

**Montgomery County School District**  
**Audited Financial Statements**  
**and Required Supplementary Information**  
**June 30, 2023**

**MONTGOMERY COUNTY SCHOOL DISTRICT  
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**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT**

To the Kentucky State Committee of School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

**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 Montgomery 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 Montgomery 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, major fund, and the aggregate remaining fund information of the Montgomery County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the 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 District's 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 Montgomery 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 Montgomery 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 Montgomery 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 Montgomery 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, Schedule of District's Proportionate Share of Net Pension Liability, Schedule of District Contributions – Pension, Schedule of District's Proportionate Share of Net OPEB Liability – Medical Insurance Plan, Schedule of District Contributions – Medical Insurance Plan, Schedule of District's Proportionate Share of Net OPEB Liability – Life Insurance Plan, and Schedule of District Contributions – Life Insurance Plan on pages 4-10 and 67-76 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 Montgomery 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 October 27, 2023, on our consideration of the Montgomery 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 Montgomery 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 Montgomery County School District's internal control over financial reporting and compliance.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
October 27, 2023

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

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

**FINANCIAL HIGHLIGHTS/OVERALL DISTRICT HIGHLIGHTS**

- The beginning General Fund balance for the District was \$7,499,798. With an increase of \$1,788,352, the ending balance for FY2023 was \$9,288,150.
- Average Daily Attendance (AADA), is used to calculate base SEEK funding. Our funding AADA was 4,096.871 which is still frozen from 2018-19 due to the COVID-19 Pandemic.
- The FY22 Guaranteed SEEK base increased at \$4,100 per pupil.
- For the 2022-23 school year KY Legislatures funded full day Kindergarten in the state budget.
- Per the SEEK formula, transportation is funded at nearly 68%.
- CERS Employer Contribution Rates
  - 21-22 – 26.95%
  - 22-23 – 26.79%
  - 23-24 – 23.34%
- For the 2022-23 school year the Board voted to take the 4% tax levy which was a decrease of .1 cent less than the previous year due to the dramatic increases in property assessments.
- As local property assessments (local effort) increase at unprecedented rates our SEEK Funding decreases.
- With increased interest rates the district received a significant increase in interest earned.
- District maintained strong percentage of contingency well above the required 2%.
- Due to inflation the 22-23 budget endured significant increased costs of fuel, utilities, goods & services.

**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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

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 is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 11-12 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 funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 13-23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-67 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$26,759,473 as of June 30, 2023 as compared to \$19,933,866 in the prior year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending.

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, the depreciation of capital assets.

The breakdown of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position can be seen on page 11 in the statement of net position, Government Wide Basis.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**Net position for the years ending June 30, 2023 and 2022**

	<u>2023</u>		<u>2022</u>		<u>Change</u>
Current Assets	\$ 29,034,596	\$	31,122,761	\$	(2,088,165)
Noncurrent Assets	77,017,516		71,806,254		5,211,262
<b>Total Assets</b>	<u>106,052,112</u>		<u>102,929,015</u>		<u>3,123,097</u>
<b>Deferred Outflows of Resources</b>	<u>12,635,603</u>		<u>6,565,780</u>		<u>6,069,823</u>
Current Liabilities	4,672,649		4,570,496		102,153
Noncurrent Liabilities	76,754,014		72,942,125		3,811,889
<b>Total Liabilities</b>	<u>81,426,663</u>		<u>77,512,621</u>		<u>3,914,042</u>
<b>Deferred Inflows of Resources</b>	<u>10,478,050</u>		<u>12,048,308</u>		<u>(1,570,258)</u>
Net Position					
Investment in capital assets (net)	26,537,241		18,273,198		8,264,043
Restricted	18,541,852		22,410,241		(3,868,389)
Unrestricted	(18,319,620)		(20,749,573)		2,429,953
<b>Total Net Position</b>	<u>\$ 26,759,473</u>	\$	<u>19,933,866</u>	\$	<u>6,825,607</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2023 and 2022, government wide basis.

	Summary of Revenue and Expenditures					
	Governmental		Business-type		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues:</b>						
Local revenue sources	\$13,041,655	\$12,416,514	\$729,292	\$500,860	\$13,770,947	\$12,917,374
State revenue sources	41,485,011	21,832,293	285,950	349,295	41,770,961	22,181,588
Federal revenue sources	8,366,748	9,408,899	4,447,164	5,285,953	12,813,912	14,694,852
Tuition	11,611	14,400	0	0	11,611	14,400
Gain/(Loss) on sale of assets	458,583	272,241	0	0	458,583	272,241
Investments	1,008,029	142,829	76,466	7,961	1,084,495	150,790
<b>Total Revenue</b>	<b>64,371,637</b>	<b>44,087,176</b>	<b>5,538,872</b>	<b>6,144,069</b>	<b>69,910,509</b>	<b>50,231,245</b>
<b>Expenses:</b>						
Instruction	33,188,917	19,760,751	0	0	33,188,917	19,760,751
Student support services	4,351,955	2,355,056	0	0	4,351,955	2,355,056
Instructional support	3,922,825	2,881,128	0	0	3,922,825	2,881,128
District administration	1,511,801	1,051,600	0	0	1,511,801	1,051,600
School administration	2,590,389	1,373,021	0	0	2,590,389	1,373,021
Business support	1,953,309	1,642,767	0	0	1,953,309	1,642,767
Plant operations	5,856,520	4,611,110	0	0	5,856,520	4,611,110
Student transportation	3,090,432	3,246,588	0	0	3,090,432	3,246,588
Community service	502,946	429,075	0	0	502,946	429,075
Interest on long-term debt	1,830,635	1,720,096	0	0	1,830,635	1,720,096
Day care	0	0	697,822	806,806	697,822	806,806
Food service	0	0	3,587,351	3,089,769	3,587,351	3,089,769
<b>Total Expenses</b>	<b>58,776,200</b>	<b>39,071,192</b>	<b>4,285,173</b>	<b>3,896,575</b>	<b>63,084,902</b>	<b>42,967,767</b>
Transfers	188,037	160,974	(188,037)	(160,974)	0	0
Change in net position	5,759,945	5,176,958	1,065,662	2,086,520	6,825,607	7,263,478
Beginning net position	18,332,246	13,155,288	1,601,620	(484,900)	19,933,866	12,670,388
<b>Ending net position</b>	<b>\$24,092,191</b>	<b>\$18,332,246</b>	<b>\$2,667,282</b>	<b>\$1,601,620</b>	<b>\$26,759,473</b>	<b>\$19,933,866</b>

**Governmental Activities**

Instruction comprises 56% of governmental program expenses. Plant Operations expense makes up 10% of government expenses. District and School Administration total 8% of governmental expenses. The remaining expenses for support services, community service activities, transportation and interest account for the final 26% of total governmental expense.

**Business-Type Activities**

The business-type activities include the food service and day care operations. These programs had total revenues of \$5,538,872 and expenses of \$4,285,173 for fiscal year 2023. Of the revenues, \$729,292 was charges for services, and \$4,733,114 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of this activity.

**FUND FINANCIAL ANALYSIS**

The following table presents a summary of revenue and expense, excluding transfers, for selected funds (including on-behalf payments). Food service and day care amounts are presented on the accrual basis while general and special revenue funds are on the modified accrual basis:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**For the Year ending June 30, 2023**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 5,583,728	\$ 0	\$ 0	\$ 0
Motor vehicle	1,370,977	0	0	0
Utilities	2,142,242	0	0	0
Earnings on investments	676,108	2,627	76,466	0
Tuition & fees	11,611	0	0	0
Other local revenues	339,794	27,798	132,298	0
Intergovernmental - state	32,071,924	2,266,030	187,062	98,888
Intergovernmental - federal	304,851	7,244,495	3,737,575	709,589
Gain/(Loss) on asset disposal	0	0	0	0
Lunchroom sales	0	0	150,442	0
Day care revenue	0	0	0	446,552
<b>TOTAL REVENUES</b>	<b>42,501,235</b>	<b>9,540,950</b>	<b>4,283,843</b>	<b>1,255,029</b>
<b>EXPENDITURES:</b>				
Instruction:	22,641,694	5,911,565	0	0
Support Services:				
Student	3,584,484	556,007	0	0
Instructional staff	1,566,417	1,915,811	0	0
District administration	1,536,631	0	0	0
School administration	2,402,023	0	0	0
Business	1,858,203	3,080	0	0
Plant operations and maintenance	5,452,971	255,068	0	0
Student transportation	2,486,465	211,224	0	0
Food Service	0	0	3,587,351	0
Day care service	0	0	0	697,822
Community Service	5,000	487,878	0	0
Capital outlay	1,342,388	0	0	0
Debt service	344,115	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>43,220,391</b>	<b>9,340,633</b>	<b>3,587,351</b>	<b>697,822</b>
Excess (Deficit) of Revenues over Expenditures	\$ (719,156)	\$ 200,317	\$ 696,492	\$ 557,207

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**For the Year ending June 30, 2022**

	GENERAL FUND	SPECIAL REVENUE FUND	FOOD SERVICE FUND	DAY CARE FUND
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 5,407,104	\$ 0	\$ 0	\$ 0
Motor vehicle	1,162,884	0	0	0
Utilities	1,991,827	0	0	0
Earnings on investments	89,584	321	7,961	0
Tuition & fees	14,400	0	0	0
Other local revenues	422,058	79,037	27,577	0
Intergovernmental - state	28,718,983	1,795,568	181,646	167,649
Intergovernmental - federal	269,720	8,336,725	3,857,922	1,428,031
Gain/(Loss) on asset disposal	0	0	0	0
Lunchroom sales	0	0	292,693	0
Day care revenue	0	0	0	180,590
<b>TOTAL REVENUES</b>	<b>38,076,560</b>	<b>10,211,651</b>	<b>4,367,799</b>	<b>1,776,270</b>
<b>EXPENDITURES:</b>				
Instruction:	20,627,463	5,977,322	0	0
Support Services:				
Student	3,205,158	181,912	0	0
Instructional staff	1,442,131	2,715,775	0	0
District administration	1,295,259	0	0	0
School administration	2,130,535	0	0	0
Business	1,713,785	4,995	0	0
Plant operations and maintenance	4,444,377	76,081	0	0
Student transportation	2,645,946	246,092	0	0
Food Service	0	0	3,089,769	0
Day care service	0	0	0	806,806
Community Service	2,860	431,231	0	0
Capital outlay	37,790	353,423	0	0
Debt service	394,702	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>37,940,006</b>	<b>9,986,831</b>	<b>3,089,769</b>	<b>806,806</b>
Excess (Deficit) of Revenues over Expenditures	\$ 136,554	\$ 224,820	\$ 1,278,030	\$ 969,464

**Debt**

At June 30, 2023, the School District had \$49,525,942 in debt outstanding, plus a premium of \$433,041; \$1,618,945 of the District's debt will be paid from the KSFCC funding provided by the State of Kentucky. A total of \$3,135,135 is due within one year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2023**

**Capital Assets**

At June 30, 2023, the School District's investment in capital assets for its governmental and business-type activities was \$76,353,527, a increase of \$5,270,258, net of depreciation, from FY2022. \$8,224,035 of capital assets were acquired for the governmental funds and \$0 of capital assets were acquired in the proprietary funds during FY2023.

**Comments on Budget Comparisons**

General fund budget compared to actual revenue varied from line item to line item with the ending actual revenues being \$14,946,235 more than budget. General fund budget compared to actual expenditures varied from line item to line item with the ending actual expenditures being \$11,899,599 more than budget. This overage is caused by on-behalf payments that are recorded at year end but not included in the budget appropriations. This overage is offset by additional on-behalf revenues from the state. The District's total general fund revenues for the fiscal year ended June 30, 2023, before interfund transfers, was \$42,501,235, an increase of \$4,424,675 from the total revenues of \$38,076,560 for 2022.

**FUTURE BUDGETARY IMPLICATIONS**

In Kentucky, the public school system fiscal year is July 1 through June 30; other programs, i.e. some federal, 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. Significant board actions that impacted finances include; Section 7 allocations, funding all-day Kindergarten, funding all athletic and a majority of extracurricular trips, expenditures for an alternative school. Gateway Children's Services is our only remaining KECSAC program. Staffing/Budget decisions were made based on projected enrollment for the 22-23 school year which we understand is declining. Our attendance is still drastically impacted by the COVID-19 Pandemic. For the 2023-24 school AADA SEEK has decreased due to loss of enrollment. For the 2023-24 fiscal year the Board voted to maintain the same local property tax rate plus .2 cents for exonerations in order to combat the loss of SEEK funding. The state has cut flex focus funding by awarding zero funds for PD and Instructional Resources, although there were funding increases to Gifted & Talented, LAVEC CTE Funding, and Safe Schools.

The CERS retirement employer rate decreased to 23.34% for 2023-24. The KTRS retirement employer contribution to the retiree medical insurance fund is 3.00% and federally funded employees 16.105/17.105% as mandated. Federal Programs Health Insurance/Life Insurance reimbursements to the State of Kentucky are included in the District's budget. For the upcoming 2023-24 school year, the district remains committed to maintaining the 187-day contracts for certified teachers.

Management and the Board will review the operating budget and seek areas to reduce costs while maintaining a quality education. We will also aggressively pursue new grant funding and local community support. The support and fundraising efforts of the Montgomery School District, Alumni, and Community Leaders positively impact the educational accomplishments of this district. The Board and management believe these actions will establish an adequate reserve in fiscal year 2024 while being aware the budget will likely change significantly for the next fiscal year.

