%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Pension Contributions
County Employees' Retirement System Pension Plan
For the last ten fiscal years***

	<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>
Statutorily required contribution	\$ 2,554,400	\$ 2,368,201	\$ 2,114,434	\$ 2,020,781	\$ 1,639,610	\$ 1,453,351	\$ 1,379,474	\$ 1,234,430	\$ 1,318,182
Contributions in relation to the statutorily required contribution	<u>(2,554,400)</u>	<u>(2,368,201)</u>	<u>(2,114,434)</u>	<u>(2,020,781)</u>	<u>(1,639,610)</u>	<u>(1,453,351)</u>	<u>(1,379,474)</u>	<u>(1,234,430)</u>	<u>(1,318,182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703	\$ 9,939,050	\$ 10,338,682
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%	12.75%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's Proportionate Share of the Collective Net OPEB Liability
County Employees' Retirement System OPEB Plan
As of the measurement date for the last ten years***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	0.386991%	0.414528%	0.394422%	0.391585%	0.393248%	0.394236%
District's proportionate share of the collective net OPEB liability	\$ 7,637,320	\$ 7,935,931	\$ 9,524,092	\$ 6,586,283	\$ 6,982,040	\$ 7,925,492
District's covered-employee payroll	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954	\$ 9,888,703
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	68.27%	72.44%	90.96%	65.16%	69.56%	80.15%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Schedule of the District's OPEB Contributions
County Employees' Retirement System OPEB Plan
For the last ten fiscal years***

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 370,061	\$ 646,585	\$ 521,487	\$ 498,390	\$ 531,711	\$ 471,737
Contributions in relation to the statutorily required contribution	<u>(370,061)</u>	<u>(646,585)</u>	<u>(521,487)</u>	<u>(498,390)</u>	<u>(531,711)</u>	<u>(471,737)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 10,916,239	\$ 11,186,590	\$ 10,955,617	\$ 10,470,368	\$ 10,108,570	\$ 10,036,954
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

*This table will present ten years of information as it becomes available.

See Independent Auditor's Report and Notes to the Required Supplementary Information.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2023**

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 7 of this report.

Changes of assumptions:

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.5 percent to 7.10 percent.

Medical Insurance Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 7 of this report.

The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2016:

House Bill 471 restored the eligibility of non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010, 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.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2023**

Kentucky Teachers' Retirement System (continued)

Medical Insurance Plan (continued)

Changes of assumptions:

- In 2022, health care cost trend rates were updated to reflect future anticipated experience.
- In 2020, health care cost trend rates were updated.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2021 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Life Insurance Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 7 of this report.

Changes of assumptions:

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

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2023**

County Employees' Retirement System

Pension Plan

Changes of benefit terms: During the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final pay rate to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of member's final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2019 is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2021, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2021</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2021 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2021. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2015 actuarial valuation, 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 periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

**Henderson County Board of Education
Notes to the Required Supplementary Information
June 30, 2023**

County Employees' Retirement System

Other Postemployment Benefits Plan

Changes of benefit terms: Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 2090 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

During the 2019 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB Liability beginning June 30, 2019 is determined using these updated benefit provision.

Changes of assumptions: In the June 30, 2021 actuarial valuation, the following changes in actuarial assumptions were made:

	<u>June 30, 2021</u>	<u>June 30, 2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2021 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2019, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2021. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2017 actuarial valuation, 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.

**Henderson County Board of Education
Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2023**

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Student Activity Funds	Total Non-Major Governmental Funds
ASSETS AND RESOURCES:						
Cash and cash equivalents	\$ 621,846	\$ 319,168	\$ -	\$ 14,511	\$ 1,120,128	\$ 2,075,653
Total Assets and Resource:	<u>\$ 621,846</u>	<u>\$ 319,168</u>	<u>\$ -</u>	<u>\$ 14,511</u>	<u>\$ 1,120,128</u>	<u>\$ 2,075,653</u>
LIABILITIES:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,718	\$ -	\$ 1,718
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,718</u>	<u>\$ -</u>	<u>\$ 1,718</u>
FUND BALANCES:						
Restricted	621,846	319,168	-	12,793	1,120,128	2,073,935
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>621,846</u>	<u>319,168</u>	<u>-</u>	<u>12,793</u>	<u>1,120,128</u>	<u>2,073,935</u>
Total Liabilities and Fund Balances	<u>\$ 621,846</u>	<u>\$ 319,168</u>	<u>\$ -</u>	<u>\$ 14,511</u>	<u>\$ 1,120,128</u>	<u>\$ 2,075,653</u>

See Independent Auditor's Report.

