

**SCIENCE HILL INDEPENDENT
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2023**

TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management Discussion and Analysis	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Basic Financial Statements	20-52
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	53
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	54
Schedule of District's Proportionate Share of Net Pension Liability – Teachers' Retirement System	55
Schedule of District's Proportionate Share of Net Pension Liability – County Employees Retirement System	56
Schedule of Contributions to the Teachers Retirement System	57

TABLE OF CONTENTS (CONTINUED)

Schedule of Contributions to the County Employees Retirement System	58
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - CERS	59
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - TRS	60
Schedule of District's Proportionate Share of the Net OPEB Liability – Life Insurance - TRS	61
Schedule of Contributions to the Medical Insurance Plan - CERS	62
Schedule of Contributions to the Medical Insurance Plan - TRS	63
Schedule of Contributions to the Life Insurance Plan - TRS	64
Notes to Required Supplementary Information	65-71
Other Supplementary Information:	
Combining Statement – Non-Major Funds:	
Combining Balance Sheet – Non-Major Governmental Funds	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	73
Combining Statement of Revenues, Expenditures and Fund Balances – Agency Funds	74
Statement of Receipts, Disbursements and Fund Balance – School Activity Fund	75
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77
Schedule of Findings and Questioned Costs	78
Schedule of Prior Year Audit Findings	79
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 <i>Government Auditing Standards</i>	80-81
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required the Uniform Guidance	82-84
Management Letter Comments	85-86
Letter to Those Charged with Governance	87-89

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email joe.montgomery@jamcpas.com

November 15, 2023

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Science Hill Independent School District
6007 US-27
Science Hill, KY 42553

Report on the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Science Hill Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Science Hill Independent School District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Science Hill Independent 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

I conducted my 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, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Science Hill Independent School District and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2023, the District adopted new guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. My opinion is not modified with respect to this matter.

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 Science Hill Independent 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 Financial Statement

My 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 my 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 judgement 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*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Science Hill Independent 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Science Hill Independent School District's ability to continue as a going concern for a reasonable period of time.

I am 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 matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 54 through 57, and 60 through 62 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Science Hill Independent School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the 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 my 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*, I have also issued my report dated November 15, 2023, on my consideration of Science Hill Independent School District's internal control over financial reporting and on my 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 my 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 Science Hill Independent 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 Science Hill Independent School District's internal control over financial reporting and compliance.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023

As management of the Science Hill Independent School District we provide to our readers and users of the accompanying financial statements an analysis and overview presentation of the board's financial activities for the year ended June 30, 2023. Readers and users are encouraged to consider the information presented herein in conjunction with the audited financial statements and supplementary information contained within this report.

Financial Highlights

- The beginning General Fund balance was \$342,525. The ending balance \$245,659 General Fund revenues increased by \$566,697.00 and expenditures increased by 728,886, as compared with the prior year.
- The District, through routine debt service, reduced bond debt through the Debt Service Fund. Total bond and lease principal payments for fiscal year 2023 were \$294,354 and the District paid an additional \$63,781 in interest payments.
- The District had \$6,442,752 in revenue and \$6,108,543 in expenses.
- The District's total net position increase by \$334,209. Current assets increased \$317,481 non-current assets decreased \$102,320 and total liabilities increased \$246,462.

OVERVIEW OF FINANCIAL STATEMENTS

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

District Wide financial statements

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

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

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

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non- instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The district-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 agency funds that account for activities of student groups and other types of activities requiring clearing accounts. The only proprietary fund is our food service operation. All other activities of the district are included in governmental funds.

The basic governmental fund financial statements can be found on pages 13-20 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21-53 of this report.

DISTRICT – 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 and deferred outflows exceeded liabilities and deferred inflows by \$1,228,545 as of June 30, 2023.

The largest portion of the districts net position reflects its investment in capital assets (e.g., land Improvements, buildings, and improvements, vehicles, furniture and equipment). 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 Districts financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position for the period ending June 30, 2022 and June 30, 2023

A comparison of June 30, 2022 and June 30, 2023 government wide net position is as follows:

	Governmental		Business – Type		Total	
	Activities		Activities		Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	747,728	\$442,295	\$ 348,692	\$336,644	1,096,420	\$ 778,939
Net Capital Assets	5,230,971	5,367,072	235,211	201,419	5,466,171	5,568,491
Deferred Outflows	1,294,886	819,625	97,602	102,667	1,392,488	922,292
Total Assets and Def Outflows	<u>7,273,585</u>	<u>6,628,992</u>	<u>681,494</u>	<u>640,730</u>	<u>7,955,079</u>	<u>7,269,722</u>
Current Liabilities	602,205	355,474	0	269	602,205	355,743
Non-Current Liabilities	4,762,702	4,711,195	285,539	289,287	5,048,241	5,000,482
Deferred Inflows	992,780	804,864	83,308	84,753	1,076,088	889,617
Total Liabilities and Def Inflows	<u>6,357,687</u>	<u>5,871,533</u>	<u>368,847</u>	<u>374,309</u>	<u>6,726,534</u>	<u>6,245,842</u>
Net Position						
Net Investment in Capital Assets	2,987,577	2,825,348	235,200	201,419	3,222,777	3,026,767
Restricted	255,837	82,762	77447	65,002	333,284	147,764
Unrestricted	<u>(2,327,516)</u>	<u>(2,150,651)</u>		-	<u>(2,327,516)</u>	<u>(2,150,651)</u>
Total Net Position	<u>\$ 915,898</u>	<u>\$757,459</u>	<u>\$312,647</u>	<u>\$266,421</u>	<u>\$1,228,545</u>	<u>\$1,023,880</u>

The following table presents a comparison of revenues, expenses and changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022.