Questions regarding this report should be directed to Angela Rhodes, Director of Finance, (859) 497-8760 ext. 6003, email: [angela.rhodes@montgomery.kyschools.us](mailto:angela.rhodes@montgomery.kyschools.us) , or by mail at the Montgomery County Schools, 3400 Indian Mound Drive Mt. Sterling, KY 40353.

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 21,635,536	\$ 4,809,292	\$ 26,444,828
Accounts receivable			
Taxes	333,248	-	333,248
Accounts	27,565	15,340	42,905
Intergovernmental - Federal	2,099,727	-	2,099,727
Current portion of lease receivable	82,524	-	82,524
Inventory	-	31,364	31,364
<b>Total Current Assets</b>	<u>24,178,600</u>	<u>4,855,996</u>	<u>29,034,596</u>
<b>Noncurrent Assets</b>			
Noncurrent portion of lease receivable	640,460	-	640,460
Non-depreciated capital assets	15,093,239	-	15,093,239
Net depreciated capital assets	60,489,997	644,649	61,134,646
Net intangible right-to-use assets	125,642	-	125,642
<b>Total Noncurrent Assets</b>	<u>76,349,338</u>	<u>644,649</u>	<u>76,993,987</u>
<b>TOTAL ASSETS</b>	<u>100,527,938</u>	<u>5,500,645</u>	<u>106,028,583</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension - CERS	3,834,592	544,628	4,379,220
OPEB - CERS	2,218,332	348,648	2,566,980
OPEB - KTRS	5,546,706	-	5,546,706
Deferred Gain/Loss on Bond Refinance	142,697	-	142,697
<b>Total deferred outflow of resources</b>	<u>11,742,327</u>	<u>893,276</u>	<u>12,635,603</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Accounts payable	326,308	305	326,613
Payroll liabilities	53	-	53
Current portion of bond obligations	2,820,000	-	2,820,000
Current portion of accrued sick leave	93,459	-	93,459
Accrued interest payable	315,013	-	315,013
Unearned revenues	802,376	-	802,376
Current portion of lease liability	60,124	-	60,124
Current Portion of Financed purchases	255,011	-	255,011
<b>Total Current Liabilities</b>	<u>4,672,344</u>	<u>305</u>	<u>4,672,649</u>
<b>Noncurrent Liabilities</b>			
Noncurrent portion of bond obligations	46,154,014	-	46,154,014
Net pension liability - CERS	13,640,113	2,328,633	15,968,746
Net OPEB liability - CERS	3,724,763	633,939	4,358,702
Net OPEB liability - KTRS	9,382,000	-	9,382,000
Noncurrent portion Financed purchases	602,459	-	602,459
Noncurrent portion of lease liabilities	67,375	-	67,375
Noncurrent portion of accrued sick leave	220,718	-	220,718
<b>Total Noncurrent Liabilities</b>	<u>73,791,442</u>	<u>2,962,572</u>	<u>76,754,014</u>
<b>TOTAL LIABILITIES</b>	<u>78,463,786</u>	<u>2,962,877</u>	<u>81,426,663</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension - CERS	2,035,169	411,405	2,446,574
OPEB - CERS	2,196,559	352,357	2,548,916
OPEB - KTRS	4,794,000	-	4,794,000
Lease	688,560	-	688,560
<b>Total deferred inflow of resources</b>	<u>9,714,288</u>	<u>763,762</u>	<u>10,478,050</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	25,892,592	644,649	26,537,241
Restricted			
Debt Service	7,982,668	-	7,982,668
Capital projects	5,432,764	-	5,432,764
Other purposes	263,757	4,862,663	5,126,420
Unrestricted	(15,479,590)	(2,840,030)	(18,319,620)
<b>TOTAL NET POSITION</b>	<u>\$ 24,092,191</u>	<u>\$ 2,667,282</u>	<u>\$ 26,759,473</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government							
Governmental Activities:							
Instructional	\$ 33,188,917	\$ 11,611	\$ 7,549,346	\$ -	\$ (25,627,960)	\$ -	\$ (25,627,960)
Support Services:							
Student	4,351,955	-	-	-	(4,351,955)	-	(4,351,955)
Instructional staff	3,922,825	-	-	-	(3,922,825)	-	(3,922,825)
District administration	1,511,801	-	-	-	(1,511,801)	-	(1,511,801)
School administration	2,590,389	-	-	-	(2,590,389)	-	(2,590,389)
Business	1,953,309	-	-	-	(1,953,309)	-	(1,953,309)
Plant operations and maintainance	5,856,520	-	-	-	(5,856,520)	-	(5,856,520)
Student transportation	3,090,432	-	-	-	(3,090,432)	-	(3,090,432)
Community services	502,946	-	-	-	(502,946)	-	(502,946)
Interest on long-term debt	1,830,635	-	-	966,915	(863,720)	-	(863,720)
Total Governmental Activities	<u>58,799,729</u>	<u>11,611</u>	<u>7,549,346</u>	<u>966,915</u>	<u>(50,271,857)</u>	<u>-</u>	<u>(50,271,857)</u>
Business Type Activities:							
Food Service	3,587,351	282,740	3,924,637	-	-	620,026	620,026
Child Care	697,822	446,552	808,477	-	-	557,207	557,207
Total Business Type Activities	<u>4,285,173</u>	<u>729,292</u>	<u>4,733,114</u>	<u>-</u>	<u>-</u>	<u>1,177,233</u>	<u>1,177,233</u>
Total Primary Government	<u>\$ 63,084,902</u>	<u>\$ 740,903</u>	<u>\$ 12,282,460</u>	<u>\$ 966,915</u>	<u>\$ (50,271,857)</u>	<u>\$ 1,177,233</u>	<u>\$ (49,094,624)</u>
			General Revenues:				
			Taxes:				
			Property	\$ 8,392,880	\$ -	\$ 8,392,880	
			Motor vehicle	1,370,977	-	1,370,977	
			Utilities	2,142,242	-	2,142,242	
			State and formula grants	41,350,630	-	41,350,630	
			Interest and investment earnings	1,008,029	76,466	1,084,495	
			Other Local revenues	1,120,424	-	1,120,424	
			Gain/(loss) on sale of assets	458,583	-	458,583	
			Transfers	188,037	(188,037)	-	
			Total General Revenues and Transfers	<u>56,031,802</u>	<u>(111,571)</u>	<u>55,920,231</u>	
			Change in Net Position	5,759,945	1,065,662	6,825,607	
			Net Position - beginning of year	18,332,246	1,601,620	19,933,866	
			Net Position - end of year	<u>\$ 24,092,191</u>	<u>\$ 2,667,282</u>	<u>\$ 26,759,473</u>	

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 7,780,349	\$ -	\$ 5,608,385	\$ 7,982,668	\$ 264,134	\$ 21,635,536
Interfund receivable	1,286,719	-	-	-	-	1,286,719
Accounts receivable						
Taxes	333,248	-	-	-	-	333,248
Accounts	26,853	-	-	-	712	27,565
Intergovernmental - Federal	-	2,099,727	-	-	-	2,099,727
<b>TOTAL ASSETS</b>	<b>\$ 9,427,169</b>	<b>\$ 2,099,727</b>	<b>\$ 5,608,385</b>	<b>\$ 7,982,668</b>	<b>\$ 264,846</b>	<b>\$ 25,382,795</b>
 <b>LIABILITIES:</b>						
Interfund payable	\$ -	\$ 1,286,719	\$ -	\$ -	\$ -	\$ 1,286,719
Accounts payable	138,966	10,632	176,135	-	575	326,308
Payroll liabilities	53	-	-	-	-	53
Grant advances	-	802,376	-	-	-	802,376
<b>TOTAL LIABILITIES</b>	<b>139,019</b>	<b>2,099,727</b>	<b>176,135</b>	<b>-</b>	<b>575</b>	<b>2,415,456</b>
 <b>FUND BALANCES:</b>						
Restricted	-	-	5,432,250	7,982,668	264,271	13,679,189
Committed	315,863	-	-	-	-	315,863
Unassigned	8,972,287	-	-	-	-	8,972,287
<b>TOTAL FUND BALANCES</b>	<b>9,288,150</b>	<b>-</b>	<b>5,432,250</b>	<b>7,982,668</b>	<b>264,271</b>	<b>22,967,339</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,427,169</b>	<b>\$ 2,099,727</b>	<b>\$ 5,608,385</b>	<b>\$ 7,982,668</b>	<b>\$ 264,846</b>	<b>\$ 25,382,795</b>

See Accompanying Notes to the Financial Statements



**MONTGOMERY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023**

Total Governmental Fund Balances	\$	22,967,339
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		75,708,878
Lease receivable are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		722,984
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.		
Deferred loss on refunding		142,697
Pension - CERS		3,834,592
OPEB - CERS		2,218,332
OPEB - KTRS		5,546,706
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position.		
Net pension liability - CERS		(13,640,113)
Net OPEB liability - CERS		(3,724,763)
Net OPEB liability - KTRS		(9,382,000)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.		
Pension - CERS		(2,035,169)
OPEB - CERS		(2,196,559)
OPEB - KTRS		(4,794,000)
Lease		(688,560)
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position.		
Bond obligations		(48,974,014)
Financed purchase obligations		(857,470)
Lease liability		(127,499)
Accrued interest		(315,013)
Accrued sick leave		(314,177)
Net Position of Governmental Activities	\$	<u>24,092,191</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND	SPECIAL REVENUE (GRANT) FUNDS	CONSTRUCTION FUND	DEBT SERVICE FUND	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
From local sources:						
Taxes:						
Property	\$ 5,583,728	\$ -	\$ -	\$ -	\$ 2,809,152	\$ 8,392,880
Motor vehicle	1,370,977	-	-	-	-	1,370,977
Utilities	2,142,242	-	-	-	-	2,142,242
Earnings on investments	676,108	2,627	169,494	140,247	-	988,476
Tuition	11,611	-	-	-	-	11,611
Other local revenues	339,794	27,798	-	-	767,964	1,135,556
Intergovernmental - State	32,071,924	2,266,030	-	149,513	3,844,168	38,331,635
Intergovernmental - Indirect federal	304,851	7,244,495	-	817,402	-	8,366,748
<b>TOTAL REVENUES</b>	<b>42,501,235</b>	<b>9,540,950</b>	<b>169,494</b>	<b>1,107,162</b>	<b>7,421,284</b>	<b>60,740,125</b>
<b>EXPENDITURES:</b>						
Instruction:	22,641,694	5,911,565	-	-	655,318	29,208,577
Support Services:						
Student	3,584,484	556,007	-	-	6,267	4,146,758
Instructional staff	1,566,417	1,915,811	-	-	167,901	3,650,129
District administration	1,536,631	-	-	-	-	1,536,631
School administration	2,402,023	-	-	-	-	2,402,023
Business	1,858,203	3,080	-	-	-	1,861,283
Plant operations and maintainance	5,452,971	255,068	-	-	-	5,708,039
Student transportation	2,486,465	211,224	-	-	15,686	2,713,375
Community Services	5,000	487,878	-	-	-	492,878
Other Non-Instructional	-	-	-	-	11,965	11,965
Capital Outlay	1,342,388	-	6,858,118	-	-	8,200,506
Debt service	344,115	-	-	4,572,469	-	4,916,584
<b>TOTAL EXPENDITURES</b>	<b>43,220,391</b>	<b>9,340,633</b>	<b>6,858,118</b>	<b>4,572,469</b>	<b>857,137</b>	<b>64,848,748</b>
Excess (Deficit) of Revenues over Expenditures	(719,156)	200,317	(6,688,624)	(3,465,307)	6,564,147	(4,108,623)
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	2,388,313	91,035	1,329,302	4,281,361	94,820	8,184,831
Operating transfers out	(554,243)	(291,352)	-	-	(7,151,199)	(7,996,794)
Debt issuance proceeds	180,924	-	-	-	-	180,924
Bond discount (premium)	-	-	-	-	-	-
Proceeds from sale of fixed assets	492,514	-	-	-	-	492,514
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>2,507,508</b>	<b>(200,317)</b>	<b>1,329,302</b>	<b>4,281,361</b>	<b>(7,056,379)</b>	<b>861,475</b>
Net Change in Fund Balances	1,788,352	-	(5,359,322)	816,054	(492,232)	(3,247,148)
Fund balance - beginning of year	7,499,798	-	10,791,572	7,166,614	1,288,342	26,746,326
Fund balance - end of year	<u>\$ 9,288,150</u>	<u>\$ -</u>	<u>\$ 5,432,250</u>	<u>\$ 7,982,668</u>	<u>\$ 796,110</u>	<u>\$ 23,499,178</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$ (3,247,148)
Amounts reported for governmental activities in the statement of activities are different because:	
Bond discounts are expensed as incurred in the fund financial statement, but are amortized over the life of the bond in the statement of activities	46,250
Revenues from lessor activities in the statement of activities that do not provide current financial resources are not reported in the as revenues in the funds.	5,622
Governmental funds do not report the effect of gain or loss on refunding debt, whereas these amounts are deferred and amortized in the statement of activities.	(34,717)
The proceeds from the issuance of debt provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported as an increase of liabilities.	(180,924)
The proceeds from the disposal of capital assets provide current financial resources and are reported in the fund financial statements. However, for governmental activities the proceeds are reported net of the cost less any accumulated depreciation	(33,932)
Capital outlays are reported as expenditures in the fund financial statement because they are 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.	
Capital outlays	8,200,506
Depreciation expense	(2,791,906)
Generally, expenditures recognized in the 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	(88,760)
Sick leave	92,803
Governmental funds report pension and OPEB contributions as expenditures when paid. However, in the Statement of Activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, and the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.	
KTRS on-behalf revenue	3,168,508
KTRS on-behalf pension expense	(3,248,508)
KTRS on-behalf OPEB expense	80,000
Pension expense	219,892
OPEB expense	409,083
Bond and lease payments are recognized as expenditures of current financial resources in the fund financial statement, but are reductions of liabilities in the statement of net position.	3,163,176
Change in Net Position of Governmental Activities	\$ 5,759,945