Henderson County Board of Education
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
For the fiscal year ended June 30, 2023

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	District 21 Activity Fund	Student Activity Funds	Total Non-major Governmental Funds
REVENUES:						
From local sources:						
Taxes:						
Property	\$ 3,546,548	\$ -	\$ -	\$ -	\$ -	\$ 3,546,548
Other	-	-	-	-	2,190,844	2,190,844
Earnings on investments	10,436	3,402	-	-	8,024	21,862
Intergovernmental - State	3,123,316	656,483	673,669	-	-	4,453,468
Total Revenues	<u>6,680,300</u>	<u>659,885</u>	<u>673,669</u>	<u>-</u>	<u>2,198,868</u>	<u>10,212,722</u>
EXPENDITURES:						
Instruction	-	-	-	25,336	1,918,981	1,944,317
Student support	-	-	-	-	16,911	16,911
Instruction staff	-	-	-	199	71,620	71,819
Student transportation	-	-	-	-	70,365	70,365
Other expenses	-	-	594,194	-	-	594,194
Debt service:						
Principal	-	-	3,170,000	-	-	3,170,000
Interest	-	-	580,100	-	-	580,100
Total Expenditures	<u>-</u>	<u>-</u>	<u>4,344,294</u>	<u>25,535</u>	<u>2,077,877</u>	<u>6,447,706</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,680,300</u>	<u>659,885</u>	<u>(3,670,625)</u>	<u>(25,535)</u>	<u>120,991</u>	<u>3,765,016</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	3,670,625	19,262	-	3,689,887
Transfers out	(8,218,690)	(659,885)	-	-	(19,262)	(8,897,837)
Total Other Financing Sources (Uses)	<u>(8,218,690)</u>	<u>(659,885)</u>	<u>3,670,625</u>	<u>19,262</u>	<u>(19,262)</u>	<u>(5,207,950)</u>
Change in fund balance	(1,538,390)	-	-	(6,273)	101,729	(1,442,934)
Fund balance, beginning of year	<u>2,160,236</u>	<u>319,168</u>	<u>-</u>	<u>19,066</u>	<u>1,018,399</u>	<u>3,516,869</u>
Fund balance, end of year	<u>\$ 621,846</u>	<u>\$ 319,168</u>	<u>\$ -</u>	<u>\$ 12,793</u>	<u>\$ 1,120,128</u>	<u>\$ 2,073,935</u>

See Independent Auditor's Report.

Henderson County Board of Education
Statement of Receipts, Disbursements, and Fund Balance - Elementary and Middle Schools -Activity Funds
For the fiscal year ended June 30, 2023

	Cash Balance	Receipts	Disbursements	Cash Balance	Accounts	Accounts	Fund Balance
	July 1, 2022	For Year	For Year	June 30, 2023	Receivable	Payable	June 30, 2023
SCHOOL ACTIVITY FUNDS:							
Bend Gate Elementary	\$ 9,350	\$ 25,207	\$ (24,083)	\$ 10,474	\$ -	\$ -	\$ 10,474
Cairo Elementary	5,901	20,340	(21,778)	4,463	-	-	4,463
Central Learning Center	2,284	2,731	(428)	4,587	-	-	4,587
Chandler Elementary	9,051	25,988	(24,484)	10,555	-	-	10,555
East Heights Elementary	18,095	18,492	(20,821)	15,766	-	-	15,766
Jefferson Elementary	11,022	48,637	(42,498)	17,161	-	-	17,161
Niagara Elementary	15,446	26,233	(24,237)	17,442	-	-	17,442
South Heights Elementary	2,449	8,829	(8,632)	2,646	-	-	2,646
Spottsville Elementary	29,240	53,125	(55,182)	27,183	-	-	27,183
Thelma B. Johnson ELC	96,328	232,248	(225,424)	103,152	-	-	103,152
North Middle School	64,524	186,707	(176,358)	74,873	-	-	74,873
South Middle School	14,425	39,768	(42,141)	12,052	-	-	12,052
Totals	\$ 278,113	\$ 688,305	\$ (666,066)	\$ 300,352	\$ -	\$ -	\$ 300,352

See Independent Auditor's Report.

