MARTIN COUNTY
SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES

For the year ended June 30, 2023

Prepared by:

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TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Martin County School District
Inez, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Martin 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Martin 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 Martin 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 Martin 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, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison 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 Martin County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

White & Associates, PSC

Richmond, Kentucky
November 15, 2023

MARTIN COUNTY SCHOOL DISTRICT - INEZ, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

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

FINANCIAL HIGHLIGHTS

- The beginning fund balance for the General Fund was \$4.74 million. The ending fund balance was \$5.61 million.
- The district constructs and renovates facilities with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations.
- The General Fund had \$18.08 million in revenue, including on behalf payments made by the state, which primarily consisted of the state program (SEEK), property, utility, and motor vehicle taxes. There were \$17.74 million in General Fund expenditures.
- During fiscal year 2023 the District was less impacted by the loss of students in prior years, better collections of local tax revenue, and better business activities due to economic conditions leveling in the region.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are 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. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

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

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

The basic governmental fund financial statements can be found in the table of contents of this report.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of Martin County Schools, assets exceeded liabilities by $34.15 million for Governmental Activities, and $.60 million for Business Type Activities as of June 30, 2023. 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 that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

Table 1
Net Position
$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Current assets	$ 6.67	$ 25.83	$ 0.98	$ 0.95	$ 7.65	$ 26.78
Non-current assets	57.88	57.30	0.10	0.12	57.98	57.42
Total assets	64.55	83.13	1.08	1.07	65.63	84.20
Deferred outflows	3.25	5.52	0.09	0.14	3.34	5.66
Current liabilities	3.09	3.21	-	0.01	3.09	3.22
Non-current liabilities	46.92	46.44	0.38	0.46	47.30	46.90
Total liabilities	50.01	49.65	0.38	0.47	50.39	50.12
Deferred inflows	5.07	4.85	0.12	0.14	5.19	4.99
Net position:						
Invested in capital assets, net of debt	20.32	21.86	0.10	0.12	20.42	21.98
Restricted	1.48	19.38	0.58	0.48	2.06	19.86
Unrestricted (deficit)	(9.08)	(7.09)	-	-	(9.08)	(7.09)
Total net position	$ 12.72	$ 34.15	$ 0.68	$ 0.60	$ 13.40	$ 34.75

GOVERNMENTAL ACTIVITIES

Ending net position was $34.75 million for the District. This was an increase of $21.35 million from 2022.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities 2022	Governmental Activities 2023	Business-Type Activities 2022	Business-Type Activities 2023	Total School District 2022	Total School District 2023	Total Percentage Change 2022-2023
Revenues:							
Charges for services	$ 0.43	$ 0.65	$ 0.04	$ 0.05	$ 0.47	$ 0.70	49%
Operating grants and contributions	9.31	16.57	1.59	2.02	10.90	18.59	71%
Capital grants and contributions	3.02	20.64	-	-	3.02	20.64	583%
General revenues	13.10	9.05	-	(0.09)	13.10	8.96	-32%
Total revenue	25.86	46.91	1.63	1.98	27.49	48.89	78%
Expenses:							
Instruction	$ 12.86	$ 13.71	$ -	$ -	$ 12.86	$ 13.71	7%
Student	1.42	1.48	-	-	1.42	1.48	4%
Instructional staff	0.72	0.61	-	-	0.72	0.61	-15%
District administration	0.69	0.63	-	-	0.69	0.63	-9%
School administration	0.84	0.90	-	-	0.84	0.90	7%
Business	0.42	0.48	-	-	0.42	0.48	14%
Plant operation & maintenance	2.91	3.71	-	-	2.91	3.71	27%
Student transportation	1.26	1.43	-	-	1.26	1.43	13%
Community services operations	0.42	0.45	-	-	0.42	0.45	7%
Other facilities	0.01	-	-	-	0.01	-	-100%
Food Service Operations	-	-	1.42	2.04	1.42	2.04	44%
Depreciation/Amortization	0.83	0.86	0.01	0.01	0.84	0.87	4%
Interest on long-term debt	1.30	1.23	-	-	1.30	1.23	-5%
Total Expenses	$ 23.68	$ 25.49	$ 1.43	$ 2.05	$ 25.11	$ 27.54	10%
Change in net position	$ 2.18	$ 21.42	$ 0.20	$ (0.07)	$ 2.38	$ 21.35	-797%

CAPITAL ASSETS

At the end of fiscal 2023, the District had $57.42 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents a net decrease (including additions, deductions construction in progress) of $.56 million.

Capital Assets at Year-End
$ (Net of Depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	$ 501,150	$ 501,150	$ -	$ -	$ 501,150	$ 501,150
Land Improvements	67,460	65,633	-	-	67,460	65,633
Buildings	11,274,333	10,721,951	-	-	11,274,333	10,721,951
Technology Equipment	7,715	6,298	-	-	7,715	6,298
Vehicles	1,043,729	1,035,347	-	-	1,043,729	1,035,347
General Equipment	381,101	361,101	98,321	117,112	479,422	478,213
Infrastructure	300,565	264,608	-	-	300,565	264,608
Construction in Progress	44,301,446	44,301,446	-	-	44,301,446	44,301,446
Finance Purchases	-	42,951	-	-	-	42,951
Totals	$ 57,877,499	$ 57,300,485	$ 98,321	$ 117,112	$ 57,975,820	$ 57,417,597

DEBT

The following describes our outstanding obligation for the fiscal year 2023 a reduction of $2.11 million.

Table 4
Outstanding Debt at Year-End

	Government Activities 2022	Government Activities 2023
General obligation bonds	$ 37,104,165	$ 35,065,352
Finance purchase obligations	449,467	377,964
Total obligations	$ 37,553,632	$ 35,443,316

THE DISTRICT'S FUNDS

As the District completed the year, its General Fund reflected a fund balance of $5.61 million, an increase of $0.86 million from the prior year. $5.46 million was unassigned fund balance, compared to $4.63 million from the preceding year. The District increased local tax revenue by $.44 million from the prior year, collecting a total of $3.54 million in fiscal year 2023. The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2023 for selected funds.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	$ 3,976,917	$ 212,138	$ -	$ 435,038	$ 368,323	$ -	$ 86,374
State Revenue Sources	14,082,565	638,074	164,275	1,233,994	17,475,000	1,770,082	250,104
Federal Revenue Sources	22,732	5,805,087	-	-	-	-	1,765,873
Other	52,594	-	-	-	-	-	-
Transfers	500,530	34,498	-	-	-	1,491,249	-
TOTALS	**$18,635,338**	**$6,689,797**	**$164,275**	**$ 1,669,032**	**$17,843,323**	**$3,261,331**	**$ 2,102,351**
EXPENDITURES	**Fund 1**	**Fund 2**	**Fund 310**	**Fund 320**	**Fund 360**	**Fund 400**	**Fund 51**
Instruction	$ 9,011,271	$4,984,319	$ -	$ -	$ -	$ -	$ -
Student Support Services	1,018,426	458,267	-	-	-	-	-
Instructional Staff Support Services	504,690	102,212	-	-	-	-	-
District Admin Support	633,095	-	-	-	-	-	-
School Admin Support	903,464	-	-	-	-	-	-
Business Support Services	467,633	16,020	-	-	-	-	-
Plant Operation & Management	3,743,439	11,207	-	-	-	-	-
Student Transportation	1,330,755	284,693	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	2,038,543
Day Care Operations	-	-	-	-	-	-	-
Community Services	374	451,485	-	-	-	-	-
Depreciation	-	-	-	-	-	-	15,767
Building Improvements	-	-	-	-	-	-	-
Debt Service	125,740	-	-	-	-	3,261,331	-
Other	-	-	-	-	-	-	-
Transfers	34,498	381,659	-	1,491,249	-	-	118,871
TOTALS	**$17,773,385**	**$6,689,862**	**$ -**	**$ 1,491,249**	**$ -**	**$3,261,331**	**$ 2,173,181**
Excess / (Deficit)	861,953	(65)	164,275	177,783	17,843,323	-	(70,830)

COMMENTS ON BUDGET COMPARISONS

- Actual General Fund revenue was over the budget by $1.79 million. General Fund budget compared to actual revenue varied slightly in most line items.
- Actual General Fund expenditures were under the budget by $3.37 million.

FUTURE BUDGETARY IMPLICATIONS

In Kentucky, the public schools' fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency.