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	GENERAL FUND			VARIANCE Favorable (Unfavorable)
	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Taxes:				
Property	\$ 5,050,000	\$ 5,250,000	\$ 5,583,728	\$ 333,728
Motor vehicle	800,000	900,000	1,370,977	470,977
Utilities	1,700,000	1,700,000	2,142,242	442,242
Tuition and fees	-	-	676,108	676,108
Earnings on investments	40,000	75,000	11,611	(63,389)
Other local revenues	177,000	145,000	339,794	194,794
Intergovernmental - State	18,736,000	19,335,000	32,071,924	12,736,924
Intergovernmental - Indirect federal	140,000	150,000	304,851	154,851
<b>TOTAL REVENUES</b>	<u>26,643,000</u>	<u>27,555,000</u>	<u>42,501,235</u>	<u>14,946,235</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	14,259,250	14,149,898	22,641,694	(8,491,796)
Support Services:				
Student	2,749,455	2,709,415	3,584,484	(875,069)
Instructional staff	1,216,600	1,314,345	1,566,417	(252,072)
District administration	1,485,475	1,730,245	1,536,631	193,614
School administration	1,594,030	1,600,085	2,402,023	(801,938)
Business	1,375,045	1,442,940	1,858,203	(415,263)
Plant operations and maintenance	4,782,215	5,049,170	5,787,498	(738,328)
Student transportation	2,427,985	2,737,870	3,313,402	(575,532)
Community Services	5,900	5,900	5,000	900
Debt service	510,000	400,000	344,115	55,885
<b>TOTAL EXPENDITURES</b>	<u>30,405,955</u>	<u>31,139,868</u>	<u>43,039,467</u>	<u>(11,899,599)</u>
Excess (Deficit) of Revenues over Expenditures	<u>(3,762,955)</u>	<u>(3,584,868)</u>	<u>(538,232)</u>	<u>3,046,636</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	939,000	530,000	2,388,313	1,858,313
Operating transfers out	(120,000)	(130,000)	(554,243)	(424,243)
Proceeds from Sale of Assets	-	-	492,514	492,514
Contingency	(3,000,000)	(3,750,000)	-	3,750,000
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>(2,181,000)</u>	<u>(3,350,000)</u>	<u>2,326,584</u>	<u>5,676,584</u>
Net Change in Fund Balances	(5,943,955)	(6,934,868)	1,788,352	8,723,220
Fund balance - beginning of year	5,943,955	6,935,335	7,499,798	564,463
Fund balance - end of year	<u>\$ -</u>	<u>\$ 467</u>	<u>\$ 9,288,150</u>	<u>\$ 9,287,683</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	SPECIAL REVENUE FUND			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE Favorable (Unfavorable)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
From local sources:				
Earnings on investments	\$ (562)	\$ 1,690	\$ 2,627	\$ 937
Other local revenues	67,453	25,304	27,798	2,494
Intergovernmental - State	1,838,239	1,982,576	2,266,030	283,454
Intergovernmental - Indirect federal	1,385,188	3,876,274	7,244,495	3,368,221
<b>TOTAL REVENUES</b>	<u>3,290,318</u>	<u>5,885,844</u>	<u>9,540,950</u>	<u>3,655,106</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:	3,421,678	3,931,949	5,911,565	(1,979,616)
Support Services:				
Student	282,179	668,444	556,007	112,437
Instructional staff	(818,158)	685,581	1,915,811	(1,230,230)
Business	-	-	3,080	(3,080)
Plant operations and maintenance	(141,788)	71,839	255,068	(183,229)
Student transportation	99,200	119,200	211,224	(92,024)
Community services	425,591	499,866	487,878	11,988
<b>TOTAL EXPENDITURES</b>	<u>3,268,702</u>	<u>5,976,879</u>	<u>9,340,633</u>	<u>(3,363,754)</u>
Excess (Deficit) of Revenues over Expenditures	<u>21,616</u>	<u>(91,035)</u>	<u>200,317</u>	<u>291,352</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	98,966	91,035	91,035	-
Operating transfers out	-	-	(291,352)	(291,352)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>98,966</u>	<u>91,035</u>	<u>(200,317)</u>	<u>(291,352)</u>
Net Change in Fund Balances	120,582	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ 120,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2023**

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
<b>ASSETS:</b>			
Current Assets			
Cash and cash equivalents	\$ 2,726,043	\$ 2,083,249	\$ 4,809,292
Accounts receivable	6,491	8,849	15,340
Inventory	31,364	-	31,364
Total Current Assets	<u>2,763,898</u>	<u>2,092,098</u>	<u>4,855,996</u>
Noncurrent Assets			
Machinery & equipment	3,138,819	2,700	3,141,519
Accumulated depreciation	(2,494,170)	(2,700)	(2,496,870)
Total Noncurrent Assets	<u>644,649</u>	<u>-</u>	<u>644,649</u>
<b>TOTAL ASSETS</b>	<u>3,408,547</u>	<u>2,092,098</u>	<u>5,500,645</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Pension Plan	373,878	170,750	544,628
OPEB	261,757	86,891	348,648
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>635,635</u>	<u>257,641</u>	<u>893,276</u>
<b>LIABILITIES:</b>			
Current Liabilities			
Accounts payable	72	233	305
Noncurrent Liabilities			
Net pension liability	1,675,190	653,443	2,328,633
Net OPEB liability	501,647	132,292	633,939
Total Noncurrent Liabilities	<u>2,176,837</u>	<u>785,735</u>	<u>2,962,572</u>
<b>TOTAL LIABILITIES</b>	<u>2,176,909</u>	<u>785,968</u>	<u>2,962,877</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Plan	265,588	145,817	411,405
OPEB	219,883	132,474	352,357
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>485,471</u>	<u>278,291</u>	<u>763,762</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	644,649	-	644,649
Restricted	2,770,799	2,091,864	4,862,663
Unrestricted	(2,033,646)	(806,384)	(2,840,030)
<b>TOTAL NET POSITION</b>	<u>\$ 1,381,802</u>	<u>\$ 1,285,480</u>	<u>\$ 2,667,282</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Lunchroom sales	\$ 150,442	\$ -	\$ 150,442
Other operating revenues	132,298	446,552	578,850
TOTAL OPERATING REVENUES	<u>282,740</u>	<u>446,552</u>	<u>729,292</u>
OPERATING EXPENSES:			
Salaries and wages	784,922	438,486	1,223,408
Employee benefits	443,766	223,238	667,004
Contract services	58,273	8,354	66,627
Materials and supplies	2,134,760	24,622	2,159,382
Miscellaneous	61,218	3,122	64,340
Depreciation	104,412	-	104,412
TOTAL OPERATING EXPENSES	<u>3,587,351</u>	<u>697,822</u>	<u>4,285,173</u>
Operating income (loss)	(3,304,611)	(251,270)	(3,555,881)
NON-OPERATING REVENUES (EXPENSES)			
Federal grants	3,552,547	709,589	4,262,136
Federal commodities	185,028	-	185,028
State grants	187,062	98,888	285,950
Interest income	76,466	-	76,466
NON-OPERATING REVENUES (EXPENSES)	<u>4,001,103</u>	<u>808,477</u>	<u>4,809,580</u>
Net income (loss) before operating transfers	696,492	557,207	1,253,699
Operating transfers	(188,037)	-	(188,037)
Change in net position	508,455	557,207	1,065,662
Total net position - beginning of year	<u>873,347</u>	<u>728,273</u>	<u>1,601,620</u>
Total net position - end of year	<u>\$ 1,381,802</u>	<u>\$ 1,285,480</u>	<u>\$ 2,667,282</u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	FOOD SERVICE FUND	DAY CARE FUND	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 301,470	\$ 442,595	\$ 744,065
Cash paid to suppliers	(2,055,813)	(35,930)	(2,091,743)
Cash paid to employees	(1,077,928)	(599,472)	(1,677,400)
Net Cash Provided (Used) by Operating Activities	(2,832,271)	(192,807)	(3,025,078)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers	(188,037)	-	(188,037)
Governmental grants	3,582,476	742,663	4,325,139
Net Cash Provided (Used) by Noncapital Activities	3,394,439	742,663	4,137,102
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of Capital Assets	-	-	-
Net Cash Provided (Used) by Financing Activities	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	76,466	-	76,466
Net Cash Provided (Used) by Investing Activities	76,466	-	76,466
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	638,634	549,856	1,188,490
<b>Cash and cash equivalents - beginning of year</b>	2,087,409	1,533,393	3,620,802
<b>Cash and cash equivalents - end of year</b>	\$ 2,726,043	\$ 2,083,249	\$ 4,809,292
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (loss)	\$ (3,304,611)	\$ (251,270)	\$ (3,555,881)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Cash from Operating Activities:			
Federal commodities	185,028	-	185,028
On-behalf payments	157,133	65,814	222,947
Depreciation	104,412	-	104,412
Changes in Assets and Liabilities:			
Accounts Receivable	18,730	(3,957)	14,773
Inventory	13,346	-	13,346
Deferred outflows	(278,997)	(155,986)	(434,983)
Accounts payable	64	168	232
Deferred inflows	(101,627)	(56,819)	(158,446)
Net pension liability	323,596	180,922	504,518
Net OPEB liability	50,655	28,321	78,976
Net Cash Provided (Used) by Operating Activities	\$ (2,832,271)	\$ (192,807)	\$ (3,025,078)
<b>Schedule of non-cash transactions:</b>			
Donated commodities received from federal government	\$ 185,028	\$ -	\$ 185,028
On-behalf payments	\$ 157,133	\$ 65,814	\$ 222,947

See Accompanying Notes to the Financial Statements



**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2023**

		<u>SPECIAL PURPOSE TRUST FUNDS</u>
ASSETS:		
Cash and cash equivalents	\$	249,828
Accounts receivable		<u>-</u>
 TOTAL ASSETS	 \$	 <u><u>249,828</u></u>
 LIABILITIES:		
Accounts payable	\$	<u>177</u>
 TOTAL LIABILITIES		 <u>177</u>
 NET POSITION:		
Net position - Held in trust		<u>249,651</u>
 TOTAL NET POSITION		 <u>249,651</u>
 TOTAL LIABILITIES AND NET POSITION	 \$	 <u><u>249,828</u></u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

		<u>SPECIAL PURPOSE TRUST FUNDS</u>
ADDITIONS		
Contributions	\$	266,774
Interest Income		333
Total Additions		<u>267,107</u>
DEDUCTIONS		
Instruction		198,310
Instructional staff		45,137
Community service		-
Total Deductions		<u>243,447</u>
Change in Net Position		23,660
Total net position - beginning of year		<u>225,991</u>
Total net position - end of year	\$	<u><u>249,651</u></u>

See Accompanying Notes to the Financial Statements

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Montgomery County School District (the District) conform to generally accepted accounting principles (GAAP) as applicable to governmental entities in the United States of America. U. S. governmental accounting standards are established by the Governmental Accounting Standards Board (GASB) for state and local governmental entities. The following discussion is a summary of the more significant accounting policies that apply to the District.

**Reporting Entity**

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

The District, for financial purposes, includes all the funds and account groups relevant to the operation of the Montgomery 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 Board itself, such as Boosters Club, Parent-Teacher Associations, Site-Based Decision-Making Councils, and Family Resource Centers. Student organizations are blended into the Student Activity fund, a Special Revenue fund in accordance with GASBS No. 84, *Fiduciary Funds* and KDE policy.

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**

**Montgomery County Board of Education Finance Corporation** - In a prior year, the Board resolved to authorize the establishment of the Montgomery County School District Finance Corporation (a non-stock, non-profit corporation organized under School Bond Act and Chapter 273 and KRS 58.180) (the Corporation) as an agency of the District for financing the costs of school building improvements. The Board members of the Montgomery County Board of Education also comprise the corporation's Board of Directors. The Corporation does not publish individual component unit financial statements.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Basis of Presentation

The District's basic financial statements present government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within the 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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 accompanied by a total column.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and liabilities, including capital assets as well as long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for on the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statements of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year- end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and utility tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District has the following funds:

I. Governmental Fund Types

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

(B) The Special Revenue Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.

- 1) The Special Revenue Fund 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. This is a major fund of the District.
- 2) The District Activity Fund is a special revenue fund used to account for funds collected at individual schools for operation costs of the school or school district that allows for more flexibility in the expenditure of those funds. This is a non-major fund of the District.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

- 3) The School Activity Fund is a Special Revenue Fund type and is used to account for activities and programs for athletic, community service, and scholastic organizations managed by each school to benefit student activities. This fund was added in FY 2020 after the District implemented GASBS No. 84, *Fiduciary Activities*. This is a non-major fund of the District.