	Governmental		Business – Type		Total	
	Activities		Activities		Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
REVENUES						
Program revenues						
Charges for services	36,121	36,978	38,645	26,233	74,586	63,211
Operating grants and contributions	983,381	1,287,127	540,540	481,716	1,524,121	1,768,843
Capital grants	13,801	13,492			13,081	13,492
General revenues						
Property taxes	735,351	691,872			735,351	691,872
Motor vehicle taxes	119,897	111,976			119,897	111,976
Utility Taxes	94,492	87,943			94,492	87,943
Other taxes	1,471	4,368			1,471	4,368
Investment earnings	3,192	2,254			3,192	2,254
State and formula grants	3,719,874	3,136,980			3,719,874	3,136,980
Miscellaneous	156,687	161,647			156,687	161,647
Fund Transfer	18,203	11,453	(18,203)	(11,453)	0	0
Total revenues	<u>4,849,167</u>	<u>5,546,090</u>	<u>560,982</u>	<u>496,496</u>	<u>6,442,752</u>	<u>6,042,586</u>
EXPENSES						
Program Activities						
Instructional	3,655,245	3,120,578			3,655,245	3,120,578
Student support	324,878	300,137			324,878	300,137
Instructional staff Support	124,814	119,275			124,814	119,275
District administrative support	463,859	351,836			463,859	351,836
School administrative support	36,305	83,645			36,305	83,645
Business support	184,536	201,580			184,536	201,580
Plant operations and maintenance	505,973	611,954			505,973	611,954
Student transportation	187,821	181,580			187,821	181,580
Community service activities	47,067	53,143			47,067	53,143
Debt Service	63,469	69,133			63,469	69,133
Business-type Activities						
Food service			514,576	416,780	514,576	416,780
Total expenses	<u>5,593,967</u>	<u>5,092,861</u>	<u>514,576</u>	<u>416,780</u>	<u>6,108,543</u>	<u>5,509,641</u>
Increase (Decrease) in net position	<u>(744,800)</u>	<u>\$ 453,229</u>	<u>46,406</u>	<u>76,716</u>	<u>334,209</u>	<u>532,945</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2023 and 2022 were \$1,500,734 and \$1,151,530 respectively.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 62% of total expenses, support services equate to 36%, and interest and other expenses make up the remaining 2% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Instructional	3,655,245	3,120,578	2,901,104	2,340,110
Support Services	1,828,186	1,850,007	1,609,672	1,361,677
Other	47,067	53,143	20	2,164
Interest Costs	<u>63,469</u>	<u>69,133</u>	<u>50,388</u>	<u>55,641</u>
Total Expenses	<u>5,593,967</u>	<u>\$ 5,092,861</u>	<u>4,561,184</u>	<u>\$3,755,264</u>

Business-Type Activities

The business type activities consist of the food service program. This program had total revenues of 579,185 and expenses of \$532,779 for fiscal year 2023 these revenues were made up of \$38,465 charges for services and \$540,540 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District’s Funds

The information relative to the School District’s Funds starts on page 13. The District uses the modified accrual basis of accounting for these funds to account for each fund’s revenues and expenses. The combined revenue for all governmental funds for 2023 was \$5,863,747 and expenditures were \$5,805,741.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The general fund had budgeted revenues of \$3,714,071 with actual results being \$4,322,047. Budgeted expenditures were \$3,776,854 compared to actual expenditures of \$4,418,913. The most significant cause of the variance between budget and actual was the state on-behalf payments in the amount of \$1,440,843 which are not budgeted.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2023 – 2024 with a contingency greater than the required minimum of 2%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2023 fiscal year, the District had invested \$5,461,002 in a broad range of capital assets, including equipment, buses, buildings, and land net of accumulated depreciation. This amount represents a net increase of \$51,525. Depreciation expense for the year was \$250,239.

The table on the following page shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2023 and 2022.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	51,625	51,625	-	-	51,625	51,625
Land and Improvements	340,502	21,285	-	-		21,285
Buildings and Improvements	8,085,869	5,039,561		99,991		5,139,552
Technology				-		
Vehicles	409,584	173,197		-		173,197
Total	<u>5,225,802</u>	<u>5,357,131</u>		<u>201,419</u>		<u>5,558,550</u>

The table below shows the changes in capital assets for fiscal years ended June 30, 2023 and 2022.

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning Balance,	5,357,131	5,431,937	201,419	178,138	5,558,550	5,610,075
Additions	100,845	146,208	51,846	40,494	152,691	186,072
Retirements		-		-		
Depreciation	(232,174)	(221,014)	(18,065)	(17,213)	(250,239)	(238,227)
Ending Balance	<u>5,225,802</u>	<u>5,357,131</u>	<u>235,200</u>	<u>201,419</u>	<u>5,461,002</u>	<u>5,558,550</u>

Long-Term Debt

At year-end the District had \$2,765,000 in bonds outstanding and 33,511 and \$5,612 in capital lease obligations. Bonded debt principal paid for the year ended June 30, 2023 was \$248,901 and interest paid was \$37,600.74 total of 275,000 of principal is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jimmy Dyehouse, Superintendent, or Jamey Tilley, Director Business Operations at (606)423-3341. The District mailing address is 6007 North Highway 27, Science Hill, Kentucky 42553.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	405,608	287,851	693,459
Accounts Receivable:			
Accounts	2,904	41,311	44,215
Taxes - Current	23,722		23,722
Intergovernmental - Federal	315,494		315,494
Inventories for Consumption		19,530	19,530
Total Current Assets	<u>747,728</u>	<u>348,692</u>	<u>1,096,420</u>
Noncurrent Assets - Note F			
Right of Use Asset - Net of Amortization	5,169		5,169
Land	51,625		51,625
Buildings & Improvements	8,426,371	278,491	8,704,862
Furniture & Equipment	965,482	229,924	1,195,406
Less: Accumulated Depreciation	<u>(4,217,676)</u>	<u>(273,215)</u>	<u>(4,490,891)</u>
Total Noncurrent Assets	<u>5,230,971</u>	<u>235,200</u>	<u>5,466,171</u>
TOTAL ASSETS	5,978,699	583,892	6,562,591
Deferred Outflows Related to Other Post Employment Benefits	923,345	38,436	961,781
Deferred Outflows Related to Pensions	371,541	59,166	430,707
TOTAL DEFERRED OUTFLOWS	<u>1,294,886</u>	<u>97,602</u>	<u>1,392,488</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>7,273,585</u></u>	<u><u>681,494</u></u>	<u><u>7,955,079</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	6,023		6,023
Advances from Grantors	240,209		240,209
Bond Obligations - Note D	280,000		280,000
Lease Obligations	5,171		5,171
Capital Lease Obligation - Note E	16,679		16,679
Accrued Sick Leave - Note A	37,828		37,828
Accrued Interest Payable	16,295		16,295
Total Current Liabilities	<u>602,205</u>	<u>0</u>	<u>602,205</u>
Noncurrent Liabilities:			
Bond Obligations - Note D	1,924,271		1,924,271
Lease Obligations	441		441
Capital Lease Obligation - Note E	16,832		16,832
Net Pension Liability	1,355,758	225,155	1,580,913
Net Other Post Employment Benefits Liability	1,417,125	60,384	1,477,509
Accrued Sick Leave - Note A	48,275		48,275
Total Noncurrent Liabilities	<u>4,762,702</u>	<u>285,539</u>	<u>5,048,241</u>
TOTAL LIABILITIES	5,364,907	285,539	5,650,446
Deferred Inflows Related to Other Post Employment Benefits	717,154	38,422	755,576
Deferred Inflows Related to Pensions	275,626	44,886	320,512
TOTAL DEFERRED INFLOWS	<u>992,780</u>	<u>83,308</u>	<u>1,076,088</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>6,357,687</u></u>	<u><u>368,847</u></u>	<u><u>6,726,534</u></u>
NET POSITION:			
Net Investment in Capital Assets	2,987,577	235,200	3,222,777
Restricted for:			
School Activities	72,267		72,267
SFCC Escrow	156,902		156,902
Capital Projects	26,668		26,668
Food Service		77,447	77,447
Unrestricted	<u>(2,327,516)</u>		<u>(2,327,516)</u>
TOTAL NET POSITION	<u>915,898</u>	<u>312,647</u>	<u>1,228,545</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>7,273,585</u></u>	<u><u>681,494</u></u>	<u><u>7,955,079</u></u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	3,655,245	36,121	718,020		(2,901,104)		(2,901,104)
Support Services:							
Student Support Services	324,878		57,480		(267,398)		(267,398)
Staff Support Services	124,814		1,468		(123,346)		(123,346)
District Administration	463,859				(463,859)		(463,859)
School Administration	36,305				(36,305)		(36,305)
Business Support Services	184,536				(184,536)		(184,536)
Plant Operation & Maintenance	505,973		159,566		(346,407)		(346,407)
Student Transportation	187,821				(187,821)		(187,821)
Community Service Operations	47,067		47,047		(20)		(20)
Interest on Long-Term Debt	63,469			13,081	(50,388)		(50,388)
TOTAL GOVERNMENTAL ACTIVITIES	5,593,967	36,121	983,581	13,081	(4,561,184)		(4,561,184)
BUSINESS-TYPE ACTIVITIES:							
Food Service	514,576	38,465	540,540			64,429	64,429
TOTAL BUSINESS-TYPE ACTIVITIES	514,576	38,465	540,540	0	0	64,429	64,429
TOTAL SCHOOL DISTRICT	6,108,543	74,586	1,524,121	13,081	(4,561,184)	64,429	(4,496,755)
GENERAL REVENUES:							
Taxes:							
Property					735,351		735,351
Motor Vehicle					119,897		119,897
Utility					94,492		94,492
Other					1,471		1,471
State Aid - Formula Grants					3,719,874		3,719,874
Investment Earnings					3,192		3,192
Miscellaneous					156,687		156,687
Funds Transfer (Expense)					18,203	(18,203)	0
TOTAL GENERAL REVENUES & TRANSFERS					4,849,167	(18,203)	4,830,964
CHANGE IN NET POSITION					287,983	46,226	334,209
NET POSITION, BEGINNING OF YEAR AS RESTATED - NOTE R					627,915	266,421	894,336
NET POSITION - ENDING					915,898	312,647	1,228,545