**Henderson County Board of Education
Statement of Receipts, Disbursements, and Fund Balance
Henderson County High School – Activity Funds
For the fiscal year ended June 30, 2023**

<u>Accounts</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Receipts</u> <u>For Year</u>	<u>Disbursements</u> <u>For Year</u>	<u>Cash Balance</u> <u>June 30, 2023</u>	<u>Transfer</u> <u>In/(Out)</u>	<u>Accounts</u> <u>Receivable</u>	<u>Accounts</u> <u>Payable</u>	<u>Fund Balance</u> <u>June 30, 2023</u>
Henderson County High School:								
Athletic	\$ 102,789	\$ 31,538	\$ (70,408)	\$ 63,919	\$ (12,843)	\$ -	\$ -	\$ 51,076
Band	32,360	4,027	(3,148)	33,239	1,600	-	-	34,839
Bookstore	9,932	1,216	(1,018)	10,130	(432)	-	-	9,698
Clubs	200,702	430,558	(383,909)	247,351	16,764	-	-	264,115
General Fund	235,906	790,449	(744,923)	281,432	(9,526)	-	-	271,906
Industrial Technology	10,149	-	-	10,149	-	-	-	10,149
Media	103,293	63,531	(57,268)	109,556	3,200	-	-	112,756
Memorial Funds	1,873	13,115	(14,089)	899	2,474	-	-	3,373
School concessions	20,100	17,795	(23,486)	14,409	(571)	-	-	13,838
Supplies	12,437	24,191	(29,855)	6,773	(622)	-	-	6,151
Speech and drama	3,894	22,453	(23,122)	3,225	(5,965)	-	-	(2,740)
Student council	620	102,047	(80,082)	22,585	(205)	-	-	22,380
Textbooks	1,155	8,246	(8,600)	801	-	-	-	801
Scholarship Funds	20,984	1,395	(7,071)	15,308	6,126	-	-	21,434
Totals	\$ 756,194	\$ 1,510,561	\$ (1,446,979)	\$ 819,776	\$ -	\$ -	\$ -	\$ 819,776

See Independent Auditor's Report.



Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control over Compliance and Report on Schedule of Federal Awards Required by the Uniform Guidance

Members of the Board of Education
Henderson County School District
Henderson, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Henderson County School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Single

ATA CPAs + Advisors PLLC

Henderson, Kentucky
November 15, 2023



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

Members of the Board of Education
Henderson County School District
Henderson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditors' Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Henderson County School District's basic financial statements and have issued our report thereon dated November 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

**Henderson County School District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023**

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 Henderson County School 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*. The results of our tests also disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditors' Contract - State Audit Requirements*.

We also noted certain other matters that we reported to management of Henderson County School District in a separate letter dated November 15, 2023.