Issues which will impact future budgets include:

- The need of improving programming and meeting the academic audit recommendations and ESSA requirements.
- Insufficient funding of the state transportation formula
- Economic conditions in the region resulting in future reduction of population and the revenues associated
- Local assessed tax rates
- Staffing reassessment

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Contact Earnest Hale at 606-298-3572 or mail us at Martin County Board of Education, 104 E Main St., Inez, KY 41224.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,575,972	$ 909,207	$ 6,485,179
Investments	17,868,191		17,868,191
Receivables (net)	2,388,923		2,388,923
Inventories		39,393	39,393
Land and construction in progress	44,802,596		44,802,596
Other capital assets, net of depreciation	12,454,938	117,112	12,572,050
Finance purchases	42,951		42,951
Total capital assets	57,300,485	117,112	57,417,597
Total assets	83,133,571	1,065,712	84,199,283
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,834,285	90,612	1,924,897
Deferred outflows related to OPEB CERS	1,003,045	49,549	1,052,594
Deferred outflows related to OPEB TRS	2,511,683		2,511,683
Deferred savings from refunded bonds	170,990		170,990
Total deferred outflows of resources	5,520,003	140,161	5,660,164
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	88,653,574	1,205,873	89,859,447
LIABILITIES			
Accounts payable and accrued expenses	163,349	8,530	171,879
Accrued interest payable	328,969		328,969
Unearned revenue	506,019		506,019
Long-term liabilities:			
Due within 1 year:			
Bond obligations	2,120,000		2,120,000
Finance purchase obligations	103,446		103,446
Total due within 1 year	2,223,446	-	2,223,446
Due in more than 1 year:			
Bond obligations	32,945,352		32,945,352
Finance purchase obligations	274,518		274,518
Sick leave	299,332		299,332
Net pension liability	7,245,071	357,900	7,602,971
Net OPEB liability CERS	1,977,784	97,701	2,075,485
Net OPEB liability TRS	3,689,000		3,689,000
Total due in more than 1 year	46,431,057	455,601	46,886,658
Total liabilities	49,652,840	464,131	50,116,971
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,443,532	71,309	1,514,841
Deferred inflows related to OPEB CERS	1,350,931	66,735	1,417,666
Deferred inflows related to OPEB TRS	2,057,000		2,057,000
Total deferred inflows of resources	4,851,463	138,044	4,989,507
NET POSITION			
Net Investment in capital assets	21,857,169	117,112	21,974,281
Restricted for:			
Capital projects	19,254,374		19,254,374
District activities	16,870		16,870
Special revenues	106,217		106,217
Food Services		486,586	486,586
Unrestricted (deficit)	(7,085,359)		(7,085,359)
Total net position	34,149,271	603,698	34,752,969
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 88,653,574	$ 1,205,873	$ 89,859,447

MARTIN COUNTY SCHOOL DISTRICT
Statement of Activities
Year ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	$ 13,704,237	$ -	$ 10,268,625	$ -	$ (3,435,612)	$ -	$ (3,435,612)
Support services							
Student	1,476,693	612,447	959,965		95,719		95,719
Instructional staff	606,902		394,533		(212,369)		(212,369)
District administration	633,095		411,561		(221,534)		(221,534)
School administration	903,464		587,322		(316,142)		(316,142)
Business	483,653		314,412		(169,241)		(169,241)
Plant operation & maintenance	3,710,997		2,412,435	18,873,269	17,574,707		17,574,707
Student transportation	1,428,977	37,418	928,946		(462,613)		(462,613)
Community services operations	451,859		293,743		(158,116)		(158,116)
Interest on general long-term debt	1,232,039			1,770,082	538,043		538,043
Depreciation*	859,728				(859,728)		(859,728)
Total governmental activities	25,491,644	649,865	16,571,541	20,643,351	12,373,113		12,373,113
Business-type activities:							
Food service operations	2,038,543	53,846	2,015,977			31,280	31,280
Depreciation*	15,767					(15,767)	(15,767)
Total business-type activities	2,054,310	53,846	2,015,977	-	-	15,513	15,513
Total primary government	$ 27,545,954	$ 703,711	$ 18,587,518	$ 20,643,351	12,373,113	15,513	12,388,626
General revenues:							
Taxes:							
Property taxes					2,952,872		2,952,872
Motor vehicle taxes					279,666		279,666
Franchise taxes					19,016		19,016
Utility taxes					754,444		754,444
Other taxes					72,854		72,854
State and formula grants					3,976,917		3,976,917
Other local revenue					293,893		293,893
Unrestricted investment earnings					582,253	32,528	614,781
Transfer					118,871	(118,871)	-
Total general revenues and transfer					9,050,786	(86,343)	8,964,443
Change in net position					21,423,899	(70,830)	21,353,069
Net position - beginning					12,725,372	674,528	13,399,900
Net position - ending					$ 34,149,271	$ 603,698	$ 34,752,969

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

	Governmental Funds					
	General	**Special Revenue**	**Construction**	**Debt Service**	**Other Governmental Funds**	**Total**
ASSETS						
Cash and cash equivalents	$ 3,880,197	$ 81,349	$ 352,479	$ -	$ 1,261,947	$ 5,575,972
Investments		24,868	17,843,323			17,868,191
Receivables						
Interfund receivables	1,673,369					1,673,369
Taxes	205,479					205,479
Accounts		28,994				28,994
Intergovernmental - state		584				584
Intergovernmental - federal		2,153,866				2,153,866
Total assets	5,759,045	2,289,661	18,195,802	-	1,261,947	27,506,455
LIABILITIES						
Accounts payable	152,185	4,056			7,108	163,349
Interfund payable		1,673,369				1,673,369
Unearned revenue		506,019				506,019
Total liabilities	152,185	2,183,444	-	-	7,108	2,342,737
FUND BALANCE						
Restricted		106,217	18,195,802		1,075,442	19,377,461
Committed	149,666				179,397	329,063
Unassigned	5,457,194					5,457,194
Total fund balance	5,606,860	106,217	18,195,802	-	1,254,839	25,163,718
TOTAL LIABILITIES AND FUND BALANCE	$ 5,759,045	$ 2,289,661	$ 18,195,802	$ -	$ 1,261,947	$ 27,506,455

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

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

June 30, 2023

Fund balances-total governmental funds	$	25,163,718
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.		57,300,485
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus.		170,990
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payble in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(328,969)
Bonds payable		(35,065,352)
Sick leave liability		(299,332)
Finance purchase obligations		(377,964)
Net pension liability		(7,245,071)
Net opeb liability		(5,666,784)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to pensions		1,834,285
Deferred outflows related to OPEB		3,514,728
Deferred inflows related to pensions		(1,443,532)
Deferred inflows related to OPEB		(3,407,931)
Net position of governmental activities	$	34,149,271

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2023

	General	Special Revenue	Construction	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
From Local Sources						
Taxes						
Property	$ 2,517,834	$ -	$ -	$ -	$ 435,038	$ 2,952,872
Motor vehicle	279,666					279,666
Franchise	19,016					19,016
Utilities	754,444					754,444
Other	72,854					72,854
Earnings on investments	209,944	3,986	368,323			582,253
Transportation	37,418					37,418
Other local revenue	85,741	208,152				293,893
Student activities					612,447	612,447
Intergovernmental - state	14,082,565	638,074	17,475,000	1,770,082	1,398,269	35,363,990
Intergovernmental - federal	22,732	5,805,087				5,827,819
Total revenues	18,082,214	6,655,299	17,843,323	1,770,082	2,445,754	46,796,672
EXPENDITURES						
Instruction	9,011,271	4,984,319			607,360	14,602,950
Support Services						
Student	1,018,426	458,267				1,476,693
Instructional staff	504,690	102,212				606,902
District administration	633,095					633,095
School administration	903,464					903,464
Business	467,633	16,020				483,653
Plant operation & maintenance	3,743,439	11,207				3,754,646
Student transportation	1,330,755	284,693				1,615,448
Community services operations	374	451,485				451,859
Debt service	125,740			3,261,331		3,387,071
Total expenditures	17,738,887	6,308,203	-	3,261,331	607,360	27,915,781
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	343,327	347,096	17,843,323	(1,491,249)	1,838,394	18,880,891
OTHER FINANCING SOURCES (USES)						
Loan proceeds	52,594					52,594
Operating transfers in	500,530	34,498		1,491,249	5,277	2,031,554
Operating transfers (out)	(34,498)	(381,659)			(1,496,526)	(1,912,683)
Total other financing sources and (uses)	518,626	(347,161)	-	1,491,249	(1,491,249)	171,465
NET CHANGE IN FUND BALANCE	861,953	(65)	17,843,323	-	347,145	19,052,356
FUND BALANCE-BEGINNING	4,744,907	106,282	352,479	-	907,694	6,111,362
FUND BALANCE-ENDING	$ 5,606,860	$ 106,217	$ 18,195,802	$ -	$ 1,254,839	$ 25,163,718

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2023

Net change in fund balances-total governmental funds	$	19,052,356
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		743,612
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		171,699
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 activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		(577,014)
Bonds sold at a discount/premium are a reduction/addition in the amount owed and amortized over the discount period of the bonds sold.		(26,187)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(24,428)
Bond and finance purchase 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.		2,136,503
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		16,550
Noncurrent sick leave payable		(69,192)
Change in net position of governmental activities	$	21,423,899

MARTIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund

Year Ended June 30, 2023

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
From local sources				
Taxes				
Property	$ 1,550,000	$ 1,550,000	$ 2,517,834	$ 967,834
Motor vehicle	175,000	175,000	279,666	104,666
Franchise	200,000	200,000	19,016	(180,984)
Utilities	500,000	500,000	754,444	254,444
Other	115,000	115,000	72,854	(42,146)
Transportation	25,000	25,000	37,418	12,418
Earnings on investments	17,500	17,500	209,944	192,444
Other local revenue	105,000	105,000	85,741	(19,259)
Intergovernmental - state	13,592,000	13,592,000	14,082,565	490,565
Intergovernmental - federal	15,000	15,000	22,732	7,732
Total revenues	16,294,500	16,294,500	18,082,214	1,787,714
EXPENDITURES				
Instruction	8,994,325	8,987,725	9,011,271	(23,546)
Support services				
Student	1,315,842	1,315,842	1,018,426	297,416
Instructional staff	689,741	689,741	504,690	185,051
District administration	2,145,893	2,145,893	633,095	1,512,798
School administration	1,068,261	1,068,261	903,464	164,797
Business	573,100	573,100	467,633	105,467
Plant operation & maintenance	4,686,550	4,686,550	3,743,439	943,111
Student transportation	1,508,450	1,508,450	1,330,755	177,695
Community services	130,000	130,000	374	129,626
Debt service			125,740	(125,740)
Total expenditures	21,112,162	21,105,562	17,738,887	3,366,675
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(4,817,662)	(4,811,062)	343,327	5,154,389
OTHER FINANCING SOURCES (USES)				
Loan proceeds			52,594	52,594
Operating transfers in			500,530	500,530
Operating transfers (out)			(34,498)	(34,498)
Total other financing sources and (uses)	-	-	518,626	518,626
NET CHANGE IN FUND BALANCE	(4,817,662)	(4,811,062)	861,953	5,673,015
FUND BALANCE-BEGINNING	4,817,662	4,817,662	4,744,907	(72,755)
FUND BALANCE-ENDING	$ -	$ 6,600	$ 5,606,860	$ 5,600,260

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Favorable (Unfavorable)**
REVENUES				
From local sources				
Earnings on investments	$ -	$ -	$ 3,986	$ 3,986
Other local revenue	82,000	82,000	208,152	126,152
Intergovernmental - state	281,159	844,962	638,074	(206,888)
Intergovernmental - federal	3,119,801	4,860,820	5,805,087	944,267
Total revenues	3,482,960	5,787,782	6,655,299	867,517
EXPENDITURES				
Instruction	2,982,479	5,374,337	4,984,319	390,018
Support services				
Student	97,898	97,898	458,267	(360,369)
Instructional staff	72,905	72,905	102,212	(29,307)
District administration				-
Business			16,020	(16,020)
Plant operation & maintenance	43,728	43,728	11,207	32,521
Student transportation			284,693	(284,693)
Community services operations	285,950	285,950	451,485	(165,535)
Total expenditures	3,482,960	5,874,818	6,308,203	(433,385)
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	-	(87,036)	347,096	434,132
OTHER FINANCING SOURCES (USES)				
Operating transfers in			34,498	34,498
Operating transfers (out)			(381,659)	(381,659)
Total other financing sources and (uses)	-	-	(347,161)	(347,161)
NET CHANGE IN FUND BALANCE	-	(87,036)	(65)	86,971
FUND BALANCE-BEGINNING	-	-	106,282	106,282
FUND BALANCE-ENDING	$ -	$ (87,036)	$ 106,217	$ 193,253

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2023

		Enterprise Fund
		School Food Services
ASSETS		
Cash and cash equivalents	$	909,207
Inventories		39,393
Capital assets:		
Other capital assets, net of depreciation		117,112
Total assets		1,065,712
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		90,612
Deferred outflows related to OPEB		49,549
Total deferred outflows of resources		140,161
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		1,205,873
LIABILITIES		
Accounts payable		8,530
Net pension liability		357,900
Net OPEB liability		97,701
Total liabilities		464,131
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		71,309
Deferred inflows related to OPEB		66,735
Total deferred inflows of resources		138,044
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		602,175
NET POSITION		
Net investment in capital assets		117,112
Restricted		486,586
Total net position		603,698
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$	1,205,873

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2023

	Enterprise Fund
	School Food Services
OPERATING REVENUES	
Lunchroom sales	$ 53,846
Total operating revenues	53,846
OPERATING EXPENSES	
Depreciation	15,767
Food service operations	
Salaries and benefits	945,524
Operational	1,093,019
Total operating expenses	2,054,310
Operating income (loss)	(2,000,464)
NONOPERATING REVENUES (EXPENSES)	
Federal grants	1,765,873
State grants	250,104
Transfer	(118,871)
Earnings from investments	32,528
Total nonoperating revenues (expenses)	1,929,634
CHANGE IN NET POSITION	(70,830)
NET POSITION-BEGINNING	674,528
NET POSITION-ENDING	$ 603,698

See accompanying notes to the financial statements.

MARTIN COUNTY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2023

		Enterprise Fund
		School Food Services
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	53,846
Payments to suppliers		(1,042,133)
Payments to employees		(945,524)
Net cash provided (used) by operating activities		(1,933,811)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital asset		(34,558)
Net cash provided (used) by noncapital financing activities		(34,558)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer		(118,871)
Operating grants and contributions		2,015,977
Net cash provided (used) by capital financing activities		1,897,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest		32,528
Net cash provided (used) by investing activities		32,528
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(38,735)
CASH AND CASH EQUIVALENTS-BEGINNING		947,942
CASH AND CASH EQUIVALENTS-ENDING	$	909,207
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(2,000,464)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		15,767
Changes in assets and liabilities:		
Inventories		(2,599)
Deferral outflows		(46,335)
Deferral inflows		15,378
Pension liability		65,876
OPEB liability		10,036
Account payable		8,530
Net cash provided (used) by operating activities	$	(1,933,811)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received $118,059 of food commodities from the U.S. Department of Agriculture

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of $231,250 for school food services.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Martin 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 Martin County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100-Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

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

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

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

Blended Component Unit
Martin County Board of Education Finance Corporation

The Board authorized establishment of the Martin County Board of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Martin County Board of Education.

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

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

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

<u>I. Governmental Fund Types</u>

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue Fund

The Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. In addition, the fund accounts for scholarships that are restricted for specified purposes. This is a major fund of the District.

(C) Special Revenue (District Activity) Fund

The Special Revenue (District Activity) Fund accounts for funds collected at individual schools for operation costs of the schools or school district that allows for more flexibility in the expenditures of those funds.

(D) Special Revenue (Student Activity) Fund

The Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

(E) Capital Project Funds

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 Fund).

SEEK Capital Outlay Fund

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 as identified in the District's facility plan.

Building (FSPK) Fund

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

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling. This is a major fund of the District.

(F) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

The District applies all GASB pronouncements to proprietary funds.

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis, On a modified accrual basis, revenues from nonexchange transactions must also be available before it 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 the revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as unearned revenue.
The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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 District holds stock in a corporation from a scholarship grant included in the Special Revenue Fund and is reported at fair value.

Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

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 expenditure/expense is reported in the year in which services are consumed.

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 government funds. These assets are reported in the government activities column of the government-wide financial Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

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

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources.

However, claims and judgment, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension and OPEB 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.

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 the 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

Nonspendable:	Permanently nonspendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
Restricted:	Legally restricted under legislation, bond authority, or grantor contract.
Committed:	Commitments of future funds for specific purposes passed by the Board.
Assigned:	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned:	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as Net Position. Net Position is reported in three categories: 1) net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or net investment in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

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 in 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 $.846 per $100 valuation of real property, $.846 per $100 valuation for business personal property and $.223 per $100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amounts of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

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

Inter-fund Receivables/Payables

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

Interfund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a 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 the appropriate period. The District reports three types of deferred outflows – contributions to the CERS's pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

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

Postemployment Benefits Other Than OPEBs (OPEB)

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS), and the County Retirement System of Kentucky (CERS), and additions to/deductions from TRS's/CERS's fiduciary net position have been determined on the same basis as they are reported by TRS/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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Budgetary Process
The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used prepare the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. 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 as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

Special Revenue Fund Expenditures exceeded budgeted appropriations by $433,385.

New Accounting Pronouncements

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99-In April, 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

There is no effect on current year financial statements for newly adopted accounting pronouncements.

Effective in Future Years:

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards:

GASB Statement No. 101- In June, 2022, the GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100- In June, 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTE B – CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was $6,485,179. The bank balance for the same time was $24,927,976.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, Special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – INVESTMENTS

The District's total investment of $17,868,191 consist of $24,868 of stock held from a corporation, Xcel Entergy, Inc., donated to the District for a scholarship grant, $17,842,424 of United States Treasury Notes, and $899 of Money Market Funds. The District's investments held in the form of U.S. Treasury Notes and Money Market Funds are for the use of future construction projects.