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	SCHOOL ACTIVITY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	149,771		26,668	62,663	166,506	405,608
Accounts Receivable:						
Taxes - Current	23,722					23,722
Accounts	2,904					2,904
Interfund Receivable	74,104					74,104
Intergovernmental - Federal		315,494				315,494
TOTAL ASSETS	<u>250,501</u>	<u>315,494</u>	<u>26,668</u>	<u>62,663</u>	<u>166,506</u>	<u>821,832</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	4,842	1,181				6,023
Interfund Payable		74,104				74,104
Advances from Grantors		240,209				240,209
Total Liabilities	<u>4,842</u>	<u>315,494</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>320,336</u>
Fund Balance:						
Restricted for:						
SFCC Escrow					156,902	156,902
School Activities				62,663	9,604	72,267
Capital Projects			26,668			26,668
Committed for:						
Sick Leave	86,103					86,103
Unassigned Fund Balance	159,556					159,556
Total Fund Balance	<u>245,659</u>	<u>0</u>	<u>26,668</u>	<u>62,663</u>	<u>166,506</u>	<u>501,496</u>
TOTAL LIABILITIES AND FUND BALANCE:	<u>250,501</u>	<u>315,494</u>	<u>26,668</u>	<u>62,663</u>	<u>166,506</u>	<u>821,832</u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

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

TOTAL GOVERNMENTAL FUND BALANCE		501,496
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	9,443,478	
Accumulated Depreciation	<u>(4,217,676)</u>	5,225,802
Right to Use Asset - Net of Amortization		5,169
Deferred Outflows on Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		
		371,541
Deferred Outflows Related to Other Post Employment Benefits are not a current and therefore are not reported as assets in governmental funds.		
		923,345
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(2,225,000)	
Unamortized Bond Discounts	20,729	
Lease Obligations	(5,612)	
Capital Lease Obligation	(33,511)	
Net Pension Liability	(1,355,758)	
Net Other Post Employment Benefits Liability	(1,417,125)	
Accrued Interest on Bonds	(16,295)	
Accrued Sick Leave	<u>(86,103)</u>	(5,118,675)
Deferred Inflows Related to Other Post Employment Benefits are not a current liabilities and therefore are not reported as liabilities in governmental funds.		
		(717,154)
Deferred Inflows on Related to Pensions are not a current liability and therefore are not reported as liabilities in governmental funds.		
		<u>(275,626)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>915,898</u></u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	SCHOOL ACTIVITY FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	593,373				141,978	735,351
Motor Vehicle	119,897					119,897
Utility	94,492					94,492
Other	1,471					1,471
Earnings on Investments	3,192					3,192
Intergovernmental - State	3,380,531	256,422			352,424	3,989,377
Intergovernmental - Federal	15,092	712,067				727,159
Other Sources	95,796	7,026		83,486	6,500	192,808
TOTAL REVENUES	4,303,844	975,515	0	83,486	500,902	5,863,747
EXPENDITURES:						
Instructional	2,844,332	718,321		49,436	4,021	3,616,110
Support Services:						
Student Support Services	267,430	57,504				324,934
Staff Support Services	113,429	1,469		9,938		124,836
District Administration	463,930					463,930
School Administration	36,313					36,313
Business Support Services	184,564					184,564
Plant Operation & Maintenance	329,111	159,633				488,744
Student Transportation	150,690			10,418		161,108
Community Service Operations		47,067				47,067
Debt Service:						
Principal	19,354				275,000	294,354
Interest	1,281				62,500	63,781
TOTAL EXPENDITURES	4,410,434	983,994	0	69,792	341,521	5,805,741
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(106,590)	(8,479)	0	13,694	159,381	58,006
OTHER FINANCING SOURCES(USES):						
Operating Transfers In - Note N	18,203	8,479			303,464	330,146
Operating Transfers Out - Note N	(8,479)				(303,464)	(311,943)
TOTAL OTHER FINANCING SOURCES	9,724	8,479	0	0	0	18,203
NET CHANGE IN FUND BALANCES	(96,866)	0	0	13,694	159,381	76,209
FUND BALANCES - BEGINNING	342,525	0	26,668	48,969	7,125	425,287
FUND BALANCES - ENDING	245,659	0	26,668	62,663	166,506	501,496

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT 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