(C) Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The following are Capital Project Funds:

- 1) The Support Education Excellence in Kentucky (SEEK), Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is generally restricted for use in financing capital acquisitions. This is a non-major fund of the District.
- 2) The Facility Support Program of Kentucky (FSPK), Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a non-major fund of the District.
- 3) The Construction Fund accounts for funds from two sources. First, funds generated by sales of bonds issues are used for various construction and renovation projects. Second, proceeds from the sale of properties and equipment owned by the District are to be used at the discretion of the Board for construction projects in future years. This is a major fund of the District.

(D) The Debt Service Fund accounts for financial resources used for payment of principal and interest and other debt related costs. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

(A) The Food Service Fund accounts 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.

(B) The Day Care Fund is used to account for child care revenue and expenditures. The Day Care Fund is a major fund.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

III. Fiduciary Fund Type (Custodial)

(A) The Private Purpose Trust Fund is maintained within MUNIS and accounts for revenues generated by contributions held in trusts set up to benefit students in Montgomery County.

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

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 resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue – Unearned revenue arises when assets are recognized before eligibility criteria other than time requirements have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Unused donated commodities are also reported as inventory and unearned revenue.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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

Property Taxes

Property taxes are levied 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 due date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund when tax revenues are restricted to a specific purpose.

The property tax rates assessed for the year ended June 30, 2022, to finance the General Fund operations were \$0.523 per \$100 valuation for real property, \$0.523 per \$100 valuation for business personal property and \$0.469 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 delivery, within the district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

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.

Inventory

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.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Capital Assets (Cont'd)

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 acquisition 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. 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 expensed.

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

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	12 years
Furniture and fixtures	20 years
Rolling Stock	15 years
Other	10 years

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.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accrued sick leave" in the general fund. The non-current portion of the liability is not reported in the fund financial statements, but is reflected in the statement of net position.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- a) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- b) Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP) during the year and adjusted to modified accrual for the governmental funds at year-end.
- c) Capital outlay is budgeted within the departmental budget (budgetary) as opposed to separate classification by character (GAAP).

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of Financed Purchases, accumulated sick leave, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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 (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the CERS and KTRS, respectively. 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. Both systems publish separate financial statements as described in Note 6.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB 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 (“KTRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 7.

Fund Balances

The District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) for fiscal year 2011 for its governmental funds. Fund balances for each of the District’s governmental funds (General Fund, special revenue funds, capital projects funds, and debt service funds) will be displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation. Fund balance in the Construction, SEEK Capital Outlay, and FSPK Building funds are restricted for capital projects with a total of \$5,432,764 at June 30, 2023. Fund balance in the Debt Service fund is restricted for debt service with a total of \$7,982,668 at June 30, 2023. Fund balance in the District Activity Fund is restricted for district activities with a total balance of \$62,726 at June 30, 2023.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

Fund Balances (Cont'd)

Fund balance in the Student Activity Fund is restricted for student activities with a total balance of \$201,031 at June 30, 2023.

- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the board's highest level of decision-making authority, which is a resolution. At June 30, 2022, The District had committed fund balance for District activities for Site-Based Decision Making Council of \$158,775 and Sick Leave Liability of \$157,088.
- *Assigned fund balance*—amounts intended to be used by the District for specific purposes that are neither restricted nor committed. The Board or a delegated entity has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year. However, revenues in the FY 2024 budget exceed budgeted appropriations and no assignment of the FY 2023 fund balance was necessary.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

The District considers unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets plus deferred outflows of resources less liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets and any deferred outflows/inflows related to debt issued for capital financing. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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 various schools and fees charged for day care services. All other revenues are non-operating. Operating expenses can be tied directly to the production of the goods and services, such as the materials and labor and direct overhead. Other expenses are non-operating.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Interfund Activity

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

Bond Issuance Costs

Debt issuance costs are expensed in the period they are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts in the financial statements and the accompanying notes. Actual results could differ from those estimates.

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 and KTRS pension systems after the measurement period, differences between actual and estimated actuarial assumptions in the two pension systems (see Notes 6 and 7), and the unrecognized portion of a deferred loss on the refinancing of long-term debt (see Note 4).

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

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 appropriate period. The District reports two types of deferred inflows- those related to the net differences between projected and actual actuarial assumptions for pension and OPEB plans (see Notes 6 and 7) and those related to the lease receivable (see Note 5).

Lease Liabilities

The lease liability is recognized at the commencement of the lease term, unless the lease is a short-term lease, below the lease capitalization threshold of \$5,000, or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives) based on a borrowing rate specified in the contract or implicit rate. The lease term includes the noncancelable period of the lease and extensions the District is reasonably certain to exercise. The District monitors changes in circumstances that are expected to significantly affect the amount of a lease liability that may require a remeasurement of its lease.

New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. This standard will require similar recognition for right-to-use subscription intangible assets and a corresponding subscription liability that is provided for long-term leases in GASBS No. 87. The District reviewed its current IT subscription services and implemented the standard in the current year. Further details of the implementation are outlined in Note 18.

In June 2023, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*, that will be effective for these types of changes in fiscal years beginning after June 15, 2023. The District will apply this guidance, when appropriate.

In June 2023, the GASB issued Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 (the District's 2025 fiscal year). This standard revises some definitions for compensated absences and consolidates guidance for all types of leave to a single accounting recognition. This standard is not likely to have a material effect on the District's financial statements since they only provide one type of leave that is already recognized using the principles in GASBS No. 101.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 2 - CASH AND CASH EQUIVALENTS**

Deposits and Investments

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. As of June 30, 2022, the District did not hold any invested funds.

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 \$26,694,656. The bank balance for the same time was \$33,081,796. Total cash consists of the following:

Primary Government	\$26,444,828
Fiduciary Fund	<u>249,828</u>
Total	<u>\$26,694,656</u>

Due to the nature of the accounts and limitations imposed by the purposes of the various funds, all cash balances are considered to be restricted except for the General Fund.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not being depreciated:				
Land	\$3,620,522	\$0	\$0	\$3,620,522
Construction in Progress	4,638,127	6,858,118	23,528	11,472,717
Total Capital Assets not being depreciated	<u>8,258,649</u>	<u>6,858,118</u>	<u>23,528</u>	<u>15,093,239</u>
Depreciable capital assets				
Land Improvements	4,519,148	0	0	4,519,148
Buildings & Improvements	100,105,801	23,528	0	100,129,329
Technological Equipment	2,214,289	0	0	2,214,289
Vehicles	6,369,716	826,937	316,783	6,879,870
General Equipment	3,632,963	334,527	32,000	3,935,490
Infrastructure	136,126	0	0	136,126
Total Depreciable capital assets	<u>116,978,043</u>	<u>1,184,992</u>	<u>348,783</u>	<u>117,814,252</u>
Less accumulated depreciation for:				
Land Improvements	(3,630,053)	(121,918)	0	(3,751,971)
Buildings & Improvements	(41,660,464)	(2,179,494)	0	(43,839,958)
Technological Equipment	(2,194,762)	(8,794)	0	(2,203,556)
Vehicles	(3,821,418)	(378,671)	(282,851)	(3,917,238)
General Equipment	(3,464,665)	(42,741)	(32,000)	(3,475,406)
Infrastructure	(136,126)	0	0	(136,126)
Total accumulated depreciation	<u>(54,907,488)</u>	<u>(2,731,618)</u>	<u>(314,851)</u>	<u>(57,324,255)</u>
Depreciable Capital Assets, net	<u>62,070,555</u>	<u>(1,546,626)</u>	<u>33,932</u>	<u>60,489,997</u>
Intangible right-to-use assets				
Leased equipment	75,053	180,924	75,053	180,924
Less accumulated amortization	(70,049)	(60,286)	(75,053)	(55,282)
Net Intangible right-to-use assets	<u>5,004</u>	<u>120,638</u>	<u>-</u>	<u>125,642</u>
Governmental Activities, net	<u>\$70,334,207</u>	<u>\$5,432,130</u>	<u>\$57,460</u>	<u>\$75,708,878</u>
<b>Business Activities:</b>				
Buildings & Improvements	\$1,613,076	\$0	\$0	\$1,613,076
Technological Equipment	24,427	0	0	24,427
Vehicles	36,702	0	0	36,702
General Equipment	1,467,314	0	0	1,467,314
Total	<u>3,141,519</u>	<u>0</u>	<u>0</u>	<u>3,141,519</u>
Less accumulated depreciation for:				
Buildings & Improvements	(1,071,726)	(51,001)	0	(1,122,728)
Technological Equipment	(24,427)	0	0	(24,427)
Vehicles	(36,702)	0	0	(36,702)
General Equipment	(1,259,603)	(53,411)	0	(1,313,014)
Total accumulated depreciation	<u>(2,392,458)</u>	<u>(104,412)</u>	<u>0</u>	<u>(2,496,870)</u>
Business Activities, net	<u>\$749,061</u>	<u>(\$104,412)</u>	<u>\$0</u>	<u>\$644,649</u>



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 3 - CAPITAL ASSETS (Cont'd)**

Depreciation expense was charged to functions of the governmental activities of the District as follows:

<b>Governmental Activities:</b>	
Instruction	\$2,096,500
Support Services:	
Student	7,648
District Administration	49,679
School Administration	16,750
Business	73,179
Plant Operations & Maintenance	158,346
Student Transportation	389,804
Total depreciation expense, governmental activities	\$2,791,906

Intangible Right-to-Use Assets

In FY 2022, the District implemented the guidance in GASBS No. 87, *Leases*, and recognized the value of copiers leased under long-term contracts.

As of June 30, 2023, the District had one lease agreement in place for copiers. Terms of the this lease are described in Note 4.

**NOTE 4 – LONG-TERM DEBT AND LEASE OBLIGATIONS**

Bonds

The District, through the General Fund, the Building Fund, and the SEEK Capital Outlay Fund are obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Montgomery County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996, the District entered into “Participation agreements” with the School Facility Construction Commission.

The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

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

Issue	Proceeds	Rates	Maturity Dates	Outstanding Balance June 30, 2022
2010 QSBC	\$12,576,000	5.88%	12/1/2027	\$12,576,000
2014	14,960,000	3.00% - 3.50%	9/1/2034	13,985,000
2014A	4,000,000	2.00% - 3.25%	12/1/2030	3,525,000
2014B	4,230,000	1.00% - 3.00%	3/1/2025	1,285,000
2015	2,385,000	2.00% - 2.50%	4/1/2026	950,000
2016	4,255,000	2.00%	9/1/2027	2,225,000
2022	12,745,000	2.50%	2/1/2042	12,675,000
2022B	1,375,000	3.50%	4/1/2042	1,320,000
	<u>\$56,526,000</u>			<u>\$48,541,000</u>

The bonds which may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2022 for debt service (principal and interest) are as follows:

Year	Montgomery County School District		Kentucky School Construction Commission		Federal Rebate QSCB	Total
	Principal	Interest	Principal	Interest	Interest	
2024	\$2,727,005	\$956,285	\$92,995	\$36,070	\$714,317	\$4,526,672
2025	2,795,943	883,784	94,057	35,008	714,317	4,523,109
2026	2,564,857	805,296	95,143	33,922	714,317	4,213,535
2027	15,059,162	738,840	96,838	32,228	1,071,475	16,998,543
2028	2,412,333	663,316	82,667	30,221	0	3,188,537
2029-2033	10,971,567	2,285,153	443,433	121,008	0	13,821,161
2034-2038	6,788,255	906,488	401,745	69,849	0	8,166,337
2039-2042	3,602,933	278,075	312,067	23,750	0	4,216,825
	<u>\$46,922,055</u>	<u>\$7,517,237</u>	<u>\$1,618,945</u>	<u>\$382,056</u>	<u>\$3,214,425</u>	<u>\$59,654,718</u>

**Defeased Bonds**

The District defeased the 2003, 2010, 2006 and 2007 School Building Revenue Bond by depositing the proceeds of new debt into an irrevocable trust with an escrow agent for future debt service payments. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt created a deferred outflow resources in the amount of \$874,408. The deferred balance will be amortized to operations yearly for \$34,717 through 2029. The balance of the deferred loss on refunding as of June 30, 2023 was \$142,697.

**Intangible Right-to-Use Lease Liabilities**

In FY 2022, the District implemented the guidance of GASBS No. 87, *Leases*, for accounting and reporting leases that had previously been reported as operating leases.

The District leases a variety of copier/printers from ProSource for a term of 36 months. The lease requires a minimum monthly lease payment of \$5,281, plus additional charges for excess usage and excluding applicable taxes.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

For purposes of discounting future payments on the lease, the District used the interest rate of 3.25%. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 3.