Purpose of this Report

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

ATA CPAs + Advisors PLLC

Henderson, Kentucky
November 15, 2023

**Henderson County School District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal AL Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Agriculture:			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Child Nutrition Cluster			
Cash Assistance			
Summer Food Service Program for Children	10.559	7690024	\$ 40,536
Summer Food Service Program for Children	10.559	7740023	394,677
National School Lunch Program	10.555	7750002	3,500,859
National School Lunch Program	10.555	9980000	241,165
National School Lunch Program	10.555	7760005	1,278,206
School Breakfast Program	10.553	7720012	220,874
Fresh Fruit and Vegetable Program	10.582	7790021	208,850
Non-Cash Assistance (Commodities):			
National School Lunch Program	10.555	n/a	770,674
Total Child Nutrition Cluster			<u>6,655,841</u>
Child and Adult Care Food Program	10.558	7800016	14,329
PEBT Administrative Funds	10.649	9990000	5,950
State Administrative Expense for Child Nutrition	10.560	7700001	8,794
			<u>14,329</u>
			<u>5,950</u>
			<u>8,794</u>
			<u>29,073</u>
			<u>6,684,914</u>
United States Department of Defense:			
Invitational Grants for Military-Consolidated Schools- ROTC	12.557	504J	57,263
			<u>57,263</u>
			<u>57,263</u>
United States Department of Education:			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027X	4910002-21	246,074
Special Education - Grants to States	84.027A	3100002-21	54,326
Special Education - Grants to States	84.027A	3100002-22	1,724,261
Subtotal Special Education - Grants to States			<u>2,024,661</u>
Special Education - Preschool Grants	84.173X	4900002-21	53,673
Special Education - Preschool Grants	84.173A	3800002-20	12,472
Special Education - Preschool Grants	84.173A	3800002-21	38,924
Subtotal Special Education - Preschool Grants			<u>105,069</u>
			<u>168,742</u>
			<u>2,129,730</u>
Title I Grants to Local Educational Agencies	84.010	3100002-21	529,940
Title I Grants to Local Educational Agencies	84.010A	3100002-20	4,669
Title I Grants to Local Educational Agencies	84.010	3100002-22	1,541,746
Total Title I Grants to Local Educational Agencies			<u>2,076,355</u>

**Henderson County School District
Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<u>United States Department of Education - Continued:</u>			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education - Continued</i>			
Career and Technical Education - Basic Grants to States	84.048A	3710002-22	104,572
Career and Technical Education - Basic Grants to States	84.048A	3710002-21	8,229
Career and Technical Education - Basic Grants to States	84.048A	3710002-20	1,839
Total Career and Technical Education - Basic Grants to States			114,640
21st Century Community Learning Centers	84.287	3400002-20	87,551
21st Century Community Learning Centers	84.287	3400002-21	98,058
Total 21st Century Community Learning Centers			185,609
English Language Acquisition Grants	84.365A	3300002-21	21,100
English Language Acquisition Grants	84.365A	3300002-20	4,169
English Language Acquisition Grants	84.365A	3300002-19	-
Total Title III-English Language Acquisition Grants			25,269
Supporting Effective Instruction State Grants	84.367A	3230002-21	77,811
Supporting Effective Instruction State Grants	84.367A	3230002-20	7,786
Supporting Effective Instruction State Grants	84.367A	3230002-22	239,301
Total Improving Teacher Quality State Grants			324,898
Student Support and Academic Enrichment	84.424A	3420002-21	115,538
Student Support and Academic Enrichment	84.424A	3420002-20	29,074
Student Support and Academic Enrichment	84.424A	3420002-22	44,053
Total Student Support and Academic Enrichment			188,665
COVID-19 - Education Stabilization Fund- GEER	84.425C	NA	43,378
COVID-19 - Elementary and Secondary School Relief Fund	84.425D	4200003-20	75,547
COVID-19 - Elementary and Secondary School Relief Fund	84.425D	4200003-21	1,948
COVID-19 - Elementary and Secondary School Relief Fund	84.425D	4300003-21	8,622
COVID-19 - Elementary and Secondary School Relief Fund	84.425D	4200002-20	1,345,404
Total Education Stabilization Fund 84.425D			1,431,521
COVID-19 - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	4300023-21	19,761
COVID-19 - American Rescue Plan-Elementary and Secondary School Emergency Relief	84.425U	4300002-21	7,197
Total Education Stabilization Fund 84.425U			26,958
Total Education Stabilization Fund			1,501,857
Total United States Department of Education			6,547,023
<u>United States Department of Health and Human Services:</u>			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Health and Human Services</i>			
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	2400002-23	61,342
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	2400002-22	244,998
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	2400002-21	2,669,486
Total Substance Abuse and Mental Health Projects of Regional and National Significance			2,975,826
CCDF Cluster			
COVID-19 - Childcare Development Block Grant- ARPA	93.575	562IP	268,220
COVID-19 - Childcare Development Block Grant- CARES	93.575	576I	401,498
COVID-19 - Childcare Development Block Grant- ARPA	93.575	658FC	3,155
COVID-19 - Childcare Development Block Grant- CARES	93.575	658FL	5,834
COVID-19 - Childcare Development Block Grant- CARES	93.575	658FP	1,259
COVID-19 - Childcare Development Block Grant- CARES	93.575	672G	79,598
Total CCDF Cluster			759,564
Total Department of Health and Human Services			3,735,390
Total Expenditures of Federal Awards			\$ 17,024,590