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

NET CHANGES - GOVERNMENTAL FUNDS		76,209
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(232,174)	
Capital Outlays	<u>100,845</u>	(131,329)
<p>Bond and Capital Lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid	294,354	
Lease Obligation Paid	<u>4,943</u>	299,297
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
District Pension Contributions	112,195	
Cost of Benefits Earned Net of Employee Contributions	(76,137)	
District Other Post Employment Benefits Contributions	78,607	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(74,895)	
Amortization - Right of Use Asset	(4,771)	
Amortization Bond Discount	(1,238)	
Accrued Interest Payable	1,924	
Accrued Sick Leave	<u>8,121</u>	
		<u>43,806</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>287,983</u></u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	287,851
Accounts Receivable	41,311
Inventories for Consumption	19,530
Total Current Assets	<u>348,692</u>
Noncurrent Assets:	
Buildings & Improvements	278,491
Furniture & Equipment	229,924
Less: Accumulated Depreciation	<u>(273,215)</u>
Total Noncurrent Assets	<u>235,200</u>
TOTAL ASSETS	<u><u>583,892</u></u>
Deferred Outflows Related to Other Post Employment Benefits	38,436
Deferred Outflows Related to Pensions	<u>59,166</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>681,494</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	0
Total Current Liabilities	<u>0</u>
Noncurrent Liabilities:	
Net Other Post Employment Benefits Liability	60,384
Net Pension Liability	<u>225,155</u>
Total Noncurrent Liabilities	<u>285,539</u>
TOTAL LIABILITIES	<u><u>285,539</u></u>
Deferred Inflows Related to Other Post Employment Benefits	38,422
Deferred Inflows Related to Pensions	<u>44,886</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>368,847</u></u>
Net Position:	
Net Investment in Capital Assets	235,200
Restricted	<u>77,447</u>
Total Net Position	<u>312,647</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>681,494</u></u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	38,465
TOTAL OPERATING REVENUES	<u>38,465</u>
OPERATING EXPENSES:	
Salaries & Benefits	174,296
Contract Services	38,915
Materials & Supplies	283,300
Depreciation - Note F	18,065
TOTAL OPERATING EXPENSES	<u>514,576</u>
OPERATING INCOME(LOSS)	(476,111)
NONOPERATING REVENUES(EXPENSES):	
Transfer Out to General Fund	(18,203)
Federal Grants	491,462
State Grants	27,157
Donated Commodities	21,921
TOTAL NONOPERATING REVENUE	<u>522,337</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	46,226
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	46,226
TOTAL NET POSITION - BEGINNING	<u>266,421</u>
TOTAL NET POSITION - ENDING	<u><u>312,647</u></u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	38,465
Cash Paid to/for:	
Employees	(149,570)
Supplies	(271,650)
Other Activities	(38,915)
	(421,670)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer Out to General Fund	(18,203)
Federal Grants	450,151
State Grants	2,303
	434,251
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Prepaid Fixed Asset Purchase	13,625
Purchase of Fixed Assets	(51,846)
	(38,221)
Net Decrease in Cash and Cash Equivalents	(25,640)
Balances, Beginning of Year	313,491
Balances, End of Year	287,851
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(476,111)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	18,065
State On-Behalf Payments	24,854
Donated Commodities	21,921
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	5,065
Deferred Inflows	(1,445)
Net Pension Liability	1,656
Net Other Post Employment Benefits	(5,404)
Inventory	(10,002)
Accounts Payable	(269)
	(421,670)
Schedule of Non-Cash Transactions:	
Donated Commodities	21,921
State On-Behalf Payments	24,854

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Science Hill Independent 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 Band Boosters, Parent-Teacher Associations, etc.

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

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

Science Hill Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Science Hill Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as 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 and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

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

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Private Purpose Trust Fund)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

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

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange 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 nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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. Unused donated commodities are reported as deferred revenue.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$0.594 per \$100 valuation for real property, \$0.6320 per \$100 valuation for business personal property, and \$0.532 per \$100 valuation for motor vehicles.

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Interfund Balances

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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 “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

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:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 as dictated by law.

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

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.

Inventories

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

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

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

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

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	86,103	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

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

Operating Revenues and Expenses

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions of Capital

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

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 proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

Teachers' Retirement System - 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 Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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.

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Changes in Accounting Principle

Effective July 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 enhances the relevance and consistency of information of the government's subscription-based technology arrangement activities. It establishes the capitalization criteria for implementation costs and requires a government to report a subscription asset and subscription liability and to disclose essential information about the arrangement. Adoption of the provisions of this statement did not have a material impact on the District's financial statements.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$693,459. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance and the remaining \$443,459 was covered by collateral agreements and collateral held by the pledging banks' trust departments at June 30, 2023. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Bank Balance	Book Balance
Cumberland Security Bank	1,036,459	693,459
Breakdown per financial statements:		
Governmental Funds		405,608
Proprietary Funds		<u>287,851</u>
Total Cash and Cash Equivalents All Funds		693,459

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Science Hill Independent School District Finance Corporation in the original amount aggregating \$3,805,000.

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

2016 Refunding	2,555,000	2.00%
2020	1,250,000	2.00% - 3.25%

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

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice if its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – LONG TERM OBLIGATIONS (CONTINUED)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2023-24	280,000	57,000	34,036	302,964
2024-25	285,000	51,400	34,037	302,363
2025-26	290,000	45,700	34,037	301,663
2026-27	295,000	39,900	34,036	300,864
2027-28	75,000	34,000	32,823	76,177
2028-29	75,000	32,500	32,824	74,676
2029-30	75,000	30,063	32,822	72,241
2030-31	75,000	27,625	32,824	69,801
2031-32	75,000	25,186	32,824	67,362
2032-33	80,000	22,750	32,824	69,926
2033-34	80,000	20,150	32,823	67,327
2034-35	85,000	17,550	32,823	69,727
2035-36	85,000	14,788	32,824	66,964
2036-37	90,000	12,025	32,824	69,201
2037-38	90,000	9,100	32,824	66,276
2038-39	95,000	6,175	32,824	68,351
2039-40	<u>95,000</u>	<u>3,088</u>	<u>32,822</u>	<u>65,266</u>
	<u>2,225,000</u>	<u>449,000</u>	<u>562,851</u>	<u>2,111,149</u>

Long-term liability activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	2,500,000		275,000	2,225,000	280,000
Less: Bond Discount	(21,966)		(1,237)	(20,729)	(1,238)
Net Revenue Bonds Payable	2,478,034	-	273,763	2,204,271	278,762
Lease Obligation	10,555		4,943	5,612	5,171
Capital Lease Obligation	53,135		19,624	33,511	16,679
Net Pension Liability	1,345,327	10,431		1,355,758	
Net OPEB Liability	1,050,167	366,958		1,417,125	
Accrued Sick Leave	94,224		8,121	86,103	37,828
Total Governmental Activities	5,031,442	377,389	306,451	5,102,380	338,440
Proprietary Activities:					
Net Pension Liability	223,499	1,656		225,155	
Net OPEB Liability	65,788		5,404	60,384	
Total Proprietary Activities	289,287	1,656	5,404	285,539	-
Total Long-Term Liabilities	<u>5,320,729</u>	<u>379,045</u>	<u>311,855</u>	<u>5,387,919</u>	<u>338,440</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of a bus under a capital lease expiring in fiscal year 2025. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2023.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2023</u>
Gross amount of assets	184,387
Accumulated Amortization	<u>(147,510)</u>
	36,877

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2024	17,254
2025	<u>17,551</u>
Net minimum lease payments	32,805
Amount representing interest	<u>(1,294)</u>
Present value of net minimum lease payments	<u>31,511</u>