Risks and Uncertainties – the District's investments are exposed to various risks such as interest rate risk, credit risk, concentration of credit risk, and custodial credit risk. Due to the level or risk associated with certain investments, it is at least reasonably possible that changes in the values of the investment will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Interest Rate Risk- interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the District's investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations and investing funds primarily in shorter-term securities or similar investment pools and limiting the average maturity of the portfolio. All investments held by the District will mature in less than one year.

Credit Risk – Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery of purchase obligations backed by the full fair and credit of the United States or its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investment percentages by investment type are 99.86% United States Treasury Notes, 0.13% Xcel Stock, and 0.01% Money Market Funds.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The United States Treasury Notes are backed by the full faith and credit of the U.S. government and the Money Market funds are covered by FDIC insurance. The District's investment in Xcel stock is uncollateralized.

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

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

The District's investment in Xcel stock is classified as a level 1 investment and the District's investment in United States Treasury Notes is classified as a level 2 investment; both are measured at net asset value. The District's investment in Money Market Funds are measured at amortized cost.

NOTE D – CAPITAL ASSETS

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

Governmental Activities	July 1, 2022	Additions	Deductions	June 30, 2023
Land-nondepreciable	$ 501,150	$ -	$ -	$ 501,150
Construction in progress-nondepreciable	44,301,446	-	-	44,301,446
Land improvements	381,908	-	-	381,908
Buildings	22,024,395	-	-	22,024,395
Technology equipment	3,636,379	-	1,781,055	1,855,324
Vehicles	4,002,119	186,471	40,172	4,148,418
General equipment	1,420,287	43,649	-	1,463,936
Infrastructure	718,961	-	-	718,961
Total at historical cost	$ 76,986,644	$ 230,120	$ 1,821,227	$ 75,395,537
Less: Accumulated depreciation				
Land improvements	$ 314,448	$ 1,827	$ -	$ 316,275
Buildings	10,750,062	552,382	-	11,302,443
Technology equipment	3,628,664	1,418	1,781,055	1,849,026
Vehicles	2,958,389	194,854	40,172	3,113,071
General equipment	1,039,187	63,649	-	1,102,835
Infrastructure	418,396	35,956	-	454,352
Total accumulated depreciation	$ 19,109,145	$ 850,085	$ 1,821,227	$ 18,138,003
Finance Purchases				
General equipment	$ -	$ 52,594	$	$ 52,594
Less: Accumulated depreciation	-	(9,643)		(9,643)
Finance Purchases-net	$ -	$ 42,951	$ -	$ 42,951
Governmental Activities				
Capital Assets-net	$ 57,877,499	$ (577,014)	$ -	$ 57,300,485

Business-Type Activities	July 1, 2022	Additions	Deductions	June 30, 2023
Technology equipment	$ 13,591	$ -	$ 3,600	$ 9,991
General equipment	548,794	34,557	-	583,351
Total at historical cost	$ 562,385	$ 34,557	$ 3,600	$ 593,342
Less: Accumulated depreciation				
Technology equipment	$ 13,591	$ -	$ 3,600	$ 9,991
General equipment	450,472	15,767	-	466,239
Total accumulated depreciation	$ 464,063	$ 15,767	$ 3,600	$ 476,230
Business-Type Activities				
Capital Assets-net	$ 98,322	$ 18,790	$ -	$ 117,112

NOTE E – LONG TERM DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District's future obligations to make payments relating to the bonds issued by the Martin County School District Finance Corporation.

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

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2023, are summarized below:

Bond Issues	Original Amount	Maturity Date	Interest Rates	2022 Bonds Outstanding	Additions	Retirements	2023 Bonds Outstanding
2016	3,740,000	8/1/2036	2.0-3.0%	$ 3,485,000	$ -	$ 200,000	$ 3,285,000
2017	31,690,000	3/1/2037	3-3.75%	26,090,000	-	1,380,000	24,710,000
2018	5,645,000	11/1/2038	3-4.00%	5,155,000	-	175,000	4,980,000
2020R	1,425,000	2/1/2030	2.0%	1,160,000	-	135,000	1,025,000
2020B Ref	2,015,000	10/1/2030	2.0%	1,660,000	-	175,000	1,485,000
				37,550,000	-	2,065,000	35,485,000
Add:	Premium			49,224	-	6,326	42,898
Less :	Discount			(495,058)	-	(32,513)	(462,546)
				$ 37,104,165	$ -	$ 2,038,814	$ 35,065,352

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Kentucky Legislature, for the purpose of assisting local school districts in meeting school construction needs, created the Commission. The table following sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to 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 Ended June 30th	Principal Local	Principal KSFCC	Interest Local	Interest KSFCC	Principal Total	Interest Total
2024	$ 917,596	$ 1,202,404	$ 573,630	$ 565,726	$ 2,120,000	$ 1,139,356
2025	946,238	1,238,762	547,977	532,754	2,185,000	1,080,731
2026	973,383	1,266,617	521,440	498,841	2,240,000	1,020,281
2027	999,242	1,305,758	494,289	464,093	2,305,000	958,381
2028	1,028,574	1,336,426	466,005	428,270	2,365,000	894,275
2029-2033	5,617,184	6,377,816	1,846,033	1,558,767	11,995,000	3,404,800
2034-2038	6,156,531	5,138,469	3,033,439	488,836	11,295,000	3,522,275
2039	980,000	-	19,600	-	980,000	19,600
	$ 17,618,748	$ 17,866,252	$ 7,502,414	$ 4,537,286	$ 35,485,000	$ 12,039,700

Finance Purchases

The following is an analysis of the financed property under financed purchases by class:

Financed Purchases	Original Amount	Maturity Date	Interest Rates	2022 Lease Outstanding	Additions	Retirements	2023 Lease Outstanding
Series of 2018	317,298	3/1/28	2.0-3.0%	$ 117,481	$ -	$ 31,211	$ 86,270
Series of 2013	229,049	3/1/2023	2.0%	20,719	-	20,719	-
Series of 2015	209,527	3/1/2025	1.0-2.625%	60,378	-	21,992	38,386
Series of 2016	189,363	3/1/2026	2.0-2.625%	73,916	-	19,491	54,425
Series of 2020	225,638	3/1/2030	2.00%	176,973	-	21,622	155,351
2022 Lease	52,594	6/1/2027	3%	-	52,594	9,062	43,532
				$ 449,467	$ 52,594	$ 124,097	$ 377,964

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

Fiscal Year Ended June 30th	Local Principal	Interest	Total Payments
2024	$ 103,446	$ 9,127	$ 112,573
2025	102,539	6,508	109,047
2026	72,131	3,810	75,941
2027	34,582	1,937	36,519
2028	24,869	1,286	26,155
2029-2030	40,397	1,216	41,613
	$ 377,964	$ 23,885	$ 401,849

Total minimum payments	$ 401,849
Less: Amount representing interest	(23,885)
Present Value of Net Minimum Payments	$ 377,964

In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

Accumulated Sick Leave Liability

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. The activity during fiscal year 2023 for accumulated sick leave is as follows:

	2022 Outstanding Balance	Additions	Retirements	2023 Outstanding Balance
Sick Leave	$ 230,140	$ 69,192	$ -	$ 299,332

Net Pension & OPEB Liability
The net pension liability is $7,245,071 for governmental activities and $357,900 for business-type activities for a total of $7,602,971 as of June 30, 2023 (See Note F for additional information). The net OPEB liability is $5,666,784 for governmental activities and $97,701 for business-type activities for a total of $5,764,485 as of June 30, 2023 (See Note G for additional information).

Long-term liabilities for the fiscal year ended June 30, 2023, are as follows:

Description	2022 Outstanding Balance	Additions	Retirements	2023 Outstanding Balance	Amount Due in One Year
Bonds, Net of Premium and Discount	$ 37,104,165	$ -	$ 2,038,814	$ 35,065,352	$ 2,120,000
Capital Lease	449,467	52,594	124,097	377,964	103,446
Sick Leave	230,140	69,192	-	299,332	-
Net Pension Liability	7,408,789	194,182	-	7,602,971	-
Net OPEB Liability	4,283,112	1,481,373	-	5,764,485	-
Totals	$ 49,475,674	$ 1,797,341	$ 2,162,911	$ 49,110,104	$ 2,223,446

NOTE F – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description
Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the 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 http://www.trs.ky.gov/financial-reports-information .

Benefits provisions
For Members before July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

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

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

For Members On or After July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable of r life, members must either:

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

The annual retirement allowance for 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 service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

For Members on and after January 1, 2022:

Condition for Retirement	Attainment of age 57 and 10 years of service or attainment of age 65 And 5 years of service.
Amount of Allowance	
Foundational Benefit	The annual foundational benefit for members is equal to service times A multiplier times final average salary.