Minimum lease payments over the next five years include:

	<u>Lease Payments to Maturity</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
FY 2024	\$60,124	\$3,253	\$63,377
FY 2025	\$62,107	\$1,270	\$63,377
FY 2026	\$5,267	\$5,296	\$10,563

Financed Purchases

The District finances several buses under financing agreements issued by the Kentucky Interlocal School Transportation Association (KISTA). The following table summarizes the KISTA agreements outstanding as of June 30, 2023:

<u>KISTA Issue</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2021 <u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	2022 <u>Outstanding Balance</u>
First Series of 2013	3/1/2023	2%	\$55,966	0	55,966	\$0
Issue of 2014	3/1/2024	2-3%	111,864	0	55,044	56,820
Issue of 2015	3/1/2025	1-2.65%	181,461	0	66,095	115,366
Issue of 2016	3/1/2026	2-2.625%	156,971	0	40,621	116,350
Issue of 2017	3/1/2027	2.55%	115,397	0	23,432	91,965
Issue of 2019	3/1/2029	2.55%	301,731	0	43,123	258,608
Issue of 2020	3/1/2030	2%	248,752	0	30,391	218,361
<b>Totals</b>			<b>\$1,172,142</b>	<b>\$0</b>	<b>\$314,672</b>	<b>\$857,470</b>

Future minimum lease payments under the terms of the leases are as follows::

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$255,011	\$21,910	\$276,921
2024	199,467	15,348	214,815
2026	135,961	10,206	146,167
2027	103,257	6,679	109,936
2028	69,786	4,009	73,795
2029-2030	93,988	2,825	96,813
	<b>\$857,470</b>	<b>\$60,976</b>	<b>\$918,446</b>

The following is an analysis of the leased property under Financed Purchases by class at June 30, 2023:

<u>Class of Property</u>	<u>Amount</u>
Buses Book Value	\$741,504

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 4 - LONG-TERM DEBT AND LEASE OBLIGATIONS (Cont'd)**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 51,331,000	\$ -	\$ 2,790,000	\$ 48,541,000	\$ 2,820,000
Net Bond Premium (Discounts)	479,265	-	46,251	433,014	-
Financed purchases	1,172,142	-	314,672	857,470	255,011
Lease liabilities	5,078	180,924	58,503	127,499	60,124
Sick Leave	406,980	-	92,803	314,177	93,459
Total	<u>\$ 53,394,465</u>	<u>\$ 180,924</u>	<u>\$ 3,302,229</u>	<u>\$ 50,273,160</u>	<u>\$ 3,228,594</u>

**NOTE 5 – LESSOR AGREEMENTS**

On July 1, 2019 the District, as a lessor, entered into an agreement with Morehead State University (the "tenant"), the lessee, to rent 6,426 and 1,315 square feet of classroom, laboratory, and office space at 3400 Indian Mound Dr. Mt. Sterling, KY and 640 Woodford Dr. Mt. Sterling, KY, respectively. The lease calls for an initial term of 12 years commencing July 1, 2019 to and including June 30, 2031. Either party may terminate the lease with 30 days written notice to the other party. In the event of termination by the District, prior to June 30, 2031 the District shall reimburse the Tenant four percent of the \$1,500,000 appropriated by the 2005 session of the Kentucky General Assembly for every year remaining on the lease after termination, said sum to be paid in full immediately upon termination. In the event of termination by the Tenant no further payments shall be due by either party to the other after the date of termination. In accordance with the provisions of GASBS No. 87, the lease was retroactively measured as of July 1, 2021 with a lease term of 10 years and an interest rate of 2.55%, the District's most recent KISTA borrowing rate.

Rent is payable biannually on October 1 and March 1. Rent is \$100,000 annually. The City collected \$100,000 from the tenant for the year ended June 30, 2023, which includes \$80,448 in lease revenue and \$19,552 in lease interest revenue. The following table summarizes lessor activity for the year ended June 30, 2023:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Lease receivable	\$803,433	-	\$80,448	\$722,984
Deferred inflows - lease	\$774,630	-	\$86,070	\$688,560

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS**

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

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

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. As of April 1, 2021, Kentucky Revised Statute (“KRS”) Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management.

KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions. The Kentucky Public Pensions Authority issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service.

For retirement purposes, employees are grouped into three tiers, based on hire date:

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

Cost of living adjustments are provided at the discretion of the General Assembly. In 2013, the General Assembly established funding status thresholds which must be achieved before another COLA can be awarded to retirees.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Employer Contributions – For the year ended June 30, 2023, employer contributions were established by the County Employees Retirement Systems in December 2021. The governing Board establishes employer contribution rates based on the annual actuarial valuation completed in November each year for the fiscal year beginning the following July 1. For fiscal year 2023, the employer contribution rate for CERS nonhazardous pensions was 23.4% and hazardous pensions was 42.81%. In fiscal year 2022, these rates were 22.78% and 35.60%, respectively. Rates for both 2023 and 2022 reflect the adjustments enacted by the Kentucky General Assembly to phase-in the actuarially determined rates. (See Note 6 for additional rate information for the OPEB plans.)

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

	<u>NonHazardous</u>	<u>Hazardous</u>
Tier 1	5%	8%
Tier 2	5% + 1% for insurance	8% + 1% for insurance
Tier 3	5% + 1% for insurance	8% + 1% for insurance

*General information about the Teachers' Retirement System of the State of Kentucky ("TRS of Ky")*

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6 – RETIREMENT PLANS (Cont'd)**

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation.

Effective July 1, 2008, the System was amended to change the benefit structure for employees hired on or after that date. Members hired after July 1, 2008, must complete 27 years of service, attain age 60 and 5 years of service, or attain age 55 and 10 years of service. The annual retirement allowance for members hired after July 1, 2008, is 1.7% for 10 years or less of service; 2.0% for 10 -20 years; 2.3% for 20 – 26 years; 2.5% for 26 – 30 years; or 3.0% for more than 30 years of service. 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.

In 2021, the Kentucky General Assembly added a fourth tier to the TRS System. Members hired on or after January 1, 2022, will be eligible for a combined defined benefit and defined contribution plan. The defined benefit portion is based on length of service, final average salary, a multiplier, and the annuity option selected by the member. The defined contribution benefit portion is determined by an account balance funded by mandatory and voluntary contributions and the payment options selected by the member.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

TRS provides disability retirement allowance for members who are totally and permanently disabled after completing at least 5 years of service, but less than 27 years. The disability allowance is equal to 60% of the member's final average salary, payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. If the member is still disabled after the end of the entitlement period, the member receives a service retirement allowance, including additional service credit for the period of disability retirement. This extended allowance will not be less than \$6,000 and is not reduced for retirement prior to age 60 or completion of 27 years of service.

TRS provides a death benefit to a surviving spouse of an active member with less than 10 years of service. This benefit is \$2,880 per year unless the spouse has income from other sources that exceed \$6,600 which will reduce this death benefit to \$2,160 per year. A surviving spouse of an active member with 10 or more years of service is eligible for a death benefit actuarially equivalent to the allowance that the member would have received upon retirement. This benefit will commence on the date the deceased member would have been eligible for the service retirement and is payable during the life of the spouse. Additional benefits are provided for unmarried children under age 18 who are also survivors of the deceased member.

If an employee terminates 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.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Tiers 1, 2, and 3 non-university employees are required to contribute 9.105% of their salaries to the System for pension benefits. (See OPEB discussion for additional contribution rates.) For the FY22 measurement period, the Commonwealth of Kentucky, as a non-employer contributing entity, paid matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 17.105% for those hired after July 1, 2008, for pension benefits. (See OPEB discussion for additional contribution rates.) The 2020 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2023 was 30.665% for non-university members hired before July 1, 2008, and 31.665% for those hired after July 1, 2008. The 2019 actuarially determined combined member and state contribution rates for the fiscal year ended June 30, 2022 was 38.56% for non-university members hired before July 1, 2008, and 39.56% for those hired after July 1, 2008. The Kentucky General Assembly increased the employer contribution in the state's fiscal year 2022 budget to reflect the actuarially determined rates, less the employee contribution.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

The mandatory pension contribution for Tier 4 non-university employees hired on or after January 1, 2022, is 11%. Employer rates for Tier 4 are 10%. (See OPEB Note 6 for additional contribution rates.) Those employees may voluntarily contribute an additional amount, not to exceed the earnings on a paycheck.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS of Ky because the Commonwealth of Kentucky provides the pension support directly to TRS of Ky on behalf of the District in a special funding situation.

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

District's proportionate share of the CERS net pension liability	\$ 15,968,746
Commonwealth's proportionate share of TRS of Ky net pension liability associated with the District	<u>89,064,214</u>
Total	<u>\$ 105,032,960</u>

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

The District's proportion of the net pension liability for CERS was based on the actuarial liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was 0.220898 percent. For the year ended June 30, 2023, the District recognized a decrease in pension expense of \$263,840 related to CERS and expense of \$8,126,319 related to TRS of Ky. The District also recognized on-behalf revenue of \$11,471,259 for TRS of Ky support provided by the Commonwealth paid directly to TRS of Ky.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 17,073	\$ 142,209
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,172,868	1,763,487
Changes in proportion and differences between District contributions and proportionate share of contributions	871,431	540,878
District contributions subsequent to the measurement date	1,317,848	-
	\$ 4,379,220	\$ 2,446,574

\$1,317,848 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	(\$80,422)
2025	\$375,775
2026	(\$134,192)
2027	\$453,637
2028	-

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

	<u>CERS</u>	<u>TRS of Ky</u>
Price inflation	2.30%	2.5%
Cost-of-living adjustment	0.0%	0.0%
Salary increases	3.30% - 10.30%	3.0-7.5%
Investment rate of return	6.25%	7.1%

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

	<u>CERS</u>	<u>TRS of Ky</u>
Inflation	2.30%	2.50%
Payroll growth rate	2.00%	N/A
Cost-of-living adjustment	0.00%	1.5%
Salary Increases-NonHazardous	3.30% - 10.30%	3.0-7.5%
Salary Increases-Hazardous	3.55% - 19.05%	N/A
Investment rate of return	6.25%	7.10%

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

For CERS, mortality tables used for active members was the PUB-2010 General Mortality table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the Hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, the mortality table used is a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. For disabled members, the table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS of Ky, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted Mortality Table projected generationally with MP-2020 and various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

The current long-term inflation assumption is 2.3% per annum for both the non-hazardous and hazardous plan.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equity	37.4%	4.2%
Small Cap U.S. Equity	2.6%	4.7%
Developed International Equity	16.5%	5.3%
Emerging Markets Equity	5.5%	5.4%
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	<u>2.0%</u>	-0.3%
Total	<u>100.0%</u>	

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

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

For TRS of Ky, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. The actuary 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 rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees. 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.

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

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
CERS	5.25%		6.25%		7.25%
District's proportionate share of net pension liability	\$ 19,958,951	\$	15,968,746	\$	12,668,515
KTRS	6.10%		7.10%		8.10%
District's proportionate share of net pension liability	\$ -	\$	-	\$	-

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

**Deferred Compensation**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, was amended by GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 6 – RETIREMENT PLANS (Cont'd)**

The GASB standards allow entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities for these defined contribution plans from their financial statements. The District therefore does not show these assets and liabilities in this financial statement.

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS**

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System of Kentucky (TRS of Ky) covers positions requiring teaching certification or otherwise requiring a college degree. Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the CERS and TRS of Ky plans. The change in governance for CERS discussed in Note 5 for pension plan governance also applies to the CERS OPEB plans. The Kentucky Public Pensions Authority's publicly available financial report includes the CERS OPEB plan reports and may be obtained from <http://kyret.ky.gov/>. TRS of Ky issues a publicly available financial report that can be obtained at [http://www.TRS of Ky.ky.gov/05\\_publications/index.htm](http://www.TRS of Ky.ky.gov/05_publications/index.htm).

**CERS Other Postemployment Benefits**

Plan Description—CERS health insurance benefits are also subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits Provided—Percentage of premium subsidies ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont’d)**

Contributions—CERS allocates a portion of the employer contributions to the health insurance benefit plans. CERS allocated 3.39% in FY 2023 and 4.17% in FY 2022 for the actuarially required contribution rate paid by employers for funding the nonhazardous healthcare benefit. Contributions for the hazardous OPEB plan were 6.78% in FY 2023 and 8.73% in FY 2022. In addition, 1% of the Tier 2 and 3 employee contributions are allocated to the health insurance plan for both hazardous and nonhazardous plans. OPEB contribution rates are declining as the funded status for CERS health insurance benefit plans approach 100%.

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

At June 30, 2023, the District reported a liability of \$4,358,702 for its proportionate share of the CERS collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was 0.220860 percent. The District recognized OPEB expense of \$204,193 as the OPEB liability increased and the related deferred inflows of resources and deferred outflows of resources increased.

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

<b>CERS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 438,740	\$ 999,552
Changes of assumptions	689,359	568,028
Net difference between projected and actual earnings on OPEB plan investments	811,635	634,726
Changes in proportion and differences between District contributions and proportionate share of contributions	267,437	346,610
District contributions subsequent to the measurement date	359,809	-
	<u>\$ 2,566,980</u>	<u>\$ 2,548,916</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$359,809 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

<u>Year ended June 30:</u>	
2024	(\$68,440)
2025	(\$74,716)
2026	(\$276,862)
2027	\$78,273
2028	-
Thereafter	-

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.30% - 10.30%, for non-hazardous, depending on years of service 3.55% to 19.05%, for hazardous, depending on years of service
Inflation rate	2.30%
Healthcare cost trend rates:	
Under 65	Initial trend rate starts at 6.40%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	Initial trend starting at 6.3%, January 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Municipal Bond Index Rate	3.69% for both hazardous and non-hazardous
Discount Rate	5.70% non-hazardous and 5.61% hazardous

Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The investment return, price inflation, and payroll growth assumption were adopted by the Board in May 2021 for use with the June 30, 2021 valuation in order to reflect future economic expectations.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years, at a minimum. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized the table below. The current long-term inflation assumption is 2.3% per annum for both the non-hazardous and hazardous plan.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

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

*Discount rate* – The single discount rate of 5.70% for CERS nonhazardous and 5.61% for CERS hazardous was used to measure the total OPEB liability as of June 30, 2022. The Single discount rate is 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.