Interest rates on capitalized leases vary from 1.000% - 2.625%. The capital lease provides for the bus to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	51,625			51,625
Construction in Process	-			-
Depreciable Assets:				
Land Improvements	274,355	66,147		340,502
Buildings & Building Improvements	8,061,085	24,784		8,085,869
Technology Equipment	305,241			305,241
Vehicles	460,650		51,066	409,584
General Equipment	240,743	9,914		250,657
TOTAL AT HISTORICAL COST	9,393,699	100,845	51,066	9,443,478
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	253,070	6,902		259,972
Buildings & Building Improvements	3,021,524	188,320		3,209,844
Technology Equipment	305,241			305,241
Vehicles	287,453	26,518	51,066	262,905
General Equipment	169,280	10,434		179,714
TOTAL ACCUMULATED DEPRECIATION	4,036,568	232,174	51,066	4,217,676
GOVERNMENTAL ACTIVITIES CAPITAL NET	5,357,131	(131,329)	-	5,225,802
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Buildings & Building Improvements	243,882	34,609		278,491
General Equipment	212,687	17,237		229,924
TOTALS AT HISTORICAL COST	456,569	51,846	-	508,415
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	143,891	5,241		149,132
General Equipment	111,259	12,824		124,083
TOTAL ACCUMULATED DEPRECIATION	255,150	18,065	-	273,215
PROPRIETARY ACTIVITIES CAPITAL NET	201,419	33,781	-	235,200
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				87,351
Plant Operation & Maintenance				118,084
Student Transportation				26,739
TOTAL				232,174

NOTE G – 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 Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

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 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 has been amended to change the benefit structure for employees hired on or after that date.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

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

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS 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 Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2023, the District reported a liability of \$1,580,913 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 1,580,913
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>7,308,524</u>
	<u>\$ 8,889,437</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.021869% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$88,537 related to CERS and \$897,509 related to TRS. The District also recognized revenue of \$897,509 of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,690	\$ 14,079
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	215,115	174,586
Changes in proportion and differences between District contributions and proportionate share of contributions	83,896	131,847
District contributions subsequent to the measurement date	<u>130,006</u>	<u>-</u>
Total	<u>\$ 430,707</u>	<u>\$ 320,512</u>

\$130,006 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	2,301
2025	(53,737)
2026	(13,285)
2027	44,910
2028	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Teachers' Retirement System (TRS)

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

Valuation Date	June 30, 2021
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.50%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.1%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.0%
Private Equity	7.00%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

Discount rate - For TRS, The discount rate used to measure the TPL as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that 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 members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

County Employees' Retirement System (CERS)

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

Valuation Date	June 30, 2020
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous Plans.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rate of 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 in the table below. The current long-term inflation assumption is 2.3% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

Discount rate—For CERS, projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	1,975,945	1,580,913	1,254,189
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	0	0	0

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

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

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

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

Medical Insurance Plan

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2023, the Science Hill Independent District reported a liability of \$1,046,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 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 .0552 percent, compared to .030 percent at June 30, 2021.

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

District's proportionate share of the net OPEB liability	\$1,046,000
State's proportionate share of the net OPEB liability associated with the District	<u>344,000</u>
Total	<u>\$1,390,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$43,032 and revenue of \$18,365 for support provided by the State. 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	\$ -	\$ 440,000
Changes of assumptions	212,000	-
Net difference between projected and actual earnings on pension plan investments	56,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	353,000	34,000
District contributions subsequent to the measurement date	<u>62,353</u>	<u>-</u>
Total	<u>683,353</u>	<u>474,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$62,353 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (17,000)
2025	(5,000)
2026	3,000
2027	73,000
2028	68,000
Thereafter	25,000

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:

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2022* decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

**Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.*

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The health care cost trend assumption was updated for the June 30, 2022 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 Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

Discount rate (SEIR)- The discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust. 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, 2020.

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>	<u>Current Discount Rate</u>	<u>1% Increase</u>
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	1,312,000	1,046,000	825,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	784,000	1,046,000	1,372,000

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

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 five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars 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.

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

At June 30, 2023, the Kentucky School 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>17,000</u>
Total	<u>\$ 17,000</u>

Actuarial assumptions – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

The long-term expected rate of return on Health Trust and Life Trust 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Discount rate (SEIR) - 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.

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

County Employees’ Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Science Hill Independent School District since the District does not have or qualify to have employees participate in KERS or SPRS.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, three and thirty-nine one hundredths percent (3.39%) of the gross annual payroll of members is contributed for the year ended June 30, 2023 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2023, the Science Hill Independent District reported a liability of \$431,509 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 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 .021865 percent, compared to .024600 percent at June 30, 2021.

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

District’s proportionate share of the net OPEB liability	\$ 431,509
State’s proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 431,509</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of \$59,361. 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	\$ 43,435	\$ 98,955
Changes of assumptions	68,246	56,234
Net difference between projected and actual earnings on pension plan investments	80,351	62,838
Changes in proportion and differences between District contributions and proportionate share of contributions	52,004	63,549
District contributions subsequent to the measurement date	<u>34,392</u>	<u>-</u>
Total	<u>278,428</u>	<u>281,576</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$34,392 resulting from District contributions of \$18,834 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$15,558, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (2,006)
2025	(3,942)
2026	(24,152)
2027	(7,440)
2028	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Valuation Date	June 30, 2021
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 9.00% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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 in the table below. The current long-term inflation assumption is 2.30% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

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	576,858	431,509	311,353

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	320,817	431,509	564,428

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – 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 is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Ohio Casualty Insurance Association.

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 three fiscal years.

NOTE L– DEFICIT OPERATING BALANCES

The following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service	306,464
General	106,890
Special Revenue	8,479

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	8,479
Operating	Building	Debt Service	Debt Service	281,113
Operating	Capital Outlay	Debt Service	Debt Service	<u>22,351</u>
		Subtotal Governmental Fund Transfers		311,943
Operating	Food Service	General	Indirect Costs	<u>18,203</u>
		Total Transferred Funds		<u>330,146</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 15, 2023, the date the report was available for release. There are no material subsequent events to disclose.

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2023, \$1,500,734 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$897,509
Teachers Retirement System (GASB 75)	19,669
Health Insurance	557,322
Life Insurance	745
Administrative Fee	5,964
HRA/Dental/Vision	18,204
Federal Reimbursement	(98,232)
Technology	65,517
SFCC Debt Service Payments	<u>34,036</u>
Total	<u>\$1,500,734</u>

NOTE Q – LEASES

The District is committed under a noncancellable lease for copiers. The lease began August 2019 for 5 years with a monthly payment of \$443. The total lease liability measured at present value is \$23,857. The ending balance at June 30, 2023 is \$5,612. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the equipment at the end of the lease annual requirements to amortize long-term obligations and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	5,171	147
2025	<u>441</u>	<u>2</u>
Total	<u>5,612</u>	<u>149</u>

The following assets and amortization have been recognized.