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

The annual foundational benefit is reduced by 6% per year from the Earlier of age 60 on the date the member would have completed 30 Years of service.

Supplemental Benefit

The annual supplemental benefit is equal to the account balance which Includes member and employer contributions and interest credited Annually on June 30. Options include annuitizing the balance or receiving The balance as a lump sum either at the time of retirement or at a later Date.

Disability Retirement Allowance

Condition for Allowance

Totally and permanently incapable of being employed as a teacher and Under age 60 but after completing 5 years of service

Amount of Allowance

The disability allowance is equal to the greater of the service retirement Allowance or 60% of the member's final average salary. The disability Allowance is payable over an entitlement period equal to 25% of the Service credited to the member at the date of the disability or 5 years, Whichever is longer. After the disability entitlement period has expired And if the member remains disabled, he will be retired under service Retirement. The service retirement allowance will be computed with Service credit given for the period of disability retirement. The allowance Will not be less than $6,000 per year. The service retirement allowance Will not be reduced for commencement of the allowance before age 60 or The completion of 27 years of service.

Benefits Payable on Separation From Service

Any member who ceases to be in service is entitled to receive his Contributions with allowable interest. A member who has completed 5 Years of creditable service and leaves his contributions with the System May be continued in the membership of the System after separation from Service, and file application for service retirement after the attainment of Age 60.

Life Insurance

A separate Life Insurance fund has been created as June 30, 2000 to pay Benefits on behalf of deceased TRS active and retired members.

Death Benefits

A surviving spouse of an active member with less than 10 years of service May elect to receive an annual allowance of $2,880 except that if income From other sources exceeds $6,600 per year the annual allowance will be $2,160.

A surviving spouse of an active member with 10 or more years of service May elect to receive an allowance which is the actuarial equivalent of the Allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would Have been eligible for service retirement and will be payable during the Life of the spouse.

If the deceased member is survived by unmarried children under age 18 The following schedule of annual allowances applies:

Number of Children	Annual Allowance
1	$ 2,400
2	$ 4,080
3	$ 4,800
4 or more	$ 5,280

The allowances are payable until a child attains age 18, or age 23 if a Full-time student.

If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.

Options

In lieu of the regular Option 1, a retirement allowance payable in the Form of a life annuity with refundable balance, any member before Retirement may elect to receive a reduced allowance which is actuarially Equivalent to the full allowance, in one of the following forms:

Option 2. A single life annuity payable during the member's lifetime with Payments for 10 years certain.

Option 3. At the death of the member his allowance is continued Throughout the life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member Under Option 4, the member's benefit will revert to what would have been Paid had he not selected an option.

Post-Retirement Adjustments	The retirement allowance of each retired member and of each beneficiary Shall be increased by 1.5% each July 1.
Member Contributions	
Members before 1/1/2022	9.105% of salary to the Retirement System.
Members on and after 1/1/2022	9% of salary to the Retirement System and an additional 2% of salary to The supplemental benefit account. Employers also contributes 2%.

Contributions
Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 12.855%. of their salaries to the system effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter. Contributions for local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to TRS
At June 30, 2023 the District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

TRS	
State's proportionate share of the TRS net pension liability associated with the District	$ 34,816,682

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, 2022. 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 0.2055%.

Actuarial Methods and Assumptions
A summary of the actuarial assumptions of the latest actuarial valuation follows:

Valuation Date	June 30, 2021
Prior Measurement Date	June 30, 2021
Measurement Date	June 30, 2022
Reporting Date	June 30, 2023
Actuarial Cost Method	Entry age
Inflation Rate	2.5%

Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	2.13%
Municipal Bond Index Rate at Measurement Date	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The 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 rates of return by the target asset allocation percentage and by adding expected inflation.

Target Allocations

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

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows:

Asset Class	Target Allocation		Long-Term Expected Rates of Return	
Large Cap US Equity	37.4	%	4.2	%
Small Cap Equity	2.6	%	4.7	%
Developed International Equity	16.5	%	5.3	%
Emerging Markets Equity	5.5	%	54.4	%
Fixed Income	15.0	%	-0.1	%
High Yield Bonds	2.0	%	1.7	%
Other Additional Categories	5.0	%	2.2	%
Real Estate	7.0	%	4.0	%
Private Equity	7.0	%	6.9	%
Cash	2.0	%	-0.3	%
Total	100	%		

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

The following table presents the net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	$ 35,855,203	$ 34,816,682	$ 18,779,166

Pension plan fiduciary net position
Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at http://www.TRS.ky.gov/.

County Employees Retirement System

Non-Hazardous

Plan description
Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at https://kyret.ky.gov.

Benefits provided
Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the plan documents.

Contributions
Funding for CERS:
Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.
Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.
Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member's creditable compensation.

For the year ending June 30, 2023, employers were required to contribute 26.95% of the member's salary, 22.78% pension and 4.17% for insurance. The District contributed $936,352 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS
At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 on an actuarial valuation as of that date. The District's proportion of the net pension liability, $7,602,971 was based on contributions to CERS during the fiscal year ended June 30, 2022. The District's proportion was 0.105173%.

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources.

These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts does not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

The District recognized pension revenue of $716,784 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS		**Deferred Outflows of Resources**		**Deferred Inflows of Resources**
Differences between expected and actual experience	$	8,129	$	67,708
Changes of assumptions		-		-
Net difference between projected and actual earnings on pension plan investments		1,034,537		839,624
Changes in proportion and differences between District contributions and proportionate share of contributions		-		607,509
District contributions subsequent to the measurement date		882,231		-
	$	1,924,897	$	1,514,841

The $882,231 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

		Year Ended June 30,
Year 1	$	(380,289)
Year 2		(243,979)
Year 3		(63,891)
Year 4		215,984
	$	(472,175)

Actuarial Valuation
KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2022.

Summary of Actuarial Assumptions
The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience every 5 years. In general, the assumptions and methods, used in the June 30, 2022 valuation are based on the most recent actuarial experience study for the five year period ending June 30, 2018.

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and he expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed t accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member's salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA's 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member's terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.
13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.
14. Assumption Changes Since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate
A single discount rate of 6.25% was used to measure the total pension liability for the fiscal year ending June 30, 2022. This single discount rate was based on the expected rate of return on pension plan investments.

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

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	$ 9,502,770	$ 7,602,971	$ 6,031,679

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50 %	4.45 %
Private Equity	10 %	10.15 %
Fixed Income		
Core Fixed Income	10 %	0.28 %
Specialty Credit	10 %	2.28 %
Cash	0 %	-0.91 %
Inflation Protected		
Real Estate	7 %	3.67 %
Real Return	13 %	4.07 %

Pension plan fiduciary net position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at https://kyret.ky.gov.

Payables to the pension plan
At June 30, 2023, there are no payables to CERS.

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the other postemployment benefits for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

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

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

The District reported a liability of $3,689,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2021, and the total OPEB liability used to calculate the 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. The District's proportion was .148604%.

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 as follows:

MIF		
District's proportionate share of TRS net OPEB liability	$	3,689,000
State's proportionate share of the TRS net OPEB liability associated with the District		1,212,000
	$	4,901,000

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

MIF		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	-	$	1,551,000
Changes of assumptions		749,000		-
Net difference between projected and actual earnings on pension plan investments		196,000		-
Changes in proportion and differences between District contributions and proportionate share of contributions		1,400,000		506,000
District contributions subsequent to the measurement date		166,683		-
	$	2,511,683	$	2,057,000

The $166,683 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

MIF		Year Ended June 30,
Year 1	$	(101,000)
Year 2		(74,000)
Year 3		(39,000)
Year 4		199,000
Year 5		196,000
Thereafter		107,000
	$	288,000

Actuarial Methods and Assumptions
A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation Date	June 30, 2021
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Payroll Growth	2.5% per annum
Salary Increase	2.75 per annum
Discount Rate	7.10%
Health Care Cost Trends	
Medicare Part B	6.97% at June 30, 2022, decreasing to an ultimate rate of 4.55% by June 30, 2034 and beyond.
Under Age 65	7% at June 30, 2020, decreasing to an ultimate rate of 4.5% by June 30, 2034 and beyond.
Age 65 and Older	5.125% at June 30, 2022 with an ultimate rate of 45% by June 30, 2034 And beyond.

Mortality rates were based on the Teachers Mortality Table, and set forward two years for males and multiplied by 102%. Rates for females are set forward 2 years and multiplied by 101%. Disabled male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 94%.

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

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

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.10
Fixed Income	9.00	(0.10)
Real Estate	6.50	4.00
Private Equity	8.50	6.90
Additional Categories	17.00	2.20
Cash	1.00	(0.30)
Total	100.00	

Discount Rate

The discount rate used to measure the TOL 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 Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of $8.00 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
    - Employee Contributions
    - Employer Contributions
    - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

  To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years the following was assumed:

    - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
    - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Insurance Trust's fiduciary net position (FNP) was <u>not</u> projected to be depleted.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 7.10%, and what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

MIF		1% Decrease		Current Discount Rate		1% Increase
		6.10%		7.10%		8.10%
District's proportionate share of net OPEB liability	$	4,629,000	$	3,689,000	$	2,911,000

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

MIF		1% Decrease		Current Trend Rate		1% Increase
District's proportionate share of net OPEB liability	$	2,766,000	$	3,689,000	$	4,838,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is $5,000 for members who are retired for service or disability, and $2,000 for active contribution members.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

Contributions

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

Net OPEB Liability

The District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows:

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	$	60,000

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

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

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

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.40
International Equity	23.0	5.6
Fixed Income	18.0	(.10)
Real Estate	6.0	4.0
Private Equity	5.0	6.9
Other Additional Categories	6.0	2.1
Cash	2.0	(0.3)
	100.0	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions of the June 30, 2021, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2023, the District recognized OPEB revenue in the amount of $139,259 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%. For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is $13.99 to be applied to the current cost premium.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

The District reported a liability of $2,075,485 for its proportionate share of the collective net OPEB liability which is .105167%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2022, using generally accepted actuarial principles.

For the year ended June 30, 2023, the District recognized OPEB revenue of $14,313. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 208,915	$ 475,957
Changes of assumptions	328,252	270,478
Net difference between projected and actual earnings on pension plan investments	386,477	302,238
Changes in proportion and differences between District contributions and proportionate share of contributions	-	368,993
District contributions subsequent to the measurement date	128,950	-
	$ 1,052,594	$ 1,417,666

The $128,950 (includes $74,829 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

	Year Ended June 30,
Year 1	$ (133,838)
Year 2	(132,798)
Year 3	(198,829)
Year 4	(28,557)
	$ (494,022)

Implicit Employer Subsidy for non-Medicare retirees- The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms
None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability
For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial

valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Investment Rate of Return	6.25%
Inflation	2.3%
Payroll Growth Rate	2.0%
Salary Increases	3.3 to 10.3%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.3% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

Senate Bill 209 passed in the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service each 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.

Discount rate

Single discount rates of 5.7% were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20 Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The following table presents the Net OPEB Liability calculated using the discount rate of 5.7%, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	**1% Decrease**	**Current Discount Rate**	**1% Increase**
	4.7%	5.7%	6.7%
District's proportionate share of net OPEB liability	$ 2,774,593	$ 2,075,485	$ 1,497,556

Health Care Trend Rate Sensitivity
The following presents the health care sensitivity rate of the District's proportionate share of the net pension liability calculated using the discount rate of 5.7%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	**1% Decrease**	**Current Trend Rate**	**1% Increase**
District's proportionate share of net OPEB liability	$ 1,543,077	$ 2,075,485	$ 2,714,807

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

NOTE H – COMMITMENTS

The District has commitments of $210,999 for construction projects. The District has committed $149,666 of General Fund balance for sick leave. The District has committed $179,397 in Special Revenue Student Activities for student activities.

NOTE I - CONTINGENCIES

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

NOTE J - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding $10,000 individually or in the aggregate as of June 30, 2023.

NOTE K – INSURANCE AND RELATED ACTIVITIES

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

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

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

NOTE M - COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From	To	Purpose		Amount
Debt Service	Building Fund	Debt Service	Debt Payments	$	1,491,249
Special Revenue	General Fund	Special Revenue	KETS		34,498
Operations	Food Service	General Fund	Indirect Costs		118,871
Operations	Special Revenue	General Fund	Indirect Costs		381,659
Operations	School Activity	District Activity	Operating	$	5,277

NOTE O – DEFICIT FUND AND OPERATING BALANCES

The following funds had a deficit change in fund balance/net position and/or deficit fund balance/net position:

Fund		Change in Net Position/ Net Change in Fund Balance
Special Revenue Fund	$	(65)
Food Service		(70,830)
District Activity	$	(1,860)

NOTE P – ON-BEHALF PAYMENTS

For fiscal year 2023, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Plan/Description		Amount
Kentucky Teachers Retirement System (GASB 68 & 75)	$	3,246,089
Health Insurance		1,963,840
Life Insurance		3,449
Administrative Fee		27,561
HRA/Dental/Vision		166,425
Federal Reimbursements		(424,250)
Technology		99,172
SFCC Debt Service Payments		1,770,082
Total	$	6,852,368

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE Q – RESTRICTED FUND BALANCES

The following funds had restricted fund balances.

Fund		Amount	Purpose
Construction	$	18,195,802	Future Construction
Food Service		486,586	Food Service Operations
Capital Outlay		870,462	SFCC Requirements
Special Revenue		106,217	Scholarships
Building Fund		188,110	FSPK
District Activity	$	16,870	District Activities

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2023, the date the financial statements were available to be issued.

MARTIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Districts' proportion of the net pension liability	0.105173%	0.116202%	0.120543%	0.12483%	0.13869%	0.14082%	0.148300%	0.16939%
District's proportionate share of the net pension liability	$ 7,602,971	$ 7,408,789	$ 9,245,548	$ 8,779,771	$ 8,446,826	$ 8,242,334	$ 7,301,767	$ 6,141,527
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-
Total	$ 7,602,971	$ 7,408,789	$ 9,245,548	$ 8,779,771	$ 8,446,826	$ 8,242,334	$ 7,301,767	$ 6,141,527
District's covered-employee payroll	$ 2,908,609	$ 2,968,610	$ 3,087,695	$ 3,153,534	$ 3,437,950	$ 3,428,497	$ 3,549,664	$ 3,421,658
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.40%	249.57%	299.43%	278.41%	245.69%	240.41%	205.70%	179.49%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Districts' proportion of the net pension liability	0.2055%	0.1794%	0.2080%	0.218%	0.222%	0.227%	0.247%	0.243%
District's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the net pension liability associated with the District	34,816,682	23,349,252	29,473,738	29,757,315	29,066,259	61,207,927	72,836,946	56,545,670
Total	$ 34,816,682	$ 23,349,252	$ 29,473,738	$ 29,757,315	$ 29,066,259	$ 61,207,927	$ 72,836,946	$ 56,545,670
District's covered-employee payroll	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833	$ 8,521,737	$ 9,065,390	$ 8,803,205
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	58.27%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS

CERS and TRS

For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Contractually required contributior	$ 882,231	$ 738,562	$ 672,963	$ 699,959	$ 637,486	$ 628,519	$ 593,951	$ 605,573
Contributions in relation to the contractually required contributions	882,231	738,562	672,963	699,959	637,486	628,519	593,951	605,573
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 3,418,396	$ 2,908,609	$ 2,968,610	$ 3,087,695	$ 3,153,534	$ 3,437,950	$ 3,428,497	$ 3,549,664
District's contributions as a percentage of it's covered-employee payrol	25.81%	25.39%	22.67%	22.67%	20.21%	18.28%	17.32%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Contractually required contributior	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contributions	-	-	-	-	-		-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	$ 8,319,300	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833	$ 8,521,737	$ 9,065,390
District's contributions as a percentage of it's covered-employee payrol	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

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. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

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 7.50% to 7.10%.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule.

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	2.13%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

Please refer to P. 181 of KPPA's 2022 Annual Report "Benefit Changes since the Prior Valuation".

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

MARTIN COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM

Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.148604%	0.095943%	0.111594%	0.11636%	0.11460%	0.11963%
District's proportionate share of the collective net OPEB liability (asset)	$ 3,689,000	$ 2,059,000	$ 2,816,000	$ 3,406,000	$ 3,976,000	$ 4,266,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	1,212,000	1,672,000	2,256,000	2,750,000	3,427,000	3,484,000
Total	$ 4,901,000	$ 3,731,000	$ 5,072,000	$ 6,156,000	$ 7,403,000	$ 7,750,000
District's covered-employee payroll	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833	$ 8,521,737
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	44.99%	25.38%	35.47%	41.67%	47.63%	50.06%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	39.10%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	$ -	$ -	$ -	$ -	$ -	$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	60,000	22,000	68,000	64,000	59,000	47,000
Total	$ 60,000	$ 22,000	$ 68,000	$ 64,000	$ 59,000	$ 47,000
District's covered-employee payroll	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833	$ 8,521,737
District's proportionate share of the collective net OPEB liability (asset) 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%	71.57%	71.60%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN						
Contractually required contribution	$ 166,683	$ 192,424	$ 170,323	$ 193,947	$ 198,786	$ 200,779
Contributions in relation to the contractually required contribution	166,683	192,424	170,323	193,947	198,786	200,779
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 8,319,300	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833
District's contributions as a percentage of it's covered-employee payrol	2.00%	2.35%	2.10%	2.44%	2.43%	2.41%
LIFE INSURANCE PLAN						
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 8,319,300	$ 8,199,636	$ 8,114,074	$ 7,938,797	$ 8,174,489	$ 8,346,833
District's proportionate share of the net pension liability as a percentage of it's covered-employee payrol	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	**Reporting Fiscal Year** (Measurement Date) 2022 (2021)	**Reporting Fiscal Year** (Measurement Date) 2021 (2020)	**Reporting Fiscal Year** (Measurement Date) 2020 (2019)	**Reporting Fiscal Year** (Measurement Date) 2019 (2018)	**Reporting Fiscal Year** (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.105167%	0.116175%	0.120508%	0.12481%	0.11460%	0.14082%
District's proportionate share of the collective net OPEB liability (asset)	$ 2,075,485	$ 2,224,112	$ 2,909,902	$ 2,099,231	$ 2,462,360	$ 2,830,863
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-
Total	$ 2,075,485	$ 2,224,112	$ 2,909,902	$ 2,099,231	$ 2,462,360	$ 2,830,863
District's covered-employee payroll	$ 2,908,609	$ 2,968,610	$ 3,087,695	$ 3,153,534	$ 3,437,950	$ 3,428,497
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	71.36%	74.92%	94.24%	66.57%	71.62%	82.57%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

MARTIN COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
HEALTH INSURANCE PLAN						
Contractually required contribution	$ 128,950	$ 118,490	$ 112,698	$ 88,013	$ 71,972	$ 65,595
Contributions in relation to the contractually	128,950	118,490	112,698	88,013	71,972	65,595
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	$ 3,418,396	$ 2,908,609	$ 2,968,610	$ 3,087,695	$ 3,153,534	$ 3,437,950
District's contributions as a percentage of it's covered-employee payroll	3.77%	4.07%	3.80%	2.85%	2.28%	1.91%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized)

Life Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

Please refer to P. 181 of KPPA's 2022 Annual Report "Benefit Changes since the Prior Valuation".

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2022:

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 mortality improvement scale using a base year of 2019
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 14 years. The 2021 premiums were Known at the time of the valuation and were incorporated Into the liability measurement
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years. The 2021 premiums were known At the time of the valuation and were incorporated into the Liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were Incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022

MARTIN COUNTY SCHOOL DISTRICT
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2023

	Other Governmental Funds				
	Special Revenue Student Activity	**Capital Outlay**	**FSPK**	**Special Revenue District Activity**	**Total**
Assets					
Cash and cash equivalents	$ 186,505	$ 870,462	$ 188,110	$ 16,870	$ 1,261,947
Total Assets	186,505	870,462	188,110	16,870	1,261,947
Liabilities					
Accounts payable	7,108	-	-		7,108
Total Liabiliites	7,108	-	-	-	7,108
Fund Balances					
Restricted		870,462	188,110	16,870	1,075,442
Committed	179,397				179,397
Total Fund Balance	179,397	870,462	188,110	16,870	1,254,839
Total Liabilities & Fund Balances	$ 186,505	$ 870,462	$ 188,110	$ 16,870	$ 1,261,947

MARTIN COUNTY SCHOOL DISTRICT

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

Year ended June 30, 2023

	Other Governmental Funds				
	Special Revenue Student Activity	**Capital Outlay**	**FSPK**	**Special Revenue District Activity**	**Total**
Revenues					
From local sources					
Taxes					
Property	$ -	$ -	$ 435,038	$ -	$ 435,038
Student activities	612,447				612,447
Intergovernmental - State		164,275	1,233,994		1,398,269
Total Revenues	612,447	164,275	1,669,032	-	2,445,754
Expenditures					
Instruction	600,223			7,137	607,360
Total Expenditures	600,223	-	-	7,137	607,360
Excess (Deficit) of Revenues Over Expenditures	12,224	164,275	1,669,032	(7,137)	1,838,394
Other Financing Sources (Uses)					
Transfers in				5,277	5,277
Transfers (out)	(5,277)		(1,491,249)		(1,496,526)
Total Other Financing Sources (Uses)	(5,277)	-	(1,491,249)	5,277	(1,491,249)
Net change in fund balances	6,947	164,275	177,783	(1,860)	347,145
Fund Balance Beginning	172,450	706,187	10,327	18,730	907,694
Fund Balance Ending	$ 179,397	$ 870,462	$ 188,110	$ 16,870	$ 1,254,839

MARTIN COUNTY SCHOOL DISTRICT
Combining Balance Sheet - School Activity Funds
June 30, 2023

	SCHOOL ACTIVITY FUNDS					
	MARTIN COUNTY HIGH SCHOOL	MARTIN COUNTY MIDDLE SCHOOL	EDEN ELEMENTARY	INEZ ELEMENTARY	WARFIELD ELEMENTARY	TOTALS
ASSETS						
Cash and cash equivalents	$ 89,429	$ 32,893	$ 5,523	$ 31,530	$ 27,130	$ 186,505
Total Assets	89,429	32,893	5,523	31,530	27,130	186,505
LIABILITIES						
Accounts payable	1,973	4,808		327		7,108
Total Liabilities	1,973	4,808	-	327	-	7,108
FUND BALANCE						
School Activities	87,456	28,085	5,523	31,203	27,130	179,397
Total Fund Balance	87,456	28,085	5,523	31,203	27,130	179,397
TOTAL LIABILITIES AND FUND BALANCE	$ 89,429	$ 32,893	$ 5,523	$ 31,530	$ 27,130	$ 186,505

MARTIN COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Balance - School Activity Funds

Year ended June 30, 2023

	SCHOOL ACTIVITY FUNDS					
	MARTIN COUNTY HIGH SCHOOL	MARTIN COUNTY MIDDLE SCHOOL	EDEN ELEMENTARY	INEZ ELEMENTARY	WARFIELD ELEMENTARY	TOTALS
REVENUES						
Student revenues	$ 304,442	$ 91,851	$ 103,601	$ 59,515	$ 53,038	$ 612,447
Total revenues	304,442	91,851	103,601	59,515	53,038	612,447
EXPENDITURES						
Student activities	288,063	80,313	112,460	67,385	57,279	605,500
Total expenditures	288,063	80,313	112,460	67,385	57,279	605,500
Excess (Deficit) of Revenues Over Expenses	16,379	11,538	(8,859)	(7,870)	(4,241)	6,947
FUND BALANCE-BEGINNING	71,077	16,547	14,382	39,073	31,371	172,450
FUND BALANCE-ENDING	$ 87,456	$ 28,085	$ 5,523	$ 31,203	$ 27,130	$ 179,397

MARTIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Balance - Martin County High School

Year ended June 30, 2023

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFERS	FUND BALANCE ENDING
GENERAL OPERATING	$ 492	$ 4,600	$ 2,205	$	$ 2,887
INTEREST	110	50	-		160
DISTRICT MONEY	231	2,053	3,914	2,112	482
START UP MONEY	-	1,000	1,000		-
STAFF POP SALES	2,182	10,966	8,694		4,453
SCHOOL STORE	594	9,610	8,004	1,000	3,200
LIBRARY	812	-	-		812
JKG	4,881	321	1,253		3,949
JKG II	-	-	-		-
FOOTBALL	483	27,444	22,931	(3,053)	1,944
BOYS BASKETBALL	8,557	40,082	35,899	3,888	16,628
BASEBALL	3,623	9,113	11,459		1,277
WRESTLING	-	5,484	8,537	3,053	-
BOYS TENNIS	357	982	1,517	178	0
BOYS TRACK	-	-	257	257	-
CROSS COUNTRY	-	-	94	94	-
GIRLS GOLF	-	-	484	484	-
BOYS GOLF	-		914	914	-
VOLLEYBALL	7,374	12,615	13,122	(2,139)	4,728
GIRLS BASKETBALL	8,698	30,946	36,293	2,915	6,265
SOFTBALL	2,761	7,194	6,729		3,226
GIRLS SOCCER	1,620	13,340	10,892		4,068
BOYS SOCCER	1,287	-	241		1,046
GIRLS TENNIS	488	732	1,592	372	0
GIRLS TRACK	102	-	257	155	0
FISHING TEAM	-	11,769	11,753		16
ZIP ZONE	-	23,063	10,800	(10,228)	2,034
DISTRICT TOURNMENT	-	-	-		-
CHEERLEADERS	-	20,981	18,113		2,868
DANCETEAM	1,510	-	-		1,510
ACADEMIC TEAM	2,007	-	593		1,414
BAND	1,142	10,534	10,741		936
BETA CLUB	136	2,681	2,575		242
ENVIRONMENTAL CLUB	219	-	-		219
FCCLA	5,924	15,551	20,432		1,043
E DISCOVERY	1,938	-	-		1,938
COOK AROUND THE WORLD	261	-	-		261
YEARBOOK	3,363	939	2,744		1,558
STUDENT COUNCIL	116	-	-		116
FCA	376	-	-		376
PROM	1,160	14,098	10,249		5,009
CARDINAL SHOWCASE	195	-			195
ART CLUB	1,840	98	72		1,866
PEP CLUB	156	435	-		591
SENIOR TRIP	1,797	20,913	17,914		4,796
JROTC	1,436	-			1,436
BOOK CLUB	120	-			120
CCSC	-	-			-
DRAMA PLAY	2,687	4,333	5,084		1,937
UNITE CLUB	42				42
MOCK TRAIL	-				-
DEBATE TEAM	-				-
CORN HOLE CLUB	-	2,515	709		1,807
Totals	$ 71,077	$ 304,442	$ 288,063	$ -	$ 87,456