Henderson County School District
Notes to the Schedule of Expenditures of Federal Awards
For the fiscal year ended June 30, 2023

Note 1 **Basis of Presentation:**

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

Note 2 **Summary of Significant Accounting Policies:**

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

Note 3 **Indirect Cost Rate:**

Henderson County School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 **Food Distribution:**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed

**Henderson County School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

I. Summary

	Results
<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
* Material weakness(es) identified?	None reported
* Significant deficiency(ies) identified?	None reported
Non-compliance material to financial statements noted?	None reported
<i>Federal Awards</i>	
Internal control over major programs:	
* Material weakness(es) identified?	None reported
* Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major federal programs?	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None reported
Identification of major federal programs:	
COVID-19 Elementary and Secondary School Emergency Relief Fund-84.425C	\$ 43,378
COVID-19 Elementary and Secondary School Emergency Relief Fund-84.425D	\$ 1,431,521
COVID-19 - American Rescue Plan-Elementary and Secondary School Emergency Relief- 84.425U	\$ 26,958
Title 1 Grants to Local Educational Agencies - 84.010	\$ 2,076,355
Supporting Effective Instruction State Grants - 84.367	\$ 324,898
Childcare Development Block Grant - 93.575	\$ 759,564
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Henderson County School District
Schedule of Findings and Questioned Costs
For the fiscal year ended June 30, 2023**

II. Findings - Financial Statement Audit

None: There were no material findings or questioned costs related to the financial statement audit of Henderson County School District for the fiscal year ended June 30, 2023.

III. Findings and Questioned Costs - Major Federal Program Audit:

None: There were no material findings or questioned costs related to the major federal programs of Henderson County School District for the fiscal year ended June 30, 2023.

IV. Summary Schedule of Prior Audit Findings:

There were no findings or questioned costs related to the financial statement audit or compliance audit under Uniform Guidance for the fiscal year ended June 30, 2022.



To the Board of Education
Henderson County School District
Henderson, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Henderson County School District for the fiscal year ended June 30, 2023. We have developed these recommendations to assist the District in improving financial operations as well as the related internal controls over various operational areas.

Improving Procedures Over School Activity Funds:

During our testing of the receipts and disbursements cycles of the student activity funds for the District, we noted several instances where staff failed to follow procedures promulgated by the Kentucky Department of Education's *Accounting Procedures for Kentucky School Activity Funds* (The Redbook). The following conditions were noted from our sample:

- Four instances where the deposit receipt does not equal the deposit voucher;
- One instance where the multiple receipt form was missing;
- Twelve instances where the deposit receipt was not initialed;
- Nine instances where bank reconciliations were signed by bookkeeper before principal signed the bank statement;
- Four instances where bank statements were missing a signature and/or date
- Seven instances where the multiple receipt form was not signed by the person collecting the money;
- Sixteen instances where the multiple receipt form was not completed or totaled correctly;
- One instance where the check stubs were missing;
- Four instances where checks were missing dual signatures;
- Twenty-Seven instances where the purchase order was not filled out completely;
- Thirteen instances where invoices were missing check number and date paid;
- Three instances where year end reports were not signed by principal and/or bookkeeper;
- Four instances where there was no deposit support or portions of deposit support were missing;
- One instance where payment was not timely;
- Three instance where the deposit was not made timely;
- Six instances where the sales form was not completed or totaled correctly;
- One instance where the year end bank reconciliation was missing;
- Two instances where the purchase order was completed after the purchase.

Recommendation:

We recommend as we did in the prior year, that management continue to provide training to ensure compliance with the procedures mandated by the Kentucky Department of Education as they relate to activity fund financial practices. Management of the District may also consider having someone within the District review activity in each fund on a monthly basis. Additionally, we recommend that the consultant engaged by the District to perform internal audits over each fund perform more in-depth procedures related to the cash receipts and the underlying reports and supporting documentation.

Management Response:

Management concurs with this recommendation and at the time of the audit has already communicated to responsible staff the procedures as they relate to the Redbook. From the heightened awareness of risk and responsibility, we will continue to provide yearly “Redbook” trainings from a highly qualified consultant. We will again engage the consultant to continue to conduct an annual internal audit of each school's activity funds. The consultant will be advised to perform more in-depth reviews of cash receipts and related supporting reports and documentation.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the “Redbook” will be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Schedule of Current Year Findings

2022-23 Findings by School:

Bend Gate Elementary School:

- The following were noted related to the cash receipt process:
 - 1) One instance was noted where the multiple receipt form was not completed or totaled correctly.
 - 2) Two instances where there was no deposit support.

- The following was noted related to the cash disbursement process:
 - 1) Ten instances where the PO was not filled out completely.
 - 2) One instance where a check was missing dual signatures.

- The following was noted related to the reporting process:
 - 1) Two instances where the bank reconciliation was signed by bookkeeper before principal signed bank statement.

Observations: Katie Kirkwood was not authorized signer until 4/28/23, but randomly signed checks throughout the year before then.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Bend Gate Elementary School and the importance of documenting the money received was stressed, as was the process for authorizing, approving, documenting and reviewing disbursements was discussed with staff.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Central Learning Center:

- The following were noted as they relate to the cash disbursements process:
 - 1) One instance where PO was not filled out completely.
 - 2) One instance where the payment was not timely.

- The following were noted as they relate to the reporting process:
 - 1) One instance where the bank statement does not have a signature and/or date.
 - 2) Three instances where year-end report was not signed by bookkeeper.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Central Learning Center and the importance of documenting the money received was stressed, as was the process for authorizing, approving, documenting and reviewing disbursements was discussed with staff.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Henderson County High School:

- The following were noted related to the cash receipts process:
 - 1) Seven instances where multiple receipt form was not signed and/or dated by person collecting money.
 - 2) One instance where multiple receipt form was not completed or totaled correctly.
 - 3) Two instances where deposits were not timely.

- The following were noted related to the cash disbursement process:
 - 1) Two instances where checks were missing dual signatures. (Check # 51419 was missing both signatures and was written to First National Bank)

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Henderson County High School and the importance of preparing a bank reconciliation and having the reconciliation and related bank statement reviewed and approved by the principal, as by signing and dating these documents. Proper accounting for gate receipts was discussed along with the appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Jefferson Elementary School:

- The following was noted related to the cash receipt process:
 - 1) Two instances where there was no deposit support or portions of support were missing. (July bank statement and September 1336 deposit missing)

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Jefferson Elementary School and the importance of using the multiple receipt form in proper fashion; the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

South Heights Elementary School:

- The following was noted related to the cash disbursement process:
 - 1) One instance where PO was not filled out completely.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Jefferson Elementary School and the importance of using the multiple receipt form in proper fashion; the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Niagara Elementary School:

- The following was noted related to the cash disbursement process:
 - 1) Two instances where PO was not filled out completely.
- The following were noted as they relate to the reporting process:
 - 1) Two instances where bank statements did not have signature and/or date.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at Niagara Elementary School and the importance of following appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

North Middle School:

- The following were noted related to the cash receipt process:
 - 1) Two instances where the deposit receipt did not equal the deposit voucher.
 - 2) One instance where the multiple receipt form was missing.
 - 3) Twelve instances where the deposit receipt was not initialed.
 - 4) Two instances where the multiple receipt form was not completed or totaled correctly.
 - 5) One instance where the deposit was not timely.
 - 6) Three instances where sales form was not complete or incorrect.

- The following were noted related to the cash disbursement process:
 - 1) One instance where check stub was missing.
 - 2) One instance where invoice was missing check number and/or date paid.

- The following was noted related to the reporting process:
 - 1) Five instances where bank reconciliations were signed by bookkeeper before principal signed bank statement.
 - 2) One instance where one of the year end reports were missing.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at North Middle School the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments. Due to the numerous findings at this school, management will focus on taking corrective action in the form of additional training for the bookkeeper and the principal. A meeting was held October 1, 2018 with the auditor, finance director, and the principal and bookkeeper to discuss the issues noted from a review of the activity fund.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

South Middle School:

- The following were noted related to the cash disbursement process:
 - 1) One instance where purchase order was not filled out completely.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at South Middle School related to the appropriate use of the multiple receipt form and bank deposits procedures.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

AB Chandler:

- The following was noted related to the reporting process:
 - One instance where the bank reconciliation was signed by bookkeeper before the principal signed the bank statement.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at South Middle School related to the appropriate use of the multiple receipt form and bank deposits procedures.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Spottsville Elementary:

- The following was noted related to the cash receipts process:
 - 1) Two instances where deposit receipt does not match deposit voucher. (Deposit on 10/26/22 had two cash receipts that were not deposited at any point in time).
- The following were noted related to the cash disbursement process:
 - 1) Twelve instances where the purchase order was not filled out completely.
- The following was noted related to the reporting process:
 - 1) One instance where bank statement does not have signature and/or date.

Observation: Reconciliation for month of October was pulled for wrong period.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at South Middle School related to the appropriate use of the multiple receipt form and bank deposits procedures.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

East Heights Elementary:

- The following was noted related to the cash receipts process:
 - 1) Twelve instances where the multiple receipt form was not completed or totaled correctly.
 - 2) Three instances where the sales form was not completed or totaled correctly.
- The following was noted related to the cash disbursements process:
 - 1) One instance where a check was missing dual signatures.
 - 2) Twelve instances where invoices are missing check number and/or date paid.
 - 3) Two instances where purchase order was completed after purchase.
- The following was noted related to the reporting process:
 - 1) One instance where the bank reconciliation was signed by the bookkeeper before the principal signed the bank statement.

Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. Procedures were reviewed with staff at South Middle School related to the appropriate use of the multiple receipt form and bank deposits procedures.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.



To the Board of Education
Henderson County School District
Henderson, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Henderson County School District for the fiscal year ended June 30, 2022. We have developed these recommendations to assist the District in improving financial operations as well as the related internal controls over various operational areas.

Improving Procedures Over School Activity Funds:

During our testing of the receipts and disbursements cycles of the student activity funds for the District, we noted several instances where staff failed to follow procedures promulgated by the Kentucky Department of Education's *Accounting Procedures for Kentucky School Activity Funds* (The Redbook). The following conditions were noted from our sample:

- Two instances where the multiple receipt form was not signed by the person collecting the money;
- Thirty-nine instances where the deposit slips were not initialed;
- Forty-nine instances where the deposit receipts were not initialed;
- Forty-nine instances where the bank statements were missing signatures and/or date for approval of review;
- Two instances where checks only had 1 signature;
- Fourteen instances where the multiple receipt form was not filled out properly or totaled correctly
- Three instances where the PO was missing;
- Eight instances where an invoice approval was missing a signature and/or date paid;
- Forty-two instances of an invoice missing the check number and date paid;
- One instance where a monthly report was not signed by one or both of the bookkeeper and Principal;
- One instance where the PO was missing dual signatures for approval;
- One instance where the disbursement amount exceeds the PO amount;
- Two instances where the PO does not agree with the actual invoice amount;
- Two instances where the multiple receipt form was missing;
- Two instances where the PO not filled out completely;

Recommendation:

We recommend as we did in the prior year, that management continue to provide training to ensure compliance with the procedures mandated by the Kentucky Department of Education as they relate to activity fund financial practices. Management of the District may also consider having someone within the District review activity in each fund on a monthly basis. Additionally, we recommend that the consultant engaged by the District to perform internal audits over each fund perform more in-depth procedures related to the cash receipts and the underlying reports and supporting documentation.