Intangible Right of Use Asset – Copiers	\$ 23,587
Accumulated Amortization	<u>(18,418)</u>
Net Ending Balance	<u>5,169</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – NET POSITION, AS RESTATED

The beginning net position of the Governmental was decreased by \$129,544 due to Teacher Retirement System's deferred outflows and deferred inflows being understated. Below are the details of the restatements:

	Government <u>Activities</u>
Net Position June 30, 2022	757,459
Understatement:	
Deferred Outflows	95,476
Deferred Inflows	<u>(225,020)</u>
Beginning Net Position, As Restated	<u>\$ 627,915</u>

REQUIRED SUPPLEMENTARY
INFORMATION

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	719,000	719,000	809,233	90,233
Other Local Sources	97,000	97,000	98,988	1,988
State Sources	2,787,647	2,787,647	3,380,531	592,884
Federal Sources	9,000	9,000	15,092	6,092
Other Sources	101,424	101,424	18,203	(83,221)
TOTAL REVENUES	<u>3,714,071</u>	<u>3,714,071</u>	<u>4,322,047</u>	<u>607,976</u>
EXPENDITURES:				
Instructional	2,397,041	2,397,041	2,844,332	(447,291)
Student Support Services	189,496	189,496	267,430	(77,934)
Staff Support Services	90,675	90,675	113,429	(22,754)
District Administration	403,098	403,098	463,930	(60,832)
School Administration	111,721	111,721	36,313	75,408
Business Support Services	183,996	183,996	184,564	(568)
Plant Operation & Maintenance	234,375	234,375	329,111	(94,736)
Student Transportation	142,452	142,452	150,690	(8,238)
Debt Service:				
Principal	19,000	19,000	19,354	(354)
Interest	5,000	5,000	1,281	3,719
Other	0	0	8,479	(8,479)
TOTAL EXPENDITURES	<u>3,776,854</u>	<u>3,776,854</u>	<u>4,418,913</u>	<u>(642,059)</u>
NET CHANGE IN FUND BALANCE	(62,783)	(62,783)	(96,866)	(34,083)
FUND BALANCES - BEGINNING	<u>62,783</u>	<u>62,783</u>	<u>342,525</u>	<u>279,742</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>245,659</u></u>	<u><u>245,659</u></u>

On-behalf payments totaling \$1,441,844 are not budgeted by the Science Hill Independent School District.

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	253,818	253,818	256,422	2,604
Federal Sources	955,715	955,715	712,067	(243,648)
Other Sources	14,468	14,468	15,505	1,037
TOTAL REVENUES	<u>1,224,001</u>	<u>1,224,001</u>	<u>983,994</u>	<u>(240,007)</u>
EXPENDITURES:				
Instructional	969,291	969,291	718,321	250,970
Student Support Services	79,532	79,532	57,504	22,028
Staff Support Services	1,129	1,129	1,469	(340)
District Administration	0	0	0	0
School Administration	0	0	0	0
Business Support Services	0	0	0	0
Plant Operation & Maintenance	323,822	323,822	159,633	164,189
Student Transportation	0	0	0	0
Central Office	0	0	0	0
Community Service Operations	53,760	53,760	47,067	6,693
Facility Acquisition & Construction	0	0	0	0
Other	0	0	0	0
TOTAL EXPENDITURES	<u>1,427,534</u>	<u>1,427,534</u>	<u>983,994</u>	<u>443,540</u>
NET CHANGE IN FUND BALANCE	(203,533)	(203,533)	0	203,533
FUND BALANCES - BEGINNING	<u>203,533</u>	<u>203,533</u>	<u>0</u>	<u>(203,533)</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>12,648,700</u>	<u>14,162,771</u>	<u>17,247,828</u>	<u>15,957,595</u>	<u>7,468,509</u>	<u>7,459,454</u>	<u>7,470,798</u>	<u>7,308,524</u>	<u>7,308,524</u>
TOTAL	<u><u>12,648,700</u></u>	<u><u>14,162,771</u></u>	<u><u>17,247,828</u></u>	<u><u>15,957,595</u></u>	<u><u>7,468,509</u></u>	<u><u>7,459,454</u></u>	<u><u>7,470,798</u></u>	<u><u>7,308,524</u></u>	<u><u>7,308,524</u></u>
District's covered-employee payroll	\$ 1,929,009	1,862,837	1,833,139	1,858,377	1,886,186	1,877,215	1,936,408	1,918,425	2,078,453
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.27%	65.59%	56.41%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net pension liability	0.022076%	0.021167%	0.023099%	0.024984%	0.021891%	0.023912%	0.021234%	0.024606%	0.021869%
District's proportionate share of the net pension liability	\$ 716,000	910,078	1,137,294	1,230,131	1,333,229	1,681,742	1,628,630	1,568,826	1,580,913
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-	-	-	-	-
TOTAL	<u>\$ 716,000</u>	<u>910,078</u>	<u>1,137,294</u>	<u>1,230,131</u>	<u>1,333,229</u>	<u>1,681,742</u>	<u>1,628,630</u>	<u>1,568,826</u>	<u>1,580,913</u>
District's covered-employee payroll	\$ 492,071	495,931	511,338	538,381	593,042	541,523	628,492	594,296	555,582
District's proportionate share of the net pension liability as a percentage of its covered-payroll	145.51%	183.51%	222.42%	228.49%	203.44%	310.56%	259.13%	263.98%	284.55%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,929,009	\$ 1,862,837	\$ 1,833,139	\$ 1,858,377	\$ 1,886,186	\$ 1,877,215	\$ 1,936,408	\$ 1,918,425	\$ 2,078,453
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 62,739	\$ 61,595	\$ 71,332	\$ 77,958	\$ 96,191	\$ 104,514	\$ 121,299	\$ 125,813	\$ 130,006
Contributions in relation to the actuarially determined contributions	<u>62,739</u>	<u>61,595</u>	<u>71,332</u>	<u>77,958</u>	<u>96,191</u>	<u>104,514</u>	<u>121,299</u>	<u>125,813</u>	<u>130,006</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 492,071	\$ 495,931	\$ 511,338	\$ 538,381	\$ 593,042	\$ 541,523	\$ 628,492	\$ 594,296	\$ 555,582
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.021016%	0.021891%	0.023905%	0.021228%	0.024600%	0.021865%
District's proportionate share of the net OPEB liability	422,493	388,670	402,071	512,592	470,955	431,509
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-	-
TOTAL	<u><u>422,493</u></u>	<u><u>388,670</u></u>	<u><u>402,071</u></u>	<u><u>512,592</u></u>	<u><u>470,955</u></u>	<u><u>431,509</u></u>
District's covered-employee payroll	\$ 538,381	\$ 593,042	\$ 541,523	\$ 628,492	\$ 594,296	\$ 555,582
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	78.47%	65.54%	74.25%	81.56%	79.25%	77.67%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%	47.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.0609%	0.0296%	0.0295%	0.0284%	0.0300%	0.0552%
District's proportionate share of the net OPEB liability	1,117,000	1,028,000	862,000	719,000	645,000	1,046,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>912,000</u>	<u>886,000</u>	<u>696,000</u>	<u>576,000</u>	<u>524,000</u>	<u>344,000</u>
TOTAL	<u>2,029,000</u>	<u>1,914,000</u>	<u>1,558,000</u>	<u>1,295,000</u>	<u>1,169,000</u>	<u>1,390,000</u>
District's covered-employee payroll	\$ 1,858,377	\$ 1,886,186	\$ 1,877,215	\$ 1,936,408	\$ 1,918,425	\$ 2,078,453
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	60.11%	54.50%	45.92%	37.13%	33.62%	50.33%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%	47.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>12,000</u>	<u>15,000</u>	<u>16,000</u>	<u>17,000</u>	<u>7,000</u>	<u>17,000</u>
TOTAL	<u><u>12,000</u></u>	<u><u>15,000</u></u>	<u><u>16,000</u></u>	<u><u>17,000</u></u>	<u><u>7,000</u></u>	<u><u>17,000</u></u>
District's covered-employee payroll	\$ 1,858,377	\$ 1,886,186	\$ 1,877,215	\$ 1,936,408	\$ 1,918,425	\$ 2,078,453
District's proportionate share of the net OPEB liability as a percentage of its covered-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	79.99%	75.00%	73.40%	71.57%	89.15%	73.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 25,304	\$ 31,194	\$ 25,777	\$ 29,916	\$ 34,350	\$ 18,834
Contributions in relation to the actuarially determined contributions	<u>25,304</u>	<u>31,194</u>	<u>25,777</u>	<u>29,916</u>	<u>34,350</u>	<u>18,834</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 538,381	\$ 593,042	\$ 541,523	\$ 628,492	\$ 594,296	\$ 555,582
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 55,751	\$ 56,586	\$ 56,316	\$ 58,092	\$ 58,667	\$ 62,353
Contributions in relation to the actuarially determined contributions	<u>55,751</u>	<u>56,586</u>	<u>56,316</u>	<u>58,092</u>	<u>58,667</u>	<u>62,353</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,858,377	\$ 1,886,186	\$ 1,877,215	\$ 1,936,408	\$ 1,918,425	\$ 2,078,453
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,858,377	\$ 1,886,186	\$ 1,877,215	\$ 1,936,408	\$ 1,918,425	\$ 2,078,453
Contributions as a percentage of Covered employee payroll	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 are not displayed.