Future contributions are projected in accordance with the current funding policy mandated in Ky Revised Statutes 61.565, as amended, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (the Kentucky General Assembly reset the amortization period to 30 years in 2020) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system.

However, the cost associated with the implicit employer subsidy for non-Medicare retirees is not currently included in the calculation of the System’s actuarial determined contributions and any cost associated with the implicit subsidy is not paid out of the System’s trust. The implicit rate subsidy is paid by the Commonwealth of Kentucky self-insurance fund, Kentucky Employees Health Plan. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70%) or 1-percentage-point higher (6.70%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 5,826,890	\$ 4,358,702	\$ 3,145,000

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

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
CERS			
District's proportionate share of net OPEB liability	\$ 3,240,598	\$ 4,358,702	\$ 5,701,334

The Kentucky Public Pensions Authority's publicly available financial report includes financial reports for the CERS OPEB plans and may be obtained from <http://kyret.ky.gov/>.

**TRS of Ky POST-EMPLOYMENT HEALTH CARE BENEFITS**

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS of Ky Medical Insurance and Life Insurance Plans in a special funding situation for local school districts. Local school districts include a proportionate share of the liability, deferred outflows of resources and deferred inflows of resources, and expenses for the cost-sharing medical insurance plan.

Plan description—In addition to the pension benefits described in Note H, KRS 161.675 requires TRS of Ky to provide post-employment healthcare benefits to eligible employees and dependents. The TRS of Ky Medical Insurance Fund is a cost-sharing multiple-employer defined benefit plan. Changes made to the medical plan may be made by the TRS of Ky Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

Benefits Provided—To be eligible for medical benefits, the member must have retired either for service or disability. The TRS of Ky Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS of Ky Medicare Eligible Health Plan.

Contributions—KRS 161.540 requires non-university members to contribute 3.75% to fund the post-retirement healthcare benefit, including members in Tier 4 hired after January 1, 2022. The Commonwealth of Kentucky contributes three quarters percent (.75%) from state appropriation and local school district employers contribute three percent (3.00%). In addition, the state contributes 1.57% for the cost of health insurance for retirees who are not eligible for Medicare. The total member and employer actuarially determined contribution based on the 2021 valuation was 4.62% for school district employees. The FY 22 difference between the total contributions and actuarially determined contribution (4.45%) was applied to reduce the unfunded actuarial accrued liability. The FY21 total member and employer actuarially determined contribution rate was 4.64% and 4.44% (the excess payment) was applied to the unfunded actuarial accrued liability.

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

At June 30, 2023, the District reported a liability of \$9,382,000 for its proportionate share of the collective net OPEB liability for medical insurance.

The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.276576 percent.

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

District's proportionate share of the net OPEB liability	\$ 9,382,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,082,000</u>
Total	<u>\$ 12,464,000</u>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

For the fiscal year ended June 30, 2023, the District recognized a decrease in OPEB expense of \$579,259 as the liability increased, deferred outflows and inflows of resource decreased, and deferred contributions decreased. In addition, the District recognized on-behalf revenue and expenses of \$164,732 for support provided by the State as a nonemployer contributing entity. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,944,000
Changes of assumptions	1,905,000	-
Net difference between projected and actual earnings on OPEB plan investments	499,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,643,000	850,000
District contributions subsequent to the measurement date	499,706	-
	<u>\$ 5,546,706</u>	<u>\$ 4,794,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$499,706 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2021	(\$418,000)
2022	(\$291,000)
2023	(\$148,000)
2024	\$489,000
2025	\$416,000
Thereafter	\$205,000

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

Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB Plan investment expense, including inflation

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

Healthcare cost trend rates	
Under 65	7.0% for FYE 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate rate of 4.50% by 2034

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2021 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, 2020, adopted by the Board on September 20, 2021.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.10 %
Fixed Income	9.0%	(0.10)%
Real Estate	6.5%	4.00 %
Private Equity	8.5%	6.90 %
High Yield Credit	8.0%	1.70 %
Other Additional Categories	9.0%	2.20 %
Cash	<u>1.0%</u>	(0.30)%
Total	<u>100.0%</u>	

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

*Discount rate* - The discount rate used to measure the total health care OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following 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.
- Administrative expenses, except the administrative fee of \$8 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Cash flows occur mid-year.
- Future contributions to the Health 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 prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
  - Employee contributions
  - School District/University Contributions
  - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010.

These adjustments were incorporated into the valuation with open group projections that assumed an equal, pro rata reduction to the current statutory amounts in the years if/when 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).

- Adjustments to the statutory contributions in future years were based on the following assumptions:
  - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
  - Estimates for new entrants were based on the assumption that active headcounts would remain flat for all future years.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

Based on these assumptions, the Health Trust's fiduciary net position was projected to be sufficient to pay benefits.

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

	<u>1% Decrease</u> 6.10%	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
KTRS District's proportionate share of MIF net OPEB liability	\$ 11,771,000	\$ 9,382,000	\$ 7,404,000

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

	<u>1% Decrease</u>	<u>Current Health Care Trend Rate</u>	<u>1% Increase</u>
KTRS District's proportionate share of net OPEB liability	\$ 7,033,000	\$ 9,382,000	\$ 12,303,000

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

**TRS Life Insurance Plan**

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

*Benefits provided* – TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

*Contributions* – The Commonwealth of Kentucky contributed 0.08% of salary to the Life Insurance Trust for the fiscal year ended June 30, 2023 and 0.07% for fiscal year June 30, 2022. The actuarial determined contribution rate for FY 23 was 0.08% and 0.07% for FY 22.

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

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

District's proportionate share of the net OPEB liability	\$	0
State's proportionate share of the net OPEB liability associated with the District		<u>153,000</u>
Total	\$	<u>153,000</u>

For the year ended June 30, 2023, the District recognized OPEB revenue and expense of \$11,700 for support provided by the State.

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

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 – 7.50%, including inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the in the June 30, 2020 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, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont’d)**

The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U. S. Equity	40.0%	4.40 %
International Equity	23.0%	5.60%
Fixed Income	18.0%	(0.10)%
Real Estate	6.0%	4.00 %
Private Equity	5.0%	6.90 %
Other Additional Categories	6.0%	2.10 %
Cash	<u>2.0%</u>	(0.30)%
Total	<u>100.0%</u>	

*Single Equivalent Interest Rate* - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to the 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 Trust’s 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 (AC) in accordance with the Life 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 applied.
- Administrative expenses were assumed to be paid in all years by the employer as they come due and are not considered in the cash flow projections.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust’s fiduciary net position was projected to be sufficient to pay all benefits for all current members.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 7 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Cont'd)**

*OPEB plan fiduciary net position* – TRS of Ky issues a publicly available financial report that can be obtained at [http://www.TRS of Ky.ky.gov/05\\_publications/index.htm](http://www.TRS of Ky.ky.gov/05_publications/index.htm).

**NOTE 8 – ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. At June 30, 2023, this amount totaled \$314,177. The District follows a policy of funding up to one-half of the total amount accrued as a commitment of the General Fund balance.

**NOTE 9 - 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, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated and include workers' compensation insurance.

**NOTE 10 - CONTINGENCIES**

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. If, based upon the grantor's review, the funds are considered not to have been used for the intended purpose the grantor may request a refund of monies advanced, or to 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 grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs. In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress or the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage.

Contributions to the Workers' Compensation Fund are based on premium rates established by such a fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after the expiration of the self-insurance term. The liability insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage, and for any reason, by giving ninety days notice. In the event the Trust terminated coverage, any amount remaining in the Fund would be returned to the member on a pro rata basis. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past several fiscal years.

**NOTE 12 - 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 13 - DEFICIT OPERATING/ FUND BALANCES**

As of June 30, 2023 none of the District's funds are operating as deficit fund balances. The following funds had operations that resulted in a current year deficit after transfers and other financing sources (see Note 14) of revenues over expenditures resulting in the following reductions of fund balances:

District Activity Fund	\$ 2,232
Seek Capital Outlay Fund	\$ 69,882
FSPK Building Fund	\$ 427,997
Construction Fund	\$ 5,359,322

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 14 – INTERFUND TRANSACTIONS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS & Grant Match	\$91,035
General	District Activity	Athletics	\$94,820
General	Construction	Construction	\$368,388
Special Revenue	General	Indirect Costs	\$291,352
Capital Outlay	General	Construction & Capital Expenses	\$479,569
Building Fund	General	Capital Expenses	\$1,429,355
Building Fund	Debt Service	Debt Service	\$4,281,361
Food Service	General	Indirect Costs	\$188,037

**NOTE 15 - ON-BEHALF PAYMENTS**

For the fiscal year ended June 30, 2023, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

Kentucky Teachers Retirement System	\$	8,302,751
Health & Life Insurance		4,332,689
Technology		155,433
Debt Service		149,513
<b>Recognized at the Fund Level</b>		<u>12,940,386</u>
Additional pension & OPEB expense recognized at the Government-Wide Level		3,168,508
<b>Total On-Behalf</b>	<b>\$</b>	<u><u>16,108,894</u></u>

These payments were recorded in the appropriate revenue and expense accounts on the statement of revenue, expenses, and changes in fund balance as follows:

General Fund	\$	12,557,880
Food Service Fund		161,700
Childcare Fund		71,293
Debt Service Fund		149,513
<b>Total</b>	<b>\$</b>	<u><u>12,940,386</u></u>

**NOTE 16– LITIGATION**

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 17 – RISKS AND UNCERTAINTIES**

Prior to the year ended June 30, 2023, the World Health Organization declared the coronavirus disease (COVID-19) outbreak to be a pandemic. COVID -19 continues to spread across the globe and is impacting worldwide economic activity. The continued spread of the disease represents a significant risk that operations will continue to be disrupted for the foreseeable future. The full extent to which COVID-19 impacts the District will depend on future developments which are highly uncertain and cannot be predicted.

**NOTE 18 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The District adopted the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of this Statement is to better meet the information needs of financial statement users by establishing uniform accounting and financial reporting requirements for SBITAs, improving the comparability of financial statements among governments that have entered into SBITAs, and enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. For the year ended June 30, 2023 the District was not party to any SBITAs for which GASB Statement No. 96 is applicable. Implementation of this standard had no material effect on the financial statements.

MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
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)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability	0.220898%	0.202956%	0.225262%	0.230344%	0.234754%	0.235486%	0.236870%	0.242120%
District's proportionate share of the net pension liability	\$ 15,968,746	\$ 12,940,038	\$ 17,277,409	\$ 16,200,196	\$ 14,297,234	\$ 13,783,720	\$ 11,662,793	\$ 10,410,081
District's covered-employee payroll	\$ 6,262,840	\$ 4,965,546	\$ 5,547,644	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660	\$ 5,650,548
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	254.98%	260.60%	311.44%	290.05%	248.08%	246.32%	204.69%	184.23%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	0%
District's proportionate share of the net pension liability	-	-	-	-	-	-	-	-
State's proportionate share of the net pension liability associated with the District	\$ 89,064,214	\$ 67,767,918	\$ 79,068,544	\$ 76,606,483	\$ 77,750,825	\$ 172,778,606	\$ 188,334,884	\$ 144,885,786
Total	\$ 89,064,214	\$ 67,767,918	\$ 79,068,544	\$ 76,606,483	\$ 77,750,825	\$ 172,778,606	\$ 188,334,884	\$ 144,885,786
District's covered-employee payroll	\$ 20,660,066	\$ 18,954,454	\$ 19,656,907	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513	\$ 21,427,288
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	56.40%	54.60%	55.30%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.  
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ 1,317,848	\$ 1,315,150	\$ 1,016,365	\$ 1,128,452	\$ 954,712	\$ 842,496	\$ 799,824	\$ 672,973
Contributions in relation to the contractually required contribution	<u>1,317,848</u>	<u>1,315,150</u>	<u>1,016,365</u>	<u>1,128,452</u>	<u>954,712</u>	<u>842,496</u>	<u>799,824</u>	<u>672,973</u>
Contribution deficiency (excess)			0	0	-	-	-	-
District's covered-employee payroll	\$ 5,631,829	\$ 6,212,329	\$ 5,266,146	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830	\$ 5,697,660
District's contributions as a percentage of its covered-employee payroll	23.40%	21.17%	19.30%	19.30%	16.22%	14.62%	14.29%	11.81%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 20,208,301	\$ 20,660,066	\$ 18,954,454	\$ 19,656,907	\$ 19,503,223	\$ 19,505,691	\$ 20,300,644	\$ 21,347,513
District's contributions as a percentage of its covered-employee payroll	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.



**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
FOR THE YEAR ENDED JUNE 30, 2023**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

The actuarially determined contribution rates are determined on an annual basis using the actuarial valuation conducted two years prior to the year in which the contribution will be assessed.

**2020 Changes of Assumptions** – The amortization period for the unfunded liability was reset as of June 30, 2019, to a closed 30-year period.

**2019 Changes of Assumptions** – The 2019 actuarial valuation used updated mortality tables for all categories of members and beneficiaries and a system-specific mortality table for non-disabled retirees. In 2019, mortality rates for active members were based on the PUB-2010 General Mortality table, for the nonhazardous members and the PUB-2010 Public Safety Mortality table for the hazardous members, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Post-retirement mortality rates (non-disabled) used a system-specific mortality table based on mortality experience from 2013 – 2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table is used for post-retirement mortality for disabled retirees with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. Previous valuations were based on RP-2000 Combined Mortality Tables.

**2017 Changes of Assumptions** – For the 2017 actuarial valuation, several key actuarial assumptions were revised. Changes in assumptions prior to 2016 provided minor adjustments to the actuarial measurements. The following table outlines the actuarial methods and assumptions that were used in 2019 and 2016 to determine contribution rates reported for all systems:

<b>Assumption</b>	<b>2017 Valuation</b>	<b>2016 Valuation</b>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level of Percentage of Payroll, closed	Level of Percentage of Payroll, closed
Remaining Amortization Period	26 Years	27 Years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Post-retirement benefit adjustments	0.00%	0.00%
Inflation	<b>2.30%</b>	<b>3.25%</b>
Salary Increase	<b>3.3% to 11.55%</b> varies by service), average, including Inflation	<b>4%</b> , average, including Inflation
Investment Rate of Return	<b>6.25%</b> , Net of Pension Plan Investment Expense, including Inflation	<b>7.5%</b> , Net of Pension Plan Investment Expense, including Inflation

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
FOR THE YEAR ENDED JUNE 30, 2023**

**COUNTY EMPLOYEES RETIREMENT SYSTEM (Cont'd):**

Changes of Benefit Terms -

2014: A cash balance plan was introduced for member whose participation date begins on or after January 1, 2014

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

1. Tiered Structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

**2022 Changes to Benefit Terms** – A new benefit tier was added for members joining the system on and after January 1, 2022. This tier increases the retirement age to either age 57 and 10 years of service or attainment of age 65 and 5 years of service. This tier includes a defined benefit foundational benefit based on service and final average salary plus a defined contribution supplemental benefit. More details about this new tier are available on the TRS website, <https://trs.ky.gov/active-members/trs-1-trs-2-and-trs-3-member-information>.

**2021 Changes of Assumptions** – The 2020 experience study was used to adjust rates of withdrawal, retirement, disability, mortality, and rates of salary increases to reflect actual experience more closely. The expectation of mortality was changed to the Pub 2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of SEIR results in an assumption change from 7.50% to 7.10%.

**2018 Changes of Assumptions** – The 2018 actuarial analysis for TRS of Ky indicated that cash flow for the system would be sufficient to pay benefits in all periods. As a result, the discount rate for the 2018 study was the same as the long-term expected yield of 7.5%. In 2017, the analysis used a blended rate of 4.49% which included the application of the municipal bond index to periods after 2038. The actuarial gains for this change will be recognized over the average remaining service lives for active members (10.6 years for the 2020 valuation) and are creating negative pension expense for the TRS pension system.

**2017 Changes of Assumptions** – The Single Equivalent Interest Rate was increased from 4.20% to 4.49%.

**2016 Changes of Assumptions** – The Single Equivalent Interest Rate was decreased from 4.88% to 4.20%. Rates of withdrawal, retirement, disability and mortality were adjusted based on an experience study conducted in 2015. The Assumed Salary Scale, Price Inflation, and Wage Inflation were also decreased.

**2015 Changes of Assumptions** – The Single Equivalent Interest Rate was decreased from 5.23% to 4.88%.

**2014 Changes of Assumptions** – The Single Equivalent Interest Rate was increased from 5.16% to 5.23%.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
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)
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>						
District's proportion of the net OPEB liability	0.220860%	0.202909%	0.225196%	0.230285%	0.234754%	0.235486%
District's proportionate share of the net OPEB liability	\$ 4,358,702	\$ 3,884,592	\$ 5,437,799	\$ 3,873,290	\$ 4,167,851	\$ 4,734,074
District's covered-employee payroll	\$ 6,262,840	\$ 4,965,546	\$ 5,547,644	\$ 5,585,372	\$ 5,763,039	\$ 5,595,830
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	69.60%	78.23%	98.02%	69.35%	72.32%	84.60%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net OPEB liability	0.377916%	0.276576%	0.297822%	0.297907%	0.304759%	0.335595%
District's proportionate share of the net OPEB liability	\$ 9,382,000	\$ 5,935,000	\$ 7,516,000	\$ 8,719,000	\$ 10,574,000	\$ 11,967,000
State's proportionate share of the net OPEB liability associated with the District	<u>\$ 3,082,000</u>	<u>\$ 4,820,000</u>	<u>\$ 6,021,000</u>	<u>\$ 7,041,000</u>	<u>\$ 9,113,000</u>	<u>\$ 9,775,000</u>
Total	<u>\$ 12,464,000</u>	<u>\$ 10,755,000</u>	<u>\$ 13,537,000</u>	<u>\$ 15,760,000</u>	<u>\$ 19,687,000</u>	<u>\$ 21,742,000</u>
District's covered-employee payroll	\$ 16,695,482	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	56.19%	36.40%	42.99%	50.44%	54.21%	58.95%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	26.70%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>COUNTY EMPLOYEES RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 359,809	\$ 359,073	\$ 250,668	\$ 278,312	\$ 309,605	\$ 273,462	\$ 271,195
Contributions in relation to the contractually required contribution	<u>359,809</u>	<u>359,073</u>	<u>250,668</u>	<u>278,312</u>	<u>309,605</u>	<u>273,462</u>	<u>271,195</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 5,631,829	\$ 6,212,329	\$ 5,266,146	\$ 5,846,856	\$ 5,887,232	\$ 5,763,039	\$ 5,595,830
District's contributions as a percentage of its covered-employee payroll	6.39%	5.78%	4.76%	4.76%	5.26%	4.75%	4.85%
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ 499,706	\$ 501,447	\$ 490,924	\$ 526,330	\$ 518,738	\$ 542,872	\$ 574,968
Contributions in relation to the contractually required contribution	<u>499,706</u>	<u>501,447</u>	<u>490,924</u>	<u>526,330</u>	<u>518,738</u>	<u>542,872</u>	<u>574,968</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 16,613,691	\$ 16,695,482	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	3.01%	3.00%	3.01%	3.01%	3.00%	2.78%	2.83%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – MEDICAL  
INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

**COUNTY EMPLOYEES RETIREMENT SYSTEM:**

Valuation Date: June 30, 2021

**2022 Changes in Actuarial Assumptions:** Discount rate used to calculate the total OPEB liability increased from 5.20% to 5.70% for the CERs non-hazardous insurance plan.

**2021 Changes in Actuarial Assumptions:** Initial rates for health cost trends for retirees under age 65 were lowered from 6.4% to 6.25% and rates for retirees ages 65 or older were increased from 2.9% to 5.5%. Municipal bond index rate was lowered from 2.45% to 1.92% (Fidelity 20-Year Municipal GO AA Index). And the single discount rate for the CERS non-hazardous insurance plan was lowered from 5.34% to 5.20%.

**2017 Changes in Actuarial Assumptions:** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions which were changed from the 2016 actuarial valuation, applied to all periods included in the measurement:

Investment rate of Return	6.25%, net of OPEB plan investment expense, including inflation.
Projected salary increases	4% average
Inflation rate	3.25%
Healthcare cost trend rates	
Under 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Ages 65 and Older	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years
Municipal Bond Index Rate	3.56%
Discount Rate	5.84%

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2021

**2022 Changes to Benefit Terms:** A new benefit tier was added for members joining the system on and after January 1, 2022. This tier increases the retirement age to either age 57 and 10 years of service or attainment of age 65 and 5 years of service. This tier includes a defined benefit foundational benefit based on service and final average salary plus a defined contribution supplemental benefit. More details about this new tier are available on the TRS website, <https://trs.ky.gov/active-members/trs-1-trs-2-and-trs-3-member-information>.

**2021 Changes to Actuarial Assumptions:**

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.
- The assumed long-term investment rate of return was changed from 8.00% for the Health Trust to 7.10% The price inflation assumption was lowered from 3.00% to 2.5%
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**2020 Changes to Actuarial Assumptions:** The actuary updated the health care trend rates based on current economic data.

**2019 Changes to Actuarial Assumptions:** The State's biennial budget for the two years ended June 30, 2022, included the actuarially determined contribution (ADC) rate for the TRS of Ky system plus additional contributions to address the shortfall from previous years. The actuarial analysis for the June 30, 2019 measurement included an assumption that future state contributions would be based on the ADC which provides sufficient funding for all future periods. As a result, TRS used the long-term rate of return, 7.5%, as the 2019 discount rate instead of a blended rate that included the municipal bond index for certain future periods.

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

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY - LIFE INSURANCE PLAN  
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)
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>						
District's proportion of the net OPEB liability	0%	0%	0%	0%	0%	0%
District's proportionate share of the net OPEB liability	-	-	-	-	-	-
State's proportionate share of the net OPEB liability associated with the District	\$ 153,000	\$ 64,000	\$ 182,000	\$ 164,000	\$ 156,000	\$ 131,000
Total	<u>\$ 153,000</u>	<u>\$ 64,000</u>	<u>\$ 182,000</u>	<u>\$ 164,000</u>	<u>\$ 156,000</u>	<u>\$ 131,000</u>
District's covered-employee payroll	\$ 16,695,482	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	87.80%

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS - LIFE INSURANCE PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022	2021	2020	2019	2018	2017
<b>KENTUCKY TEACHER'S RETIREMENT SYSTEM:</b>							
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 16,613,691	\$ 16,695,482	\$ 16,303,972	\$ 17,482,025	\$ 17,287,452	\$ 19,505,691	\$ 20,300,644
District's contributions as a percentage of its covered-employee payroll	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.  
**Note:** These amounts are based on the prior year's measurement period, not the District's fiscal year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – LIFE INSURANCE  
PLAN  
FOR THE YEAR ENDED JUNE 30, 2023**

**KENTUCKY TEACHER'S RETIREMENT SYSTEM:**

Valuation Date: June 30, 2021

**2021 Changes to assumptions:**

- In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks, 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% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.5%.
- The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**2017 Changes to benefit terms:**

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



**MONTGOMERY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 62,589	\$ 201,031	\$ -	\$ 514	\$ 264,134
Accounts receivable	712	-	-	-	712
<b>TOTAL ASSETS</b>	<b>\$ 63,301</b>	<b>\$ 201,031</b>	<b>\$ -</b>	<b>\$ 514</b>	<b>\$ 264,846</b>
 <b>LIABILITIES:</b>					
Accounts payable	\$ 575	\$ -	\$ -	\$ -	\$ 575
<b>TOTAL LIABILITIES</b>	<b>575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>575</b>
 <b>FUND BALANCES:</b>					
Restricted	62,726	201,031	-	514	264,271
<b>TOTAL FUND BALANCES</b>	<b>62,726</b>	<b>201,031</b>	<b>-</b>	<b>514</b>	<b>264,271</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 63,301</b>	<b>\$ 201,031</b>	<b>\$ -</b>	<b>\$ 514</b>	<b>\$ 264,846</b>

**MONTGOMERY COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	FSPK BUILDING FUND	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
From local sources:					
Taxes:					
Property	\$ -	\$ -	\$ -	2,809,152	\$ 2,809,152
Earnings on investments	-	-	-	-	-
Fees	4,056	162,233	-	-	166,289
Other	287,864	313,811	-	-	601,675
Intergovernmental - State	-	-	409,687	3,434,481	3,844,168
<b>TOTAL REVENUES</b>	<u>291,920</u>	<u>476,044</u>	<u>409,687</u>	<u>6,243,633</u>	<u>7,421,284</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction	221,842	433,476	-	-	655,318
Student support	-	6,267	-	-	6,267
Instructional staff support	167,130	771	-	-	167,901
Student transportation	-	15,686	-	-	15,686
Other non-instructional	-	11,965	-	-	11,965
<b>TOTAL EXPENDITURES</b>	<u>388,972</u>	<u>468,165</u>	<u>-</u>	<u>-</u>	<u>857,137</u>
Excess (Deficit) of Revenues over Expenditures	<u>(97,052)</u>	<u>7,879</u>	<u>409,687</u>	<u>6,243,633</u>	<u>6,564,147</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	94,820	-	-	-	94,820
Operating transfers out	-	-	(479,569)	(6,671,630)	(7,151,199)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>94,820</u>	<u>-</u>	<u>(479,569)</u>	<u>(6,671,630)</u>	<u>(7,056,379)</u>
Net Change in Fund Balances	(2,232)	7,879	(69,882)	(427,997)	(492,232)
Fund balance - beginning of year	<u>64,958</u>	<u>193,152</u>	<u>69,882</u>	<u>428,511</u>	<u>756,503</u>
Fund balance - end of year	<u>\$ 62,726</u>	<u>\$ 201,031</u>	<u>\$ -</u>	<u>\$ 514</u>	<u>\$ 264,271</u>

MONTGOMERY COUNTY SCHOOL DISTRICT  
SUPPLEMENTAL SCHEDULES

**MONTGOMERY COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS  
 AND FUND BALANCES  
 SCHOOL ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2023**

	Due to Student Groups June 30, 2022	Revenues	Expenses	Due to Student Groups June 30, 2023
Montgomery Co. High School	\$ 102,248	\$ 212,299	\$ 222,309	\$ 92,238
McNabb Middle School	30,019	141,465	130,100	41,385
Northview Elementary	19,630	34,072	37,752	15,950
Mapleton Elementary	8,095	37,873	36,179	9,789
Mt Sterling Elementary	20,871	25,862	26,357	20,376
Camargo Elementary	12,189	24,373	15,468	21,093
Northview Elementary Charitable Gaming	-	100	-	100
Mt. Sterling Elementary Charitable Gaming	100	-	-	100
	<u>\$ 193,152</u>	<u>\$ 476,044</u>	<u>\$ 468,165</u>	<u>\$ 201,031</u>

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

ACCOUNTS:	Due to Student Groups June 30, 2022	Revenues	Expenses	Due to Student Groups June 30, 2023
Musical	\$ 10,290	\$ 15,585	\$ 13,307	\$ 12,568
Art	213	1,392	880	725
Bass Fishing	-	4,941	4,891	50
Boys Bowling	1,255	1,185	2,077	363
Girls Bowling	678	960	909	729
Band	711	3,639	3,919	431
Boys Basketball	2,289	10,452	12,203	538
BETA	1,453	3,044	3,722	775
Black & Hispanic Achiever	14,004	27,328	29,141	12,191
Chess	661	353	651	363
CO-ED-Y	1,095	9,079	10,084	90
Social Fund	-	340	314	26
FFA	975	21,433	22,348	60
FCCLA	1,352	225	422	1,155
General	687	759	611	835
Kids Count (YSC)	2,891	5,884	6,414	2,361
Mock Trial	316	35,075	30,189	5,202
Family & Consumer Science	3,238	516	675	3,079
Horticulture	1,537	2,286	1,904	1,919
Mental Health Matters	-	278	173	105
JORTC	1,625	6,206	6,819	1,012
Guidance	7,065	5,408	6,535	5,938
STLP	511	-	32	479
Faculty Vending	1,643	3,290	2,829	2,104
Orchestra	2,039	2,350	4,074	315
Class of 2022	-	-	-	-
Class of 2023	13,779	693	14,472	-
Class of 2024	9,794	875	-	10,669
Class of 2025	3,693	2,881	100	6,474
Class of 2026	-	5,373	950	4,423
Acedemic Team	8	-	8	-
Student Council	364	1,296	1,430	230
Vocal Music	3,979	5,890	7,430	2,439
Vocational Agriculture	1,652	500	1,148	1,004
Engineering Class	614	170	-	784
The Tribe Shop	346	11,707	10,004	2,049

**MONTGOMERY COUNTY BOARD OF EDUCATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
MONTGOMERY COUNTY HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

ACCOUNTS:	Due to Student Groups June 30, 2022	Revenues	Expenses	Due to Student Groups June 30, 2023
Open Light Club	\$ (1)	\$ 606	\$ 204	\$ 401
FMD	356	1,121	270	1,207
MCHS Book Club	951	96	856	191
Girls Basketball	8,218	2,150	3,887	6,481
Softball	265	-	-	265
Volleyball	281	4,760	4,485	556
Swim	13	-	13	-
Baseball	142	5,000	5,000	142
Cheer	365	100	-	465
Tennis	258	-	228	30
Archery	103	2,150	2,071	182
Football	107	-	-	107
Girls Soccer	-	3,923	3,567	356
Cross Country	-	-	-	-
Boys Golf	-	-	-	-
Boys Soccer	281	-	-	281
Wrestling	62	-	62	-
Track	89	-	-	89
Esports	1	1,000	1,001	-
<b>TOTALS</b>	<b>\$ 102,248</b>	<b>\$ 212,299</b>	<b>\$ 222,309</b>	<b>\$ 92,238</b>

**MONTGOMERY COUNTY BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards By Grant**  
**For the Year Ended June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance listing number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<b>Passed Through Kentucky Department of Education</b>			
<b>United States Department of Agriculture</b>			
<i>Child Nutrition Cluster-Cluster</i>			
National School Lunch Program (NSLP)			
National School Lunch Program	10.555	7750002-22	\$463,204
National School Lunch Program	10.555	7750002-23	1,749,397
National School Lunch Program	10.555	9980000-22	106,421
National School Lunch Program	10.555	9980000-23	49,132
School Breakfast Program	10.553	7760005-22	148,800
School Breakfast Program	10.553	7760005-23	600,775
Summer School Feeding Program	10.559	7690024-22	6,839
Summer School Feeding Program	10.559	7690024-23	225
Summer School Feeding Program	10.559	7740023-22	66,304
Summer School Feeding Program	10.559	7740023-23	11,656
National School Lunch Program (NSLP)	10.555	4002833 COMMODITIES	185,028
<i>Total Child Nutrition Cluster-Cluster</i>			3,387,781
<i>Child and Adult Care Food Program</i>			
Child and Adult Care Food Program	10.558	7790021-22	55,953
Child and Adult Care Food Program	10.558	7790021-23	267,193
Child and Adult Care Food Program	10.558	7800016-22	4,162
Child and Adult Care Food Program	10.558	7800016-23	19,890
<i>Total Child and Adult Care Food Program</i>			347,198
State Administrative Expenses Child Nutrition	10.560	7700001-22	2,596
<b>Total United States Department of Agriculture</b>			3,737,575
<b>United States Department of Education</b>			
<i>Special Education Cluster (IDEA)-Cluster</i>			
Special Education - Grants to States (IDEA, Part B)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-21	453,270
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-20	6,857
Special Education - Grants to States (IDEA, Part B)	84.027	4910002-21 COVID 19 ARP	181,350
Special Education - Grants to States (IDEA, Part B)	84.027	3810002-22	572,472
<i>Total Special Education - Grants to States (IDEA, Part B)</i>			1,213,949
Special Education - Preschool Grants (IDEA Preschool)			
Special Education - Preschool Grants (IDEA Preschool)	84.173	4900002-21 COVID-19 -ARP	12,140
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-22	33,737
Special Education - Preschool Grants (IDEA Preschool)	84.173	3800002-21	40,398
<i>Total Special Education - Preschool Grants (IDEA Preschool)</i>			86,275
<i>Total Special Education Cluster (IDEA)-Cluster</i>			1,300,224

The accompanying notes are an integral part of this schedule.

**MONTGOMERY COUNTY BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards By Grant**  
**For the Year Ended June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance listing number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)</i>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-20	-102
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-22	1,269,250
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100102-22	15,321
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100002-21	58,071
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	3100202-22	384,032
<i>Total Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)</i>			<u>1,726,572</u>
<i>Migrant Education — State Grant Program (Title 1, Part C of ESEA)</i>			
Migrant Education — State Grant Program (Title 1, Part C of ESEA)	84.011	3110002-20	80,000
Migrant Education — State Grant Program (Title 1, Part C of ESEA)	84.011	3110002-22	66,091
Migrant Education — State Grant Program (Title 1, Part C of ESEA)	84.011	3110002-21	33,799
<i>Total Migrant Education — State Grant Program (Title 1, Part C of ESEA)</i>			<u>179,890</u>
<i>Career and Technical Education--Basic Grants to States (Perkins V)</i>			
Career and Technical Education--Basic Grants to States (Perkins V)	84.048	3710002-22	41,386
<i>Total Career and Technical Education--Basic Grants to States (Perkins V)</i>			<u>41,386</u>
<i>English Language Acquisition State Grants</i>			
English Language Acquisition State Grants	84.365	3300002-22	4,812
English Language Acquisition State Grants	84.365	3300002-21	1,323
English Language Acquisition State Grants	84.365	3300002-20	4,082
<i>Total English Language Acquisition State Grants</i>			<u>10,217</u>
<i>Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)</i>			
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	3230002-22	188,264
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	3230002-21	2,980
<i>Total Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)</i>			<u>188,688</u>
<i>Student Support and Academic Enrichment Program</i>			
Student Support and Academic Enrichment Program	84.424	3420002-21	39,138
Student Support and Academic Enrichment Program	84.424	3420002-22	76,586
Student Support and Academic Enrichment Program	84.424	3420002-20	0
<i>Total Student Support and Academic Enrichment Program</i>			<u>115,724</u>

The accompanying notes are an integral part of this schedule.



**MONTGOMERY COUNTY BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards By Grant**  
**For the Year Ended June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal Assistance listing number</i>	<i>Name of Grant - Grant ID No.</i>	<i>Federal Expenditures(\$)</i>
<i>Education Stabilization Fund (ESF)</i>			
Education Stabilization Fund (ESF)	84.425U	4300002-21 Covid-19 ESSER	2,910,010
Education Stabilization Fund (ESF)	84.425W	4980002-21 Covid-19 ESSER	5,293
Education Stabilization Fund (ESF)	84.425D	4200002-21 Covid-19 ESSER	667,811
Education Stabilization Fund (ESF)	84.425C	ESSER FUNDS PRIVATE SCHOOL PORTION--613FP	
Education Stabilization Fund (ESF)	84.425U	4300005-21 Covid-19 ESSER	15,480
<i>Total Education Stabilization Fund (ESF)</i>			<u>3,598,594</u>
<b><i>Total Department of Education</i></b>			<u>7,161,295</u>
<b>Department of Defense</b>			
ROTC	12.000	ROTC--504J	74,274
<i>Total ROTC</i>			<u>74,274</u>
<b><i>Total Department of Defense</i></b>			<u>74,274</u>
<b>Passed Through Kentucky Department of Health and Family Services</b>			
Child Care and Development Block Grant	93.575	CHILD CARE AID CRRSA-- COVID-19 ARP	709,589
<i>Total Child Care and Development Block Grant</i>			<u>709,589</u>
<b><i>Total Department of Health and Human Services</i></b>			<u>709,589</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$11,682,733</u></u>

The accompanying notes are an integral part of this schedule.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023**

**NOTE 1- BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Montgomery 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 operations of the Montgomery 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 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) 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.
  
- 2) Montgomery School District did not elect to use the 10% de minimus indirect cost rate.

**NOTE 3 – FOOD DISTRIBUTION**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling \$185,028.

**NOTE 4 – SUBRECIPIENTS**

The District did not pass through federal awards to a subrecipient in the current fiscal year.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
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1982-2022

**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 Kentucky State Committee for School District Audits  
Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40353

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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery 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 Montgomery County School District's basic financial statements, and have issued our report thereon dated October 27, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Montgomery County School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montgomery County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montgomery 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 the Montgomery 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 for the District in a separate letter dated October 27, 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.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
October 27, 2023

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

To the Kentucky State Committee for School District Audits  
Members for the Board of Education  
Montgomery County School District  
Mt. Sterling, KY 40322

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

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

We have audited the Montgomery 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 the Montgomery County School District's major federal programs for the year ended June 30, 2023. The Montgomery 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, the Montgomery County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Montgomery County School District's federal programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Montgomery 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*, the Uniform Guidance and the audit requirements prescribed by Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Montgomery 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*, the Uniform Guidance and the audit requirements prescribed by Kentucky State Committee for School District Audits, in the *Auditor Responsibilities, Cost Principles, and Audit Requirements* sections contained in the Kentucky Public School District's Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Montgomery County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Montgomery County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Montgomery 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.

*Summers, McCrary & Sparks, PSC*

Lexington, KY  
October 27, 2023

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

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued - unmodified

Internal control over financial reporting:

Material weakness(es) identified?      \_\_\_\_\_yes      X  no

Significant deficiencies identified  
\_\_\_\_\_yes      X  none reported

Noncompliance material to financial statements noted?      \_\_\_\_\_yes      X  no

**Federal Awards**

Internal control over majority programs:

Material weakness(es) identified?      \_\_\_\_\_yes      X  no

Significant deficiencies identified  
\_\_\_\_\_yes      X  none reported

Type of auditor's report issued on compliance for the major programs - unmodified

Any audit findings disclosed that are required to be report in accordance with 2 CFR section 200.516 (a)?      \_\_\_\_\_yes      X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425U; 84.425D; 84.425W; 84.425C 84.027	Education Stabilization Fund (ESF) IDEA B

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

Auditee qualified as low-risk auditee?        x  yes    \_\_\_\_\_no



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

**Section II – Financial Statement Findings**

No findings in the current year.

**Section III – Federal Award Findings and Questioned Costs**

No findings in the current year.

**MONTGOMERY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Financial Statement Findings**

No findings in the prior year.

**Federal Award Findings and Questioned Costs**

No findings in the prior year.

**SUMMERS, MCCRARY & SPARKS, P.S.C.**  
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Members of the Board of Education  
Montgomery County School District  
Mt. Sterling, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 27, 2023 on the financial statements of the Montgomery County School District.

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

Respectfully,

*Summers, McCrary & Sparks, PSC*

Summers, McCrary & Sparks, PSC  
Lexington, Kentucky  
October 27, 2023

**MONTGOMERY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
JUNE 30, 2023**

**BOARD**

No comments in current year.

**SCHOOL ACTIVITY FUNDS**

**MONTGOMERY COUNTY HIGH SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**McNABB MIDDLE SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MAPLETON ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**MT. STERLING ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**CAMARGO ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**NORTHVIEW ELEMENTARY SCHOOL**

Any exceptions noted in testing appeared to be isolated incidents only and were communicated to management.

**STATUS OF PRIOR YEAR COMMENTS**

**BOARD**

Previously while performing audit procedures over fixed assets it was noted that multiple fixed asset purchases has not been added in the fixed asset module. It was also noted that an asset added in a prior year was booked at FMV instead of cost and had not been corrected within the fixed asset module. No similar finding occurred in the current year.