Martin County School District

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
* **School Breakfast Program**	10.553				
Fiscal Year 22		7760005 22	$ -	$ N/A	$ 98,604
Fiscal Year 23		7760005 23	-	N/A	303,923
* **National School Lunch Program**	10.555				
Fiscal Year 22		7750002 22	-	N/A	300,802
Fiscal Year 23		7750002 23	-	N/A	781,877
Fiscal Year 22		9980000 22	-	N/A	45,453
Fiscal Year 23		9980000 23	-	N/A	22,603
* **Summer Food Service**	10.559				
Fiscal Year 23		7740023 23	-	N/A	1,393
Fiscal Year 23		7690024 23	-	N/A	144
Child Nutrition Cluster Subtotal					1,554,799
Fruit & Vegetable Program	10.582				
Fiscal Year 22		7720012 22	-	N/A	13,228
Fiscal Year 23		7720012 23	-	N/A	58,396
					71,624
Child & Adult Care Food Program	10.558				
Fiscal Year 22		7790021 22	-	N/A	3,261
Fiscal Year 23		7790021 23	-	N/A	11,810
Fiscal Year 22		7800016 22	-	N/A	172
Fiscal Year 23		7800016 23	-	N/A	639
					15,882
State Administration Expenses for Child Nutrition	10.560				
Fiscal Year 22		7700001 22	-	N/A	2,385
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 23		510.4950	-	N/A	95,854
Pandemic Electronic Benefit Transfer Administrative Costs	10.649				
Fiscal Year 22		9990000 22	-	N/A	3,135
Total U.S. Department of Agriculture					1,743,679
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
FY21 Title I, Part A		3100002-20	-	1,218,344	6,868
FY22 Title I, Part A		3100002-21	-	1,218,344	608,368
FY23 Title I, Part A		3100002-22	-	1,206,304	451,140
					1,066,376
* **Special Education Grants to States**	84.027A				
FY 22 IDEA Basic		3810002-22	-	526,669	500,119
FY 23 IDEA Basic		3810002-23	-	526,669	35,794
* **COVID 19- ARP IDEA**	84.027X				
Fiscal Year 22		4910002-21	-	99,843	1,050
* **Special Education - Preschool Grants**	84.327A				
FY22 IDEA PRESCHOOL		3800002-21	-	34,733	3,940
FY23 IDEA PRESCHOOL		3800002-22	-	34,808	26,034
* **COVID 19- ARP IDEA Preschool**	84.327X				
FY22 IDEA Preschool-American Rescue Plan Act of 2021 (ARP)		4900002-21	-	13,849	8,806
Special Education Cluster Subtotal					575,743
Vocation Education - Basic Grants to States	84.048				
FY 22 Perkins Title 1, Part C, Carry Forward		3710002-20	-	858	858
FY 23 Perkins Title 1, Part C, Vocational		3710002-21	-	13,317	13,317
					14,175
Rural Education	84.358B				
FY23 Title V- Rural and Low Income Schools		3140002-22	-	47,359	47,359
Improving Teacher Quality State Grants	84.367A				
FY23 Title II, Part A Supporting Effective Instruction		3230002-22	-	111,894	111,894
21st Century	84.287				
Fiscal Year 21		3400002 20	-	300,000	172,025
Fiscal Year 22		3400002 21	-	250,000	144,567
					316,592
Rehabilitation Services	84.126A				
Fiscal Year 21		376G	-	19,824	415
Title IV Part A	84.424A				
FY21 Title IV-Part A Student Support & Academic Enrichment		3420002-20	-	86,900	51,567
FY22 Title IV-Part A Student Support & Academic Enrichment		3420002-21	-	89,636	32,178
FY23 Title IV-Part A Student Support & Academic Enrichment		3420002-22	-	92,661	4,119

Martin County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

	Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
						87,864
*	**COVID-19- GEER**	84.425C				
	Fiscal Year 20		4000002 20	-	100,000	64,621
*	**COVID-19- ESSER**	84.425D				
	FY21 Elementary and Secondary School Emergency Relief Fund II		4200002-21	-	4,079,096	206,899
	FY21 Elementary and Secondary School Emergency Relief Fund II				118,908	5,467
*	**COVID-19- ARP ESSER**	84.425U				
	FY21 ARP Emergency Relief Fund		4300002-21	-	7,000,000	2,570,853
	FY22 Digital Learning Coach Supports		4300005-21		2,155	2,806
	Post-School Predictor Implementation Project		4300005-21		182,020	14,443
	Educational Stabilization Fund Subtotal					2,865,089
	Total U.S. Department of Education					5,085,507
	U.S. Department of Defense					
	ROTC	12.000				
	Fiscal Year 22		Direct	-	N/A	12,408
	Total U.S. Department of Defense					12,408
	U.S. Department of Health and Human Services					
	Passed through Big Sandy Area Community Action Program					
	Head Start	93.600				
	Fiscal Year 23		04CH010269	-	644,586	711,778
	Total U.S. Department of Health and Human Services					711,778
	Total Expenditure of Federal Awards					$ 7,553,372

* Major program

See the accompanying notes to the schedule of expenditures of federal awards.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Martin County School District under the 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 the Martin County School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling $118,049.

NOTE D – INDIRECT COST RATE

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

White & Associates, PSC
Certified Public Accountants & Consultants

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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*

To the Board of Education of the Martin County School District
Inez, Kentucky

And the State Committee for School District Audits

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit /Contract and requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Martin 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 Martin 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 Martin 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 Martin County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Martin County School District's internal control.

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the Martin 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

White & Associates, PSC
Certified Public Accountants & Consultants

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(859) 624-3926

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

To the Board of Education of the Martin County School District
Inez, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements; 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 Martin 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 Martin 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 Martin 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 Martin 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 Martin 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 Martin 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 Martin 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 Martin 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.

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

MARTIN COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Educational Stabilization Fund [ALN 84.425D, 84.425U] Special Education [ALN 84.027A, 84.027X, & 84.327] Child Nutrition Cluster [ALN 10.553, 10.555, 10.559]
Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement audit level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

MARTIN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2023

There were no prior year findings.

MANAGEMENT LETTER POINTS

Martin County School District
Inez, Kentucky

In planning and performing our audit of the financial statements of the Martin County School District for the year ended June 30, 2023, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

We previously reported on the District's internal control in our report dated November 15, 2023. This letter does not affect our report dated November 15, 2023, on the financial statements of the Martin County School District. The following schools did not have any conditions noted:

<u>WARFIELD ELEMENTARY</u>
Nothing of concern

<u>EDEN ELEMENTARY</u>
<u>1-23</u>
Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than $100 is on hand to deposit, smaller amounts may be held in a secure location until $100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than $100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: Management has reviewed the Auditors note pertaining to the instances of receipts not being deposited timely. The Principal and Finance Clerk at Eden Elementary has been contacted concerning the Statement of Condition, Redbook Guidelines, and improvement measures to be put into place. The Principal has agreed to ensure the Finance Clerks daily schedule allows time to go to the bank and make deposits as needed, per Redbook Guidelines. The Principal acknowledges and agrees that the allocated time for deposits will be made a priority. The Finance Clerk has also attended Redbook training October 11, 2023 to update and reinforce procedures.

<u>INEZ ELEMENTARY</u>
<u>2-23</u>
Statement of Condition: Purchase Orders are being utilized; however, there were several instances of the Purchase Orders not being dated.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved (signature and date) by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Management has reviewed the auditor's note as to the instances of Purchase Orders being approved without being dated. We have contacted the Inez Elementary Finance Clerk and Principal and discussed with both, the Redbook guidelines pertaining to how the purchasing process is to be implemented step by step. The new Finance Clerk has attended Redbook training October 11, 2023 to update and reinforce procedures. Training covered the proper flow of paperwork and procedures of Redbook pertaining to purchasing of goods and services. Principal and Clerk were instructed on the need for the Clerk requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved (signature and date) by the principal. After proper approval, a Purchase Order number shall be issued, also signed and dated, or an (EPES) Purchase Order generated so the expenditure can be made.

MARTIN COUNTY MIDDLE SCHOOL
Nothing of concern

MARTIN COUNTY HIGH SCHOOL
Nothing of concern

All prior year conditions have been implemented and corrected. Larry James, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately, if any. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer, Earnest Hale, and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 15, 2023