REQUIRED SUPPLEMENTARY
INFORMATION

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. • In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

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

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

2022

There were no changes of assumptions for the year ended June 30, 2022.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-11.50 percent, varies by service
Investment Rate of Return	6.25 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

The retiree mortality is 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.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS non-hazardous pensions.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2022

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022

The Initial trend rate for Pre-65 was changes to 6.20% and for Post-65 the change was to 9.00%.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation Date	June 30, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30%-10.30%, varies by service
Investment Rate of Return	6.25 %
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS, non-hazardous OPEB.

**OTHER SUPPLEMENTARY
INFORMATION**

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents		18,901	138,001	9,604	166,506
TOTAL ASSETS	0	18,901	138,001	9,604	166,506
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable					0
Total Liabilities	0	0	0	0	0
Fund Balances:					
Restricted for:					
SFCC Escrow		18,901	138,001		156,902
School Activities				9,604	9,604
Total Fund Balances	0	18,901	138,001	9,604	166,506
TOTAL LIABILITIES AND FUND BALANCES	0	18,901	138,001	9,604	166,506

See independent auditor's report and accompanying notes to financial statements.

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

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	BUILDING FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes:					
Property			141,978		141,978
Intergovernmental - State	34,036	41,252	277,136		352,424
Other Sources				6,500	6,500
TOTAL REVENUES	<u>34,036</u>	<u>41,252</u>	<u>419,114</u>	<u>6,500</u>	<u>500,902</u>
EXPENDITURES:					
Instructional				4,021	4,021
Debt Service:					
Principal	275,000				275,000
Interest	62,500				62,500
TOTAL EXPENDITURES	<u>337,500</u>	<u>0</u>	<u>0</u>	<u>4,021</u>	<u>341,521</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(303,464)	41,252	419,114	2,479	159,381
OTHER FINANCING SOURCES(USES):					
Operating Transfers In	303,464				303,464
Operating Transfers Out		(22,351)	(281,113)		(303,464)
TOTAL OTHER FINANCING SOURCES(USES)	<u>303,464</u>	<u>(22,351)</u>	<u>(281,113)</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>18,901</u>	<u>138,001</u>	<u>2,479</u>	<u>159,381</u>
FUND BALANCES - BEGINNING			0	7,125	7,125
FUND BALANCES - ENDING	<u>0</u>	<u>18,901</u>	<u>138,001</u>	<u>9,604</u>	<u>166,506</u>

See independent auditor's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 SCHOOL ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>FUND BALANCE JULY 1, 2022</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE JUNE 30, 2023</u>
Science Hill School Activity Funds	<u>48,969</u>	<u>83,486</u>	<u>69,792</u>	<u>62,663</u>
Total Activity Funds (Due to Student Groups)	<u><u>48,969</u></u>	<u><u>83,486</u></u>	<u><u>69,792</u></u>	<u><u>62,663</u></u>

See independent accountant's report and accompanying notes to financial statements.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	CASH BALANCE JULY 1, 2022	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2023	ACCOUNTS RECEIVABLE JUNE 30, 2023	ACCOUNTS PAYABLE JUNE 30, 2023	FUND BALANCE JUNE 30, 2023
General Fund	1,436	1,170	833	1,773			1,773
Faculty - Pepsi	730	1,336	984	1,082			1,082
Athletic	5,778	22,110	22,844	5,044			5,044
Baseball Booster	1,677			1,677			1,677
Basketball Booster	1,539	200	978	761			761
Girls Basketball Booster	1,610	200		1,810			1,810
Soccer Booster	2,705			2,705			2,705
Softball Booster	1,487			1,487			1,487
Golf	1,958			1,958			1,958
Volleyball	1,721	7,051	5,844	2,928			2,928
Cheerleaders	2,644	2,921	2,605	2,960			2,960
Archery	5,767	11,178	8,609	8,336			8,336
Academic Team	332	315	332	315			315
Annuals	7,846	3,664	4,210	7,300			7,300
Assignment Books	0	15		15			15
BETA	1,354	1,377	2,025	706			706
Car Tags	436	115		551			551
Student Council	63			63			63
Dance	2,357	282	890	1,749			1,749
Field Trips	978	5,950	6,119	809			809
Eighth Grade	1,001	6,153	4,299	2,855			2,855
Music/Band	4,277	1,598	1,996	3,879			3,879
Start up Cash	0	325	325	0			0
3D Printer Club	76	27	59	44			44
Consumer Science	0	6,199	199	6,000			6,000
Science Trips & Labs	0	2,052	532	1,520			1,520
Performing Arts	1,197	10,470	7,331	4,336			4,336
Total All Funds	<u>48,969</u>	<u>84,708</u>	<u>71,014</u>	<u>62,663</u>	<u>0</u>	<u>0</u>	<u>62,663</u>
Interfund Transfers	<u>0</u>	<u>(1,222)</u>	<u>(1,222)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>48,969</u></u>	<u><u>83,486</u></u>	<u><u>69,792</u></u>	<u><u>62,663</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>62,663</u></u>

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA</u> <u>NUMBER</u>	<u>PASS</u> <u>THROUGH</u> <u>NUMBER</u> <u>(if applicable)</u>	<u>MUNIS</u> <u>PROJECT</u> <u>NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310I	5,145
Title I - Grants to Local Educational Agencies	84.010	3100002	310J	247,700
Title I - Grants to Local Educational Agencies Total				252,845
Supporting Effective Instruction State Grants	84.367	3230002	401D	110
Supporting Effective Instruction State Grants	84.367	3230002	401J	23,511
Supporting Effective Instruction State Grants Total				23,621
IDEA - Special Education - Grants to State	84.027	3810002	337I	2,047
IDEA - Special Education - Grants to State	84.027	3810002	337J	98,202
IDEA - Special Education - Preschool	84.173	3810002	343J	11,610
IDEA - Special Education - Preschool	84.173	3810002	345J	792
COVID 19- IDEA - Special Education - Grants to State	84.027	381002	478I	6,039
COVID 19- IDEA - Special Education - Grants to State	84.027	381002	478IC	22,367
COVID 19- IDEA - Special Education - Preschool	84.173	3810002	488I	1,044
Special Education Cluster				142,101
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005	473G	152,477
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005	473GD	1,036
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005	473GL	88,771
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4200003	554GV	3,526
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005	563J	7,500
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4200002	613G	64
COVID -19 Education Stabilization Fund Total				253,374
Title IV - Rural and Low Income Schools	84.358	3140002	346G	14,285
Title IV - Rural and Low Income Schools	84.358	3140002	346G	28,570
Title IV - Rural and Low Income Schools				42,855
Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002	552G	621
Title IV, Part A - Student Support and Academic Enrichment	84.424	3420002	552J	10,010
				10,631
Total U.S. Department of Education				725,427

U S Department Health and Human Services

Passed-Through Kentucky Department of Education

Preschool Development Grant	93.434	646F	646F	1,033
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U.S. Department of Agriculture

Passed-Through State Department of Education

State P-EBT Administrative Costs Grant	10.649	9990000-22	9990000-22	628
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National School Lunchroom	10.555	7750002-22	7750002-22	67,063
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National School Lunchroom	10.555	7750002-23	7750002-23	203,894
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National School Lunchroom	10.555	9980000-22	9980000-22	15,326
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National School Lunchroom	10.555	9980000-23	9980000-23	9,493
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School Breakfast Program	10.553	7760005-22	7760005-22	38,894
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School Breakfast Program	10.553	7760005-23	7760005-23	116,137
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Child Nutrition Cluster				<u>451,435</u>
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State Administrative Expense Funds	10.560	7700001-22	7700001-22	616
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Pass-Through State Department of Agriculture

Food Distribution	10.565	057502-10	057502-10	21,921
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Total U.S. Department of Agriculture				<u>473,972</u>
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Total Federal Financial Assistance				<u><u>1,200,432</u></u>
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SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

SCIENCE HILL INDEPENDENT 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 audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

SCIENCE HILL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

There were no prior year audit findings.

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email joe.montgomery@jamcpas.com

November 15, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Science Hill Independent School District
140 Science Hill-Danville Road
Science Hill, KY 40310

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Science Hill Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Science Hill Independent School District's basic financial statements, and have issued my report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Science Hill Independent School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email joe.montgomery@jamcpas.com

November 15, 2023

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

Members of the Board of Education
Science Hill Independent School District
140 Science Hill-Danville Road
Science Hill, KY 40310

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited Science Hill Independent 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 Science Hill Independent School District's major federal programs for the year ended June 30, 2023. Science Hill Independent 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 my opinion, Science Hill Independent 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

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United State 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Science Hill Independent School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Science Hill Independent 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 Science Hill Independent School District's federal programs.

Auditor's Responsibility for the Audit of Compliance

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

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

- 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 Science Hill Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Science Hill Independent 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 Science Hill Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I identified during the audit.

Report on Internal Control Over Compliance

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

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my 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.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email joe.montgomery@jamcpas.com

November 15, 2023

MANAGEMENT LETTER

Members of the Board of Education
Science Hill Independent School District
6007 US-27
Science Hill, KY 42553

In planning and performing my audit of the financial statements of Science Hill Independent School District for the year ended June 30, 2023, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. Our professional standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. I feel that the District's financial statements are free of material misstatement. However, I offer the following suggestions that I feel will strengthen your organization's internal control structure.

In addition, I have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2022, and I have reviewed management's responses to those recommendations. My findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendations – School Activity Funds

2022-1: Prior Year Recommendation:

During current year testing, a multiple receipt form was used to document the receipts from concessions at a sporting event. It did not contain the proper documentation for the receipt per Redbook. We recommend that a School Activity Fund Sales Form (Sales Form Concessions/Bookstore/Pencil Machine Form) be used to appropriately document concession sales receipts.

Current Year Status:

No such instances were found during current year testing.

2022-2: Prior Year Recommendation:

During current year testing, there were a couple of instances where a multiple receipt form was used to document ticket or gate sales. To better document ticket and gate sales, a School Activity Fund Requisition and Report of Ticket Sales Form should be used.

Current Year Status:

No such instances were found during current year testing.

Prior Year Recommendations – District

None.

Current Year Recommendations – School Activity Funds

None

Current Year Recommendations – District

2023-1: Current Year Recommendation:

During the course of the audit there were multiple instances where purchases occurred prior to the issuance of approved purchase orders. I recommend that all district personnel be informed that prior to making a purchase or committing funds an approved purchase order must be received.

Management Response:

All district personnel have been informed that prior to making a purchase or committing district funds an approved purchase order must be received.

I would like to offer my assistance throughout the year if and when new or unusual situations arise. My awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

I will review the status of this comment during my next audit engagement. I have already discussed this comment and suggestion with various District personnel, and I will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email joe.montgomery@jamcpas.com

November 15, 2023

Members of the Board of Education
Science Hill Independent School District
6007 US-27
Science Hill, KY 42553

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Science Hill Independent School District for the year ended June 30, 2023. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 9, 2023. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Science Hill Independent School District are described in Note A to the financial statements. As described in Note A to the financial statements, the District changed policies related to leases by adopting Statement of Governmental Accounting Standards No. 96, Subscription-Based Information Technology Arrangements, in 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. No other new accounting policies were adopted and the application of existing policies was not changed during 2023. I noted no transactions entered into by Science Hill Independent School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. I evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Science Hill Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Science Hill Independent School District's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

I applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Science Hill Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants