

**SPENCER COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2023**

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November 15, 2023

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

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 Spencer County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Spencer County 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 Spencer County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Spencer County 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 Spencer County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of 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 Spencer County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Spencer County 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 Spencer County 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 Spencer County 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 Spencer County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Spencer County School District's internal control over financial reporting and compliance.

Sincerely,

Montgomery & Company, P.L.L.C.

**SPENCER COUNTY PUBLIC SCHOOL DISTRICT – TAYLORSVILLE, KY
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

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

FINANCIAL HIGHLIGHTS

- The total ending cash and cash equivalents balance for the District for the year ended June 30, 2023 (FY23) was \$12.0 million, including a General Fund cash balance of \$3.3 million, a Construction Fund cash balance of \$2.0 million, and a Building Fund cash balance of \$5.3 million.
- Spencer County has no industrial tax base. The District’s property tax base is derived primarily from residential property, and property tax revenue is significantly impacted by growth and assessment levels. Property growth and assessment values grew by 11.6%. For FY23, the District levied property tax rates of 60.1 cents per \$100 for real estate and 62.1 cents per \$100 for tangible property. The motor vehicle tax rate (56.0 cents per \$100 of assessed value) and the utility tax rate (3%) remained unchanged from the prior year.
- The District ended FY23 with an unassigned fund balance in the General Fund of \$3.2 million, which is \$541,000 less than the previous year. The unassigned fund balance approximates a contingency of 14.2%.
- Bonds are issued as the District constructs and/or renovates facilities consistent with the long-range facilities plan that is established with community input and following the Kentucky Department of Education’s compliance regulations. The District did not issue any bonds in FY23. Regularly scheduled bond principal payments reduced outstanding principal by \$2.1 million in FY23.
- The District reported a net pension liability of \$12.3 million as of June 30, 2023, which was related to the County Employees Retirement System.
- At the end of FY23, the District reported a net obligation for post-employment benefits (OPEB) of \$7.6 million related to the Teacher’s Retirement System and \$3.4 million related to the County Employees Retirement System.
- As the District enters into FY24, budget concerns continue to be focused on how the COVID-19 health crisis will impact K-12 funding and ensuring future funds are sufficient to address ongoing needs since federal funding for these issues will soon expire.
- The District’s FY24 working budget contains a contingency of 6.8%.

OVERVIEW OF FINANCIAL STATEMENTS

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

District-wide financial statements

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

The statement of net position presents information on all of the District’s assets and deferred outflows and liabilities and deferred inflows, 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 (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

Fund financial statements

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

Notes to the financial statements

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

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 \$8.1 million as of June 30, 2023.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture, and equipment) less any related debt incurred to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Net Position

A comparison of June 30, 2023 and June 30, 2022 government-wide net position 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	\$ 12,499,442	\$ 11,694,275	\$ 458,481	\$ 694,247	\$ 12,957,923	\$ 12,388,522
Capital Assets	55,503,492	56,940,477	315,451	356,427	55,818,943	57,296,904
Deferred Outflows (2022 Restated)	9,761,598	5,349,799	799,280	560,232	10,560,878	5,910,031
Total Assets and Deferred Outflows (2022 Restated)	<u>77,764,532</u>	<u>73,984,551</u>	<u>1,573,212</u>	<u>1,610,906</u>	<u>79,337,744</u>	<u>75,595,457</u>
Current Liabilities	3,797,278	3,478,431	38,766	84,308	3,836,044	3,562,739
Non-Current Liabilities	58,507,692	56,275,443	2,388,416	2,077,146	60,896,108	58,352,589
Deferred Inflows (2022 Restated)	6,035,549	6,439,911	507,047	577,019	6,542,596	7,016,930
Total Liabilities and Deferred Inflows (2022 Restated)	<u>68,340,519</u>	<u>66,193,785</u>	<u>2,934,229</u>	<u>2,738,473</u>	<u>71,274,75</u>	<u>68,932,258</u>
Net Position						
Investment in Capital Assets (net of related debt)	16,236,245	15,380,347	315,451	356,427	16,551,696	15,736,774
Restricted	7,952,713	6,706,154	(1,714,068)	(1,503,994)	6,238,645	5,202,160
Unrestricted (2022 Restated)	<u>(14,764,945)</u>	<u>(14,295,735)</u>	<u>37,600</u>	<u>20,000</u>	<u>(14,727,345)</u>	<u>(14,275,735)</u>
Total Net Position	<u>\$ 9,424,013</u>	<u>\$ 7,790,766</u>	<u>\$ 1,361,017</u>	<u>\$ (1,127,567)</u>	<u>\$ 8,062,996</u>	<u>\$ 6,663,199</u>

Current and other assets increased by approximately \$569,000. This was primarily due to an increase of \$933,000 in year-end cash resulting from higher than expected interest on investments, offset by a decrease of \$362,000 in intergovernmental receivables from the federal government. Net capital assets decreased \$1.5 million. This primarily resulted from higher accumulated depreciation on buildings and building improvements.

Current liabilities increased by approximately \$273,000. This was primarily due to an increase in advances from grantors (\$150,000) and accounts payable (\$104,000). Non-current liabilities increased by \$2.5 million. This was mainly due to an increase of \$5.1 million in net pension liabilities and net OPEB liability, offset by a decrease of \$2.2 million in non-current bond obligations.

Changes in net position for the fiscal years ended June 30, 2023 and June 30, 2022 follow:

	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	\$ 89,820	\$ 221,861	\$ 855,577	\$ 374,315	\$ 945,397	\$ 596,176
Operating grants and contributions	5,319,093	4,843,991	1,363,927	2,271,025	6,683,020	7,115,016
Capital grants	61,773	68,791			61,773	68,791
General Revenues						
Property taxes	9,873,564	9,103,781			9,873,564	9,103,781
Motor vehicle taxes	1,472,880	1,359,050			1,472,880	1,359,050
Utility taxes	806,450	764,039			806,450	764,039
Franchise taxes	202,946	221,435			202,946	221,435
Other taxes	15,422	62,449			15,422	62,449
Investment earnings	538,513	53,057	31,459	2,511	569,972	55,568
State and formula grants	23,451,897	19,694,904			23,451,897	19,694,904
Miscellaneous	1,446,553	1,106,256			1,446,553	1,106,256
Gain(Loss) on Sale of Assets	1,998	(24,385)			1,998	(24,385)
Funds Transfer (Expense)	325,504	273,530	(325,504)	(273,530)		
Total revenues	43,606,413	37,748,759	1,925,459	2,374,321	45,531,872	40,123,080
EXPENSES						
Program Activities						
Instructional	24,274,286	20,739,198			24,274,286	20,739,198
Student support	2,528,168	2,374,736			2,528,168	2,374,736
Instructional staff support	2,234,599	1,925,397			2,234,599	1,925,397
District administrative support	1,629,828	1,008,059			1,629,828	1,008,059
School administrative support	1,750,024	1,813,911			1,750,024	1,813,911
Business support	1,306,524	975,941			1,306,524	975,941
Plant operations and maintenance	4,011,152	3,858,395			4,011,152	3,858,395
Student transportation	2,470,057	2,309,176			2,470,057	2,309,176
Community service activities	203,469	181,796			203,469	181,796
Day care operations	334,960	225,342			334,960	225,342
Other	16,465	16,362			16,465	16,362
Interest costs	1,213,634	1,273,209			1,213,634	1,273,209
Business-type Activities						
Child Care			19,958	166,024	19,958	166,024
Food Service			2,138,951	1,987,623	2,138,951	1,987,623
Total expenses	41,973,166	36,701,522	2,158,909	2,153,647	44,132,075	38,855,169
Increase (decrease) in net position	\$ 1,633,247	\$ 1,047,237	\$ (233,450)	\$ 220,674	\$ 1,399,797	\$ 1,267,911

The on-behalf amounts are included in the above figures. On-behalf payments are those the state makes on behalf of employees to various agencies for health and life insurance, pension benefits, administrative fees, technology and debt service. The total on-behalf payments for 2023 and 2022 were \$10,256,910 and \$7,780,921, respectively.

Total revenue increased approximately \$5.4 million and total expenses increased approximately \$5.3 million.

Governmental Activities

Governmental program expenses are summarized below. Of the total expenses for the year ended June 30, 2023, instructional expenses comprised 57.8%, student and staff support services made up 11.3%, administrative support services were 11.2%, plant operations totaled 9.6%, student transportation comprised 5.9%, and interest and other expenses make up the remaining 4.2%.

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 Expense Total		Governmental Activities Expense Net	
	Cost of Services	% of Cost	Cost of Services	% of Cost
	<u>2023</u>		<u>2023</u>	
Instructional	\$ 24,274,286	57.8%	\$ 20,303,057	55.7%
Student and staff support	4,762,767	11.3%	3,955,821	10.8%
Administrative support	4,686,376	11.2%	4,685,553	12.8%
Plant operations	4,011,152	9.6%	3,949,669	10.8%
Student transportation	2,470,057	5.9%	2,462,697	6.7%
Other	554,894	1.3%	(6,178)	0.0%
Interest Costs	1,213,634	2.9%	1,151,861	3.2%
Total Expenses	<u>\$ 41,973,166</u>	<u>100.0%</u>	<u>\$ 36,502,480</u>	<u>100.0%</u>

Business-Type Activities

The business-type activities of the District consist of Food Service and Child Care. Food Service total revenues were \$1,968,670 and total expenses were \$2,215,872 for fiscal year 2023. Child Care total revenues were \$282,293 and total expenses were \$268,540 for fiscal year 2023. These business-type activities receive no support from tax revenues and, as a result, the District will continue to monitor activities and make necessary adjustments to the operations of these activities.

The School District's Funds

The School District's funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenues and other financing sources for all governmental funds for 2023 were \$47,848,033 and expenditures were \$47,345,995.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2023 fiscal year, the District had invested \$55,740,444, net of depreciation, in a broad range of capital assets, including equipment, buses and other vehicles, buildings, and land. This amount represents a net decrease of \$1,438,783. Depreciation expense for the year was \$2,050,126 and capital additions were \$611,344.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 997,705	\$ 997,705	\$ -	\$ -	\$ 997,705	\$ 997,705
Buildings and Improvements	52,992,648	54,621,891			52,992,648	54,621,891
Technology	7,175	32,552			7,175	32,552
Vehicles	1,168,935	898,692			1,168,935	898,692
General Equipment	<u>258,531</u>	<u>271,959</u>	<u>315,450</u>	<u>356,427</u>	<u>573,891</u>	<u>628,386</u>
Total	<u>\$ 55,424,994</u>	<u>\$ 56,822,799</u>	<u>\$ 315,450</u>	<u>\$ 356,427</u>	<u>\$ 55,740,444</u>	<u>\$ 57,179,226</u>

	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>
Beginning Balance	\$ 56,822,799	\$ 58,068,412	\$ 356,427	\$ 361,255	\$ 57,179,226	\$ 58,429,667
Additions	611,344	749,784		33,822	611,344	783,606
Retirements		(930,914)				(930,914)
Depreciation	<u>(2,009,150)</u>	<u>(1,064,483)</u>	<u>(40,976)</u>	<u>(38,650)</u>	<u>(2,050,126)</u>	<u>(1,103,133)</u>
Ending Balance	<u>\$ 55,424,993</u>	<u>\$ 56,822,799</u>	<u>\$ 315,451</u>	<u>\$ 356,427</u>	<u>\$ 55,740,444</u>	<u>\$ 57,179,226</u>

The following major capital assets were placed in service during fiscal year 2023:

Buses	\$ 333,875
Trucks	127,631
Other vehicles	59,185
Portable building	10,549
Playground equipment	52,600
Other equipment	<u>27,504</u>
	<u>\$ 611,344</u>

Disposals of capital assets during the year included a bus and 3 other vehicles. These assets were declared surplus and sold or removed from service for parts. The net book value at disposal was \$0.

Long-Term Debt

The District made scheduled bond principal payments in the amount of \$1,909,833. The School Facilities Construction Commission made bond principal payments on behalf of the District in the amount of \$260,167. The District made scheduled capital lease payments of \$111,630.

ADDITIONAL FINANCIAL HIGHLIGHTS

General Fund Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgetary fund is the General Fund. 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 General Fund had budgeted revenues of \$30,422,791 with actual revenues being \$32,797,902, which was an increase of \$4.9 million over the prior year. An increase in all categories of tax revenue, particularly property taxes, generated \$563,000 in additional revenue above the prior year. General Fund revenues from state sources also increased by \$3.1 million, mainly due to funding for SEEK, the primary source of state funding for public school districts in Kentucky.

The General Fund's budgeted expenditures were \$30,479,642 with actual results of \$33,542,423, which was \$4.7 million above the prior year. Increases over the prior year were due to higher On Behalf amounts (explained on page 8, accounting for \$2.5 million), salaries (\$969,000) and benefits (\$398,000), property purchases (\$487,000 made up primarily of 3 new and 4 used buses, 4 field trip vehicles, and 3 trucks), higher supplies expenses (\$319,000 consisting mainly of repair parts and cost of electricity), higher professional and technical services (\$103,000), and other expenses (\$94,000).

Future Budgetary Implications

The District convened its Local Planning Committee to review facilities in the District and prioritize future construction and renovation needs. The District is growing and those facility needs have outpaced available resources, so this will be a critical process for planning purposes. Kentucky public school districts are required by law to have a minimum 2% contingency. The FY24 adopted budget for the District has a contingency of 6.8%. A growing school district has facility and other needs that inevitably challenge its financial resources.

Contacting the District's Financial Management

This financial report is designed to provide 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 and disburses. If you have questions about this report or need additional financial information, contact Mr. Greg Murphy, the District's Chief Financial Officer, at (502) 477-3250.

SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	11,599,790	350,347	11,950,137
Accounts Receivable:			
Taxes - Current	235,762		235,762
Taxes - Delinquent	9,499		9,499
Accounts	99,884	14,600	114,484
Prepaid Expenses	120,523		120,523
Intergovernmental - State	3,828		3,828
Intergovernmental - Federal	430,156	49,330	479,486
Inventories for Consumption		44,204	44,204
Total Current Assets	12,499,442	458,481	12,957,923
Noncurrent Assets - Note F and Q			
Right to Use Asset - Net of Amortization	78,499		78,499
Land	997,705		997,705
Buildings & Improvements	73,877,825		73,877,825
Furniture & Equipment	6,142,902	1,387,835	7,530,737
Less: Accumulated Depreciation	(25,593,439)	(1,072,384)	(26,665,823)
Total Noncurrent Assets	55,503,492	315,451	55,818,943
TOTAL ASSETS	68,002,934	773,932	68,776,866
Deferred Outflows Related to Pensions	2,736,616	511,633	3,248,249
Deferred Outflows Related to Other Post Employment Benefits	6,750,167	287,647	7,037,814
Deferred Outflows Related to Advanced Bond Refundings	274,815		274,815
TOTAL DEFERRED OUTFLOWS	9,761,598	799,280	10,560,878
TOTAL ASSETS AND DEFERRED OUTFLOWS	77,764,532	1,573,212	79,337,744
LIABILITIES:			
Current Liabilities:			
Accounts Payable	282,948	18,999	301,947
Accrued Salaries & Sick Leave - Note A	335,904	14,087	349,991
Advances from Grantors	593,529		593,529
Unearned Reveue	-	5,680	5,680
Bond Obligations - Note D	2,230,000		2,230,000
Lease Obligation	40,737		40,737
Capital Lease Obligation - Note E	69,631		69,631
Accrued Interest Payable	244,529		244,529
Total Current Liabilities	3,797,278	38,766	3,836,044
Noncurrent Liabilities:			
Bond Obligations - Note D	36,820,024		36,820,024
Lease Obligation	46,403		46,403
Capital Lease Obligation - Note E	60,452		60,452
Net Pension Liability	10,442,525	1,876,220	12,318,745
Net Other Post Employment Benefits Liability	10,487,277	512,196	10,999,473
Accrued Sick Leave - Note A	651,011		651,011
Total Noncurrent Liabilities	58,507,692	2,388,416	60,896,108
TOTAL LIABILITIES	62,304,970	2,427,182	64,732,152
Deferred Inflows Related to Other Post Employment Benefits	4,710,379	269,179	4,979,558
Deferred Inflows Related to Pensions	1,325,170	237,868	1,563,038
TOTAL DEFERRED INFLOWS	6,035,549	507,047	6,542,596
TOTAL LIABILITIES AND DEFERRED INFLOWS	68,340,519	2,934,229	71,274,748
NET POSITION:			
Net Investment in Capital Assets	16,236,245	315,451	16,551,696
Restricted for:			
SFCC Escrow	5,323,146		5,323,146
Capital Projects	1,997,226		1,997,226
School Activities	626,331		626,331
Grants	6,010		6,010
Food Service		(943,761)	(943,761)
Day Care		(770,307)	(770,307)
Unrestricted	(14,764,945)	37,600	(14,727,345)
TOTAL NET POSITION	9,424,013	(1,361,017)	8,062,996
TOTAL LIABILITIES AND NET POSITION	77,764,532	1,573,212	79,337,744

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

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

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	24,274,286	87,170	3,884,059		(20,303,057)		(20,303,057)
Support Services:							
Student Support Services	2,528,168		290,886		(2,237,282)		(2,237,282)
Staff Support Services	2,234,599		516,060		(1,718,539)		(1,718,539)
District Administration	1,629,828				(1,629,828)		(1,629,828)
School Administration	1,750,024				(1,750,024)		(1,750,024)
Business Support Services	1,306,524		823		(1,305,701)		(1,305,701)
Plant Operation & Maintenance	4,011,152		61,483		(3,949,669)		(3,949,669)
Student Transportation	2,470,057	2,650	4,710		(2,462,697)		(2,462,697)
Other Non-Instructional	16,465				(16,465)		(16,465)
Day Care Operations	334,960		350,715		15,755		15,755
Community Service Operations	203,469		210,357		6,888		6,888
Interest on Long-Term Debt	1,213,634			61,773	(1,151,861)		(1,151,861)
TOTAL GOVERNMENTAL ACTIVITIES	41,973,166	89,820	5,319,093	61,773	(36,502,480)		(36,502,480)
BUSINESS-TYPE ACTIVITIES:							
Day Care	19,958	275,074				255,116	255,116
Food Service	2,138,951	580,503	1,363,927			(194,521)	(194,521)
TOTAL BUSINESS-TYPE ACTIVITIES	2,158,909	855,577	1,363,927	0	0	60,595	60,595
TOTAL SCHOOL DISTRICT	44,132,075	945,397	6,683,020	61,773	(36,502,480)	60,595	(36,441,885)
GENERAL REVENUES:							
Taxes:							
Property					9,873,564		9,873,564
Motor Vehicle					1,472,880		1,472,880
Utility					806,450		806,450
Franchise					202,946		202,946
Other					15,422		15,422
State Aid - Formula Grants					23,451,897		23,451,897
Investment Earnings					538,513	31,459	569,972
Miscellaneous					1,446,553		1,446,553
Funds Transfer (Expense)					325,504	(325,504)	0
Gain(Loss) Sale of Assets					1,998		1,998
TOTAL GENERAL REVENUES & TRANSFERS					38,135,727	(294,045)	37,841,682
CHANGE IN NET POSITION					1,633,247	(233,450)	1,399,797
NET POSITION - BEGINNING - RESTATED NOTE R					7,790,766	(1,127,567)	6,663,199
NET POSITION - ENDING					9,424,013	(1,361,017)	8,062,996

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

SPENCER COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	3,287,741	300,285	2,018,554	5,307,792	685,418	11,599,790
Accounts Receivable:						
Taxes - Current	235,762					235,762
Taxes - Delinquent	9,499					9,499
Accounts	99,884					99,884
Prepaid Expenses	120,523					120,523
Intergovernmental - State		3,828				3,828
Intergovernmental - Federal		430,156				430,156
TOTAL ASSETS	3,753,409	734,269	2,018,554	5,307,792	685,418	12,499,442
LIABILITIES AND FUND BALANCE:						
Accounts Payable	130,421	87,466	21,328		43,733	282,948
Accrued Salaries & Benefits	82,260	47,264				129,524
Advances from Grantors		593,529				593,529
Total Liabilities	212,681	728,259	21,328	0	43,733	1,006,001
Fund Balance:						
Non-Spendable	120,523					120,523
Restricted for:						
Grants		6,010				6,010
Capital Projects			1,997,226			1,997,226
School Activities					626,331	626,331
SFCC Escrow				5,307,792	15,354	5,323,146
Committed For:						
Accrued Sick Leave	206,380					206,380
Site Based Carryforward	59,012					59,012
Assigned for:						
Unassigned	3,154,813					3,154,813
Total Fund Balance	3,540,728	6,010	1,997,226	5,307,792	641,685	11,493,441
TOTAL LIABILITIES AND FUND BALANCES	3,753,409	734,269	2,018,554	5,307,792	685,418	12,499,442

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

SPENCER COUNTY 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		11,493,441
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	81,018,432	
Accumulated Depreciation	<u>(25,593,439)</u>	55,424,993
Rigght to Use Asset - Net of Amortization		78,499
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		274,815
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		2,736,616
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		6,750,167
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	(39,350,000)	
Unamortized Bond Premium	321,753	
Unamortized Bond Discount	(21,777)	
Lease Obligation	(87,140)	
Capital Lease Obligation	(130,083)	
Accrued Interest on Bonds	(244,529)	
Net Pension Liability	(10,442,525)	
Net Other Post Employment Benefits Liability	(10,487,277)	
Accrued Sick Leave	<u>(857,391)</u>	(61,298,969)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(4,710,379)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		(1,325,170)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>9,424,013</u></u>

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

SPENCER COUNTY 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	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	6,973,440			2,900,124		9,873,564
Motor Vehicle	1,472,880					1,472,880
Utility	806,450					806,450
Franchise	202,946					202,946
Other	15,422					15,422
Earnings on Investments	393,701	3,042	3,037	119,348	19,385	538,513
Intergovernmental - State	21,344,416	1,354,128		1,554,984	614,270	24,867,798
Intergovernmental - Federal	135,809	3,829,156				3,964,965
Other Sources	244,729	80,819			1,210,825	1,536,373
TOTAL REVENUES	31,589,793	5,267,145	3,037	4,574,456	1,844,480	43,278,911
EXPENDITURES:						
Instructional	19,409,851	3,708,625			1,162,693	24,281,169
Land						
Student Support Services	2,244,076	277,819			280	2,522,175
Staff Support Services	1,718,035	492,878			23,212	2,234,125
District Administration	1,606,973					1,606,973
School Administration	1,746,729					1,746,729
Business Support Services	1,299,305	1,128				1,300,433
Plant Operation & Maintenance	2,569,424	58,721				2,628,145
Student Transportation	2,765,610	4,498				2,770,108
Other Non-Instructional					16,465	16,465
Day Care Operations		334,960				334,960
Community Service Operations	1,948	201,521				203,469
Debt Service:						
Principal	111,630				2,170,000	2,281,630
Interest	5,878				1,172,116	1,177,994
TOTAL EXPENDITURES	33,479,459	5,080,150	0	0	4,544,766	43,104,375
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(1,889,666)	186,995	3,037	4,574,456	(2,700,286)	174,536
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Assets	1,998					1,998
Operating Transfers In - Note N	1,206,111	62,964			3,298,049	4,567,124
Operating Transfers Out - Note N	(62,964)	(322,062)		(3,079,864)	(776,730)	(4,241,620)
TOTAL OTHER FINANCING SOURCES	1,145,145	(259,098)	0	(3,079,864)	2,521,319	327,502
NET CHANGE IN FUND BALANCES	(744,521)	(72,103)	3,037	1,494,592	(178,967)	502,038
FUND BALANCES - BEGINNING	4,285,249	78,113	1,994,189	3,813,200	820,652	10,991,403
FUND BALANCES - ENDING	3,540,728	6,010	1,997,226	5,307,792	641,685	11,493,441

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

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

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

NET CHANGES - GOVERNMENTAL FUNDS		502,038
<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	(2,009,150)	
Capital Outlays	<u>611,344</u>	(1,397,806)
<p>Bond proceeds and capital leases 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	2,281,630	
Lease Obligation Paid	<u>38,948</u>	2,320,578
<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>		
Amortization -Deferred Outflows from Advanced Bond Refundings	(27,256)	
Amortization - Bond Premiums	4,917	
Amortization - Bond Discount	(32,610)	
Amortization Right of Use Asset	(39,179)	
District Pension Contributions	1,064,501	
Cost of Benefits Earned Net of Employee Contributions	(837,509)	
Accrued Interest Payable	24,186	
District Other Post Employment Benefits Contributions	607,659	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(767,794)	
Accrued Sick Leave	<u>211,522</u>	
		<u>208,437</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>1,633,247</u></u>

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

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	330,292	20,055	350,347
Accounts Receivables		14,600	14,600
Intergovernmental - Federal	49,330		49,330
Inventories for Consumption	44,204		44,204
Total Current Assets	423,826	34,655	458,481
Noncurrent Assets:			
Capital Assets	1,386,416	1,419	1,387,835
Less: Accumulated Depreciation	(1,070,965)	(1,419)	(1,072,384)
Total Noncurrent Assets	315,451	0	315,451
Land			
TOTAL ASSETS	739,277	34,655	773,932
Deferred Outflows Related to Other Post Employment Benefits	178,130	109,517	287,647
Deferred Outflows Related to Pensions	310,399	201,234	511,633
TOTAL ASSETS AND DEFERRED OUTFLOWS	1,227,806	345,406	1,573,212
LIABILITIES:			
Current Liabilities:			
Account Payable	18,944	55	18,999
Accrued Salaries & Benefits	14,087		14,087
Unearned Revenue	5,680		5,680
Total Current Liabilities	38,711	55	38,766
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	321,175	191,021	512,196
Net Pension Liability	1,177,031	699,189	1,876,220
Total Noncurrent Liabilities	1,498,206	890,210	2,388,416
TOTAL LIABILITIES	1,536,917	890,265	2,427,182
Deferred Inflows Related to Other Post Employment Benefits	169,570	99,609	269,179
Deferred Inflows Related to Pensions	149,629	88,239	237,868
TOTAL LIABILITIES AND DEFERRED INFLOWS	1,856,116	1,078,113	2,934,229
Net Position:			
Net Investment in Capital Assets	315,451	0	315,451
Restricted	(943,761)	(770,307)	(1,714,068)
Unrestricted		37,600	37,600
Total Net Position	(628,310)	(732,707)	(1,361,017)
TOTAL LIABILITIES AND NET POSITION	1,227,806	345,406	1,573,212

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

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

	<u>FOOD SERVICE</u>	<u>CHILD CARE FUND</u>	<u>TOTAL</u>
OPERATING REVENUES:			
Lunchroom Sales	536,056		536,056
Tuition and Fees		275,074	275,074
Other Operating Revenues	44,447		44,447
TOTAL OPERATING REVENUES	<u>580,503</u>	<u>275,074</u>	<u>855,577</u>
OPERATING EXPENSES:			
Salaries & Benefits	816,890	1,073	817,963
Contract Services	24,352	770	25,122
Materials & Supplies	1,254,478	17,615	1,272,093
Depreciation - Note F	40,976		40,976
Other Operating Expenses	2,255	500	2,755
TOTAL OPERATING EXPENSES	<u>2,138,951</u>	<u>19,958</u>	<u>2,158,909</u>
Land			
OPERATING INCOME(LOSS)	(1,558,448)	255,116	(1,303,332)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	1,140,099		1,140,099
State Grants	116,602		116,602
Donated Commodities	107,226		107,226
Interest Income	24,240	7,219	31,459
Transfer Out to General Fund	(76,922)	(248,582)	(325,504)
TOTAL NONOPERATING REVENUE	<u>1,311,245</u>	<u>(241,363)</u>	<u>1,069,882</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(247,203)	13,753	(233,450)
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	(247,203)	13,753	(233,450)
NET POSITION - BEGINNING	<u>(381,107)</u>	<u>(746,460)</u>	<u>(1,127,567)</u>
TOTAL NET POSITION - ENDING	<u><u>(628,310)</u></u>	<u><u>(732,707)</u></u>	<u><u>(1,361,017)</u></u>

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

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

	FOOD SERVICE	OTHER ENTERPRISE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	515,773		515,773
Tuition and Fees		260,474	260,474
Other Activities	47,947		47,947
Cash Paid to/for:			
Employees	(705,482)	(338)	(705,820)
Supplies	(1,177,399)	(18,620)	(1,196,019)
Other Activities	(26,607)	(1,270)	(27,877)
Net Cash Used by Operating Activities	(1,345,768)	240,246	(1,105,522)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(76,922)	(248,582)	(325,504)
Federal Grants	1,332,617	9,772	1,342,389
State Grants	15,921		15,921
Net Cash Provided by Non-Capital and Related Financing Activities	1,271,616	(238,810)	1,032,806
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest Income	24,240	7,219	31,459
Net Cash Provided (Used) by Investing Activities	24,240	7,219	31,459
Net Increase (Decrease) in Cash and Cash Equivalents	(49,912)	8,655	(41,257)
Balances, Beginning of Year	380,204	11,400	391,604
Balances, End of Year	330,292	20,055	350,347
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(1,558,448)	255,116	(1,303,332)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	40,976	-	40,976
State On-Behalf Payments	100,681	-	100,681
Donated Commodities	107,226		107,226
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Deferred Outflows	(150,995)	(88,053)	(239,048)
Deferred Inflows	(44,195)	(25,780)	(69,975)
Net Pension Liability	175,980	102,656	278,636
Net Other Post Employment Benefits	20,611	12,023	32,634
Accounts Receivable	3,500	(14,600)	(11,100)
Accounts Payable	(33,466)	(1,007)	(34,473)
Accrued Salaries & Benefits	9,326	(109)	9,217
Unearned Revenue	(20,283)	-	(20,283)
Inventory	3,319		3,319
Net Cash Used by Operating Activities	(1,345,768)	240,246	(1,105,522)
Schedule of Non-Cash Transactions:			
Donated Commodities	107,226	-	107,226
State On-Behalf Payments	100,681	-	100,681

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

SPENCER COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Spencer County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as 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:

Spencer County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Spencer County 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.

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.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 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. This is a major fund of the District.

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 (Agency and Private Purpose Trust Funds)

- 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 resource is 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 August 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 \$0.610 per \$100 valuation for real property, \$0.621 per \$100 valuation for business personal property, and \$0.56 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, 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 have received 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

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	206,380	Long-Term Sick Leave Commitment
General Fund	59,012	Site Based Carryforward

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 and fees for child care services.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

have a maturity at the time of purchase of one year or less, which are reported at cost. 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 \$11,950,137. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with 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
Peoples Bank	12,899,202	11,950,137
Breakdown per financial statements:		
Governmental Funds		11,599,790
Proprietary Funds		<u>350,347</u>
Total Cash		<u>11,950,137</u>

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 Spencer County School District Finance Corporation in the original amount aggregating \$51,010,000.

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

2005	755,000	4.00%
2011 – Refunding	9,740,000	1.00% - 2.50%
2016 – Refunding	10,055,000	2.00% - 3.80%
2016	18,235,000	2.00% - 2.625%
2018	7,015,000	3.00% - 3.875%
2020	5,210,000	2.00% - 2.250%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make bond payments in amounts sufficient to satisfy debt service requirements on bonds issued by Spencer County 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.

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools 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 of its intention not to participate not less than sixty days prior to the end of its biennium.

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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2023-24	2,230,000	1,113,047	321,939	3,021,108
2024-25	2,270,000	1,054,731	295,636	3,029,095
2025-26	2,225,000	992,400	251,979	2,965,421
2026-27	2,345,000	930,659	251,980	3,023,679
2027-28	2,370,000	870,691	218,434	3,022,257
2028-29	2,300,000	835,494	112,999	3,022,495
2029-30	2,360,000	775,094	112,999	3,022,095
2030-31	2,425,000	709,269	112,999	3,021,270
2031-32	2,500,000	635,578	112,999	3,022,578
2032-33	2,580,000	559,259	112,999	3,026,260
2033-34	2,655,000	479,944	112,999	3,021,945
2034-35	2,740,000	397,463	112,999	3,024,463
2035-36	2,825,000	311,788	112,999	3,023,789
2036-37	1,950,000	203,159	37,687	2,115,471
2037-38	2,015,000	137,072	37,688	2,114,384
2038-39	1,965,000	69,584	28,851	2,005,736
2039-40	790,000	26,999	0	816,999
2040-41	805,000	9,056	0	814,056
	<u>39,350,000</u>	<u>10,111,287</u>	<u>2,348,186</u>	<u>47,113,101</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 Bond Payable	41,520,000	0	2,170,000	39,350,000	2,230,000
Add: Bond Premium	26,693	0	4,917	21,776	4,917
Less: Bond Discount	(354,363)	0	(32,611)	(321,752)	(25,712)
Total Bonds Payable – Net	41,192,330	0	2,142,306	39,050,024	2,209,205
Capital Lease Obligations	241,712	0	111,629	130,083	69,631
Lease Obligation	126,088	0	38,948	87,140	40,737
Net Pension Liability	8,888,031	1,554,494	0	10,442,525	0
Net OPEB Liability	7,265,215	3,222,062	0	10,487,277	0
Accrued Sick Leave	1,068,912	38,910	250,431	857,391	206,380
Total Governmental Activities:	<u>58,782,288</u>	<u>4,815,466</u>	<u>2,543,314</u>	<u>61,054,440</u>	<u>2,525,953</u>
Proprietary Activities:					
Net OPEB Liability	479,562	32,634	0	512,196	0
Net Pension Liability	1,597,984	278,236	0	1,876,220	0
Total Long-Term Liabilities:	<u>60,859,834</u>	<u>5,126,336</u>	<u>2,543,314</u>	<u>63,442,856</u>	<u>2,525,953</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2026. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. 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>
Buses	943,404
Accumulated Amortization	<u>(782,500)</u>
	<u>160,904</u>

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	72,978
2025	44,547
2026	<u>17,929</u>
Net minimum lease payments	135,454
Amount representing interest	<u>(5,371)</u>
Present value of net minimum lease payments	<u>130,083</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital leases provide for the buses 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	997,705			997,705
Construction in Progress	-			-
Depreciable Assets:				
Buildings & Building Improvements	73,814,676	63,149		73,877,825
Technology Equipment	1,980,530			1,980,530
Vehicles	2,911,432	520,691	147,578	3,284,545
General Equipment	850,323	27,504		877,827
TOTAL AT HISTORICAL COST	80,554,666	611,344	147,578	81,018,432
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Land Improvements	812,331	113,560		925,891
Buildings & Building Improvements	18,380,454	1,578,833		19,959,287
Technology Equipment	1,947,978	25,376		1,973,354
Vehicles	2,012,740	250,447	147,578	2,115,609
General Equipment	578,364	40,934		619,298
TOTAL ACCUMULATED DEPRECIATION	23,731,867	2,009,150	147,578	25,593,439
GOVERNMENTAL ACTIVITIES CAPITAL NET	56,822,799	(1,397,806)	-	55,424,993
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	21,780			21,780
General Equipment	1,366,055			1,366,055
TOTALS AT HISTORICAL COST	1,387,835	-	-	1,387,835
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	21,780			21,780
General Equipment	1,009,628	40,976		1,050,604
TOTAL ACCUMULATED DEPRECIATION	1,031,408	40,976	-	1,072,384
PROPRIETARY ACTIVITIES CAPITAL NET	356,427	(40,976)	-	315,451
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				277,567
Student Support Service				5,680
Staff Support Service				246
District Administration				22,751
School Administration				3,056
Business Support Services				5,940
Plant Operation & Maintenance				1,473,496
Student Transportation				220,414
TOTAL				2,009,150

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 \$12,318,745 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	\$ 12,318,745
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>72,471,619</u>
	<u>\$ 84,790,364</u>

The net pension liability for each plan was measured as of June 30, 2023, 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, 2023, the District's proportion was 0.170407% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$987,664 related to CERS and \$6,612,398 related to TRS. The District also recognized revenue of \$6,612,398 for TRS support provided by the Commonwealth. At June 30, 2023, the District reported deferred outflows 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	\$ 13,170	\$ 109,704
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,676,212	1,360,404
Changes in proportion and differences between District contributions and proportionate share of contributions	303,559	92,930
District contributions subsequent to the measurement date	<u>1,255,308</u>	<u>-</u>
Total	<u>\$ 3,248,249</u>	<u>\$ 1,563,038</u>

\$1,255,308 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	47,483
2025	135,991
2026	(103,520)
2027	349,949
2028	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—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:

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	15,396,903	12,318,745	9,772,853
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 Spencer County District reported a liability of \$7,637,000 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 .2150 percent, compared to .2150 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	\$ 7,637,000
State's proportionate share of the net OPEB liability associated with the District	<u>2,509,000</u>
Total	<u>\$10,146,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$508,325 and revenue of \$134,090 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	\$ -	\$ 3,210,000
Changes of assumptions	1,551,000	-
Net difference between projected and actual earnings on pension plan investments	406,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,737,000	-
District contributions subsequent to the measurement date	<u>453,443</u>	<u>-</u>
Total	<u><u>5,147,443</u></u>	<u><u>3,210,000</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$453,443 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	\$ 62,000
2025	76,000
2026	112,000
2027	588,000
2028	463,000
Thereafter	183,000

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, 2022 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:

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

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, 2021.

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:

	1% Decrease	Current Discount Rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	9,582,000	7,637,000	6,027,000

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	5,725,000	7,637,000	10,014,000

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>125,000</u>
Total	<u>\$ 125,000</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, 2020.

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 Spencer County 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 hundred 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 Spencer County District reported a liability of \$3,362,473 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 .170380 percent, compared to .164442 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	\$ 3,362,473
State’s proportionate share of the net OPEB liability associated with the District	-0-
Total	<u>\$ 3,362,473</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of \$464,116. 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	\$ 338,461	\$ 771,093
Changes of assumptions	531,799	438,199
Net difference between projected and actual earnings on pension plan investments	626,127	489,653
Changes in proportion and differences between District contributions and proportionate share of contributions	90,895	70,613
District contributions subsequent to the measurement date	<u>303,089</u>	<u>-</u>
Total	<u><u>1,890,371</u></u>	<u><u>1,769,558</u></u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$303,089 resulting from District contributions of \$181,859 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$121,230, 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	\$ (4,234)
2025	(15,688)
2026	(196,176)
2027	33,822
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 6.30% 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	4,495,089	3,362,473	2,426,176

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 OPEB liability	2,499,924	3,362,473	4,398,231

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 including 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 Wright Specialty Insurance Company.

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 Day Care Fund had a deficit fund balance in the amount of \$732,707 and the Food Service Fund had a deficit balance of \$628,310 at June 30, 2023. Additionally, 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 Fund	3,020,176
District Activity Fund	299,642
General Fund	1,889,666

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).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	62,964
Operating	Special Revenue	General	Indirect Cost	322,062
Operating	Capital Outlay	General	Operations	498,857
Operating	Building Fund	General	Operations	59,688
Operating	School Activity	District Activity	Operations	277,873
Operating	Building Fund	Debt Service	Debt Service	<u>3,020,176</u>
		Subtotal Governmental Funds Transferred		4,241,620
Operating	Day Care	General	Expense Reimbursement	248,582
Operating	Food Service	General Fund	Indirect Costs	<u>76,922</u>
		Total Transferred Funds		<u><u>4,567,124</u></u>

NOTE O – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 15, 2023, the date the financial statements were available for release. There were no material subsequent events to report.

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2023, \$10,256,910 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, administrative fees, technology and debt service 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 as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$6,612,398
Teachers Retirement System (GASB 75)	143,614
Health Insurance	3,070,649
Life Insurance	4,880
Administrative Fee	38,960
HRA/Dental/Vision	220,763
Federal Reimbursement	(258,454)
Technology	102,160
SFCC Debt Service Payments	<u>321,940</u>
Total	<u><u>\$10,256,910</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE Q – LEASES

The District is committed under two noncancellable leases for copiers. The first lease began July 2020 for 5 years with a monthly payment of \$3,496. The second lease began August 2020 for 5 years with a monthly payment amount of \$156. The total lease liability measured at present value is \$187,523. The ending balance at June 30, 2023 is \$87,140. 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	40,737	3,087
2025	42,609	1,215
2026	<u>3,794</u>	<u>15</u>
Total	<u>87,140</u>	<u>4,317</u>

The following assets and amortization have been recognized.

Intangible Right of Use Asset – Copiers	\$195,897
Accumulated Amortization	<u>(117,398)</u>
Net Ending Balance	<u>78,499</u>

NOTE R – NET POSITION, AS RESTATED

The beginning net position of the Governmental Activities was decreased by \$729,231 due to the understatement of the TRS OPEB deferred outflows and deferred inflows. Below are the details of the restatement:

	<u>Government</u>
	<u>Activities</u>
Net Position June 30, 2022	\$ 8,519,997
Understatement of Deferred Outflows	715,784
Understatement of Deferred Inflows	<u>(1,445,015)</u>
Beginning Net Position, As Restated	<u>\$ 7,790,766</u>

REQUIRED SUPPLEMENTARY
INFORMATION

SPENCER COUNTY 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	9,428,207	9,428,207	9,471,138	42,931
Other Local Sources	464,500	464,500	393,701	(70,799)
State Sources	19,257,733	19,257,733	21,344,416	2,086,683
Federal Sources	118,642	118,642	135,809	17,167
Other Sources	1,153,709	1,153,709	1,452,838	299,129
TOTAL REVENUES	30,422,791	30,422,791	32,797,902	2,375,111
EXPENDITURES:				
Instructional	17,285,309	17,285,309	19,409,851	(2,124,542)
Student Support Services	2,172,993	2,172,993	2,244,076	(71,083)
Staff Support Services	1,502,069	1,502,069	1,718,035	(215,966)
District Administration	1,304,499	1,304,499	1,606,973	(302,474)
School Administration	1,627,762	1,627,762	1,746,729	(118,967)
Business Support Services	1,137,382	1,137,382	1,299,305	(161,923)
Plant Operation & Maintenance	2,413,753	2,413,753	2,569,424	(155,671)
Student Transportation	2,858,271	2,858,271	2,765,610	92,661
Community Service Operations	860	860	1,948	(1,088)
Principal	111,630	111,630	111,630	0
Interest	5,877	5,877	5,878	(1)
Other	59,237	59,237	62,964	(3,727)
TOTAL EXPENDITURES	30,479,642	30,479,642	33,542,423	(3,062,781)
NET CHANGE IN FUND BALANCE	(56,851)	(56,851)	(744,521)	(687,670)
FUND BALANCES - BEGINNING	56,851	56,851	4,285,249	4,228,398
FUND BALANCES - ENDING	0	0	3,540,728	3,540,728

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

SPENCER COUNTY 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:				
Other Local Sources	71,565	71,565	83,861	12,296
State Sources	1,449,283	1,449,283	1,354,128	(95,155)
Federal Sources	2,088,444	2,088,444	3,829,156	1,740,712
Other Sources	59,237	59,237	62,964	3,727
TOTAL REVENUES	<u>3,668,529</u>	<u>3,668,529</u>	<u>5,330,109</u>	<u>1,661,580</u>
EXPENDITURES:				
Instructional	2,807,608	2,807,608	3,708,625	(901,017)
Student Support Services	113,882	113,882	277,819	(163,937)
Staff Support Services	438,891	438,891	492,878	(53,987)
District Administration			0	0
Business Support Services			1,128	(1,128)
Plant Operation & Maintenance	55,392	55,392	58,721	(3,329)
Student Transportation	15,094	15,094	4,498	10,596
Day Care Operations			334,960	(334,960)
Community Service Operations	189,000	189,000	201,521	(12,521)
Other	56,162	56,162	322,062	(265,900)
TOTAL EXPENDITURES	<u>3,676,029</u>	<u>3,676,029</u>	<u>5,402,212</u>	<u>(1,726,183)</u>
NET CHANGE IN FUND BALANCE	(7,500)	(7,500)	(72,103)	(64,603)
FUND BALANCES - BEGINNING	<u>7,500</u>	<u>7,500</u>	<u>78,113</u>	<u>70,613</u>
FUND BALANCES - ENDING	<u>0</u>	<u>0</u>	<u>6,010</u>	<u>6,010</u>

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

SPENCER COUNTY 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

	2015	2016	2017	2018	2019	2020	2021	2022	2023
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	70,702,066	84,411,624	108,746,543	100,935,430	50,842,874	51,835,917	56,389,984	52,509,823	72,471,619
TOTAL	\$ 70,702,066	\$ 84,411,624	\$ 108,746,543	100,935,430	50,842,874	51,835,917	56,389,984	52,509,823	72,471,619
District's covered-employee payroll	\$ 10,780,816	11,221,831	11,492,723	\$ 11,681,712	\$ 12,053,200	\$ 13,010,141	\$ 13,458,584	\$ 14,859,215	\$ 15,114,774
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.

SPENCER COUNTY 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	0.160306%	0.162360%	0.168184%	0.166361%	0.168972%	0.170021%	0.168667%	0.164460%	0.170407%
District's proportionate share of the net pension liability	\$ 5,201,000	6,980,906	8,280,750	9,737,621	10,290,913	11,957,653	12,936,619	10,485,615	12,318,745
State of Kentucky's share of the net pension liability associated with the district	\$ -	-	-	-	-	-	-	-	-
TOTAL	<u>5,201,000</u>	<u>6,980,906</u>	<u>8,280,750</u>	<u>9,737,621</u>	<u>10,290,913</u>	<u>11,957,653</u>	<u>12,936,619</u>	<u>10,485,615</u>	<u>12,318,745</u>
District's covered-employee payroll	\$ 3,404,100	3,802,071	3,995,612	4,131,311	4,197,419	4,408,571	4,230,235	4,757,870	5,364,563
District's proportionate share of the net pension liability as a percentage of its covered-payroll	152.80%	183.60%	207.20%	235.70%	245.20%	271.24%	305.81%	220.38%	229.63%
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.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 10,780,816	\$ 11,221,831	\$ 11,492,723	\$ 11,681,712	\$ 12,053,200	\$ 13,010,141	\$ 13,458,584	\$ 14,859,215	\$ 15,114,774
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.

SPECNER COUNTY 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)	\$ 484,764	\$ 496,255	\$ 576,318	\$ 607,786	\$ 708,475	\$ 850,854	\$ 816,435	\$ 1,007,241	\$ 1,255,308
Contributions in relation to the actuarially determined contributions	<u>484,764</u>	<u>496,255</u>	<u>576,318</u>	<u>607,786</u>	<u>708,475</u>	<u>850,854</u>	<u>816,435</u>	<u>1,007,241</u>	<u>1,255,308</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	\$ 3,802,071	\$ 3,995,612	\$ 4,131,311	\$ 4,197,419	\$ 4,367,909	\$ 4,408,571	\$ 4,230,235	\$ 4,757,870	\$ 5,364,563
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.

SPENCER COUNTY 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	0.166361%	0.168965%	0.169977%	0.168636%	0.164442%	0.170380%
District's proportionate share of the net OPEB liability	3,344,425	2,999,942	2,858,937	4,072,047	3,147,777	3,362,473
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-	-
TOTAL	<u><u>3,344,425</u></u>	<u><u>2,999,942</u></u>	<u><u>2,858,937</u></u>	<u><u>4,072,047</u></u>	<u><u>3,147,777</u></u>	<u><u>3,362,473</u></u>
District's covered-employee payroll	4,131,311	4,197,419	4,408,571	4,230,235	4,757,870	5,364,563
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	81.00%	71.50%	64.85%	96.26%	66.16%	62.68%
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.

SPENCER COUNTY 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	0.1969%	0.1997%	0.2017%	0.2122%	0.2150%	0.2150%
District's proportionate share of the net OPEB liability	7,020,850	6,928,700	5,903,000	5,356,000	4,597,000	7,637,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>5,735,000</u>	<u>5,971,000</u>	<u>4,767,000</u>	<u>4,291,000</u>	<u>3,734,000</u>	<u>2,509,000</u>
TOTAL	<u><u>12,755,850</u></u>	<u><u>12,899,700</u></u>	<u><u>10,670,000</u></u>	<u><u>9,647,000</u></u>	<u><u>8,331,000</u></u>	<u><u>10,146,000</u></u>
District's covered-employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584	14,859,215	15,114,774
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	60.10%	57.48%	45.37%	39.80%	30.94%	50.53%
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.

SPENCER COUNTY 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>77,000</u>	<u>102,000</u>	<u>111,000</u>	<u>130,000</u>	<u>50,000</u>	<u>125,000</u>
TOTAL	<u>77,000</u>	<u>102,000</u>	<u>111,000</u>	<u>130,000</u>	<u>50,000</u>	<u>125,000</u>
District's covered-employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584	14,859,215	15,114,774
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.

SPENCER COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE 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)	\$ 197,279	\$ 229,752	\$ 209,848	\$ 201,359	\$ 275,005	\$ 181,859
Contributions in relation to the actuarially determined contributions	<u>197,279</u>	<u>229,752</u>	<u>209,848</u>	<u>201,359</u>	<u>275,005</u>	<u>181,859</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,131,311	\$ 4,197,419	\$ 4,408,571	\$ 4,230,235	\$ 4,757,870	\$ 5,364,563
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.

SPECNER COUNTY 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)	\$ 361,596	\$ 363,671	\$ 390,304	\$ 403,758	\$ 445,236	\$ 453,443
Contributions in relation to the actuarially determined contributions	<u>361,596</u>	<u>363,671</u>	<u>390,304</u>	<u>403,758</u>	<u>445,236</u>	<u>453,443</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 11,681,712	12,053,200	13,010,141	13,458,584	14,859,215	15,114,774
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.

SPENCER COUNTY 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	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	11,681,712	12,053,200	13,010,141	13,458,584	14,859,215	15,114,774
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.

SPENCER COUNTY 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.

SPENCER COUNTY 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:

SPENCER COUNTY 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.

SPENCER COUNTY 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.

SPENCER COUNTY 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%.

SPENCER COUNTY 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

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents	15,354	0	318,795	351,269	685,418
TOTAL ASSETS	15,354	0	318,795	351,269	685,418
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	0	0	43,733	0	43,733
Total Liabilities	0	0	43,733	0	43,733
Fund Balances:					
Restricted for:					
SFCC Escrow	15,354				15,354
School Activities			275,062	351,269	626,331
Total Fund Balances	15,354	0	275,062	351,269	641,685
TOTAL LIABILITIES AND FUND BALANCES	15,354	0	318,795	351,269	685,418

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

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Earnings on Investments	2,523			16,862	19,385
Intergovernmental - State	292,330	321,940			614,270
Other Sources				1,210,825	1,210,825
TOTAL REVENUES	<u>294,853</u>	<u>321,940</u>	<u>0</u>	<u>1,227,687</u>	<u>1,844,480</u>
EXPENDITURES:					
Instructional			291,439	871,254	1,162,693
Support Services:					
Student Support			280		280
Staff Support			5,909	17,303	23,212
Other Non-Instructional			2,014	14,451	16,465
Debt Service:					
Principal		2,170,000			2,170,000
Interest		1,172,116			1,172,116
TOTAL EXPENDITURES	<u>0</u>	<u>3,342,116</u>	<u>299,642</u>	<u>903,008</u>	<u>4,544,766</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	294,853	(3,020,176)	(299,642)	324,679	(2,700,286)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In		3,020,176	277,873		3,298,049
Operating Transfers Out	(498,857)			(277,873)	(776,730)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(498,857)</u>	<u>3,020,176</u>	<u>277,873</u>	<u>(277,873)</u>	<u>2,521,319</u>
NET CHANGE IN FUND BALANCES	<u>(204,004)</u>	<u>0</u>	<u>(21,769)</u>	<u>46,806</u>	<u>(178,967)</u>
FUND BALANCES - BEGINNING	<u>219,358</u>	<u>0</u>	<u>296,831</u>	<u>304,463</u>	<u>820,652</u>
FUND BALANCES - ENDING	<u>15,354</u>	<u>0</u>	<u>275,062</u>	<u>351,269</u>	<u>641,685</u>

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

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

	FUND BALANCE JULY 1, 2023	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2023
Spencer County High School	164,336	693,743	675,403	182,676
Spencer County Middle School	102,532	284,467	252,721	134,278
Taylorsville Elementary School	32,113	123,297	127,665	27,745
Spencer County Elementary School	5,482	126,180	125,092	6,570
	<hr/>	<hr/>	<hr/>	<hr/>
Total Activity Funds (Due to Student Groups)	<u>304,463</u>	<u>1,227,687</u>	<u>1,180,881</u>	<u>351,269</u>

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

SPENCER COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	CASH BALANCE JULY 1, 2023	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2023	ACCOUNTS RECEIVABLE JUNE 30, 2023	ACCOUNTS PAYABLE JUNE 30, 2023	FUND BALANCE JUNE 30, 2023
Charitable Fundraising	144	1,184	762	566	0	0	566
Start Up Cash Boxes	0	2,000	2,000	0	0	0	0
YCLUB/Kuna	0	6,028	5,122	906	0	0	906
Art Club	251		151	100	0	0	100
Band Club	6,459	82,118	70,871	17,706	0	0	17,706
FBLA	65	3,849	2,939	975	0	0	975
Chorus Club	7,702	32,067	36,339	3,430	0	0	3,430
Drama Club	0	967	659	308	0	0	308
FCCLA	192	22,858	15,664	7,386	0	0	7,386
FCCLA Region 6	2,197	752	875	2,074	0	0	2,074
Bear Claw Café	0	1,458	1,353	105	0	0	105
Beta Club	583	3,930	4,513	0	0	0	0
TSA Club	52		48	4	0	0	4
Book Club	466	906	476	896	0	0	896
Animal Protection Club	1,180	459	786	853	0	0	853
MSD Club	0	202		202	0	0	202
HOSA	1,472	3,198	2,456	2,214	0	0	2,214
Hosa National	10		10	0	0	0	0
Dairy Team	30,208	644	10,453	20,399	0	0	20,399
FFA	7,556	61,386	68,942	0	0	0	0
Yearbook	100			100	0	0	100
Chess	463			463	0	0	463
National Honor Society	989	923	931	981	0	0	981
Educators Rising	92	140	140	92	0	0	92
Military Readiness	7		7	0	0	0	0
JR Army Guard	3,068	3,736	1,230	5,574	0	0	5,574
Academic Team	24			24	0	0	24
History Club	20			20	0	0	20
Bears in Overtime Extra	375	3,495	2,238	1,632	0	0	1,632
Faculty Vending	540	552	1,092	0	0	0	0
Student Vending	188	745	665	268	0	0	268
General	8,635	9,605	2,570	15,670	0	0	15,670
Prom	13,464	18,960	9,884	22,540	0	0	22,540
Class of 2022	127			127	0	0	127
Class of 2023	764	7,037	5,662	2,139	0	0	2,139
Senior Class	875	59,915	58,526	2,264	0	0	2,264
Project Grad 2021	-			0	0	0	0
Arbiter Pay Acct	-	34,800	34,800	0	0	0	0
Senior Trip	15.00	2,150	2,165	0	0	0	0
Student Field Trips	1,079	756	820	1,015	0	0	1,015
FCA	1,282		451	831	0	0	831
Athletics	2,970	73,169	75,559	580	0	0	580
District Tournament	0	13,096	13,096	0	0	0	0
Concessions	14,217	60,882	61,294	13,805	0	0	13,805
Charitable Gaming	0	116	116	0	0	0	0
Baseball	13,688	22,545	32,389	3,844	0	0	3,844

Basketball - Boys	2,487	10,160	6,680	5,967	0	0	5,967
Basketball - Girls	10,423	22,587	16,832	16,178	0	0	16,178
Dance Team	218			218	0	0	218
Cheerleader	3			3	0	0	3
Cross Country	94	1,125	1,073	146	0	0	146
Golf - Boys	176			176	0	0	176
Golf - Girls	75			75	0	0	75
Soccer - Boys	2,805	5,824	5,606	3,023	0	0	3,023
Soccer - Girls	3,640	4,378	2,343	5,675	0	0	5,675
Softball	6,234	8,424	9,835	4,823	0	0	4,823
Swim	4,387	1,947	2,424	3,910	0	0	3,910
Tennis - Boys	435	1,502	1,558	379	0	0	379
Girls Tennis	423	871	886	408	0	0	408
Volleyball	2,481	3,211	1,735	3,957	0	0	3,957
Track	-	105	105	0	0	0	0
Football	0	34,730	34,730	0	0	0	0
Wrestling	8,936	5,880	7,333	7,483	0	0	7,483
Archery	-	5,881	5,719	162	0	0	162
DAF-2818 Green Hse Sales	0	25,425	25,425	0	0	0	0
DAF-2531 Guidance	-	802	802	0	0	0	0
DAF-2818 AP Fees	0	7,662	7,662	0	0	0	0
DAF-2887 Parking Fees	0	1,030	1,030	0	0	0	0
DAF-2818 Student Fees	0			0	0	0	0
DAF-2818 Instr Fees	0	12,611	12,611	0	0	0	0
DAF-2818 Art Fees	0	2,260	2,260	0	0	0	0
DAF-2818 Band Fees	0	4,370	4,370	0	0	0	0
DAF-2818 Career Ag Fees	0	780	780	0	0	0	0
DAF-2818 Chorus Fees	0	2,080	2,080	0	0	0	0
DAF-2818 FCS #1 Fees	0	4,237	4,237	0	0	0	0
DAF-2818 Career Hlth Fees	0	12,150	12,150	0	0	0	0
DAF-2818 Language	0	6,293	6,293	0	0	0	0
DAF-2818 Math Fees	0	4,416	4,416	0	0	0	0
DAF-2818 Social Studies	0			0	0	0	0
DAF-2818 Spanish Fees	0	793	793	0	0	0	0
DAF-2818 Engineering Fees	0	2,465	2,465	0	0	0	0
DAF-2818 Tech Ed Fees	0			0	0	0	0
DAF-2818 FCS #2 Fees	0	369	369	0	0	0	0
DAF-2818 Latin Fees	0			0	0	0	0
DAF-2859 Media Fees	0	501	501	0	0	0	0
DAF-2818 Green Hse Fees	0	125	125	0	0	0	0
DAF-2818 Drama Fees	0	225	225	0	0	0	0
DAF-2818 Floral Design Fee	0	3,210	3,210	0	0	0	0
DAF-2525-Boys Basketball	0			0	0	0	0
DAF-2818 Graphic Design	0	5,105	5,105	0	0	0	0
DAF-2535 Dairy Donation	0			0	0	0	0
DAF-2825 Athletics	0	50	50	0	0	0	0
DAF-2818 Picture Profits	0	1,403	1,403	0	0	0	0
DAF-2818 Yearbook	0	3,487	3,487	0	0	0	0
Total All Funds	<u>164,336</u>	<u>745,102</u>	<u>726,762</u>	<u>182,676</u>	<u>0</u>	<u>0</u>	<u>182,676</u>
Interfund Transfers		<u>(51,359)</u>	<u>(51,359)</u>				<u>0</u>
	<u>164,336</u>	<u>693,743</u>	<u>675,403</u>	<u>182,676</u>	<u>0</u>	<u>0</u>	<u>182,676</u>
Total	<u><u>164,336</u></u>	<u><u>693,743</u></u>	<u><u>675,403</u></u>	<u><u>182,676</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>182,676</u></u>

SPENCER COUNTY 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 NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT 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	100,908
Title I - Grants to Local Educational Agencies	84.010	3100002	310J	192,084
Title I - School Improvement	84.010	3100002	320JE	140,619
Title I Grants to Local Educational Agencies Total				433,611
Supporting Effective Instruction State Grants	84.367	3230002	401I	61,694
Supporting Effective Instruction State Grants	84.367	3230002	401J	31,860
Supporting Effective Instruction State Grants Total				93,554
Perkins Voc.	84.048	3710006	348GA	3,160
Perkins Voc.	84.048	3710006	348IA	2,074
Perkins Voc.	84.048	3710006	348J	21,503
Perkins Voc. Total				26,737
Drug Free Communities Support	84.411	500GA	500IA	44,384
Drug Free Communities Support	84.411	500IA	500JA	30,166
Drug Free Communities Support Total				74,550
Title IV, Part A-Student Support and Academic Enrichment	84.424	552I	552J	21,714
21st Century Learning Center	84.287	3400002	550GC	18,978
21st Century Learning Center	84.287	3400002	550GH	24,136
21st Century Learning Center	84.287	3400002	550GX	25,022
21st Century Learning Center	84.287	3400002	550IC	95,000
21st Century Learning Center	84.287	3400002	550IE	150,000
21st Century Learning Center	84.287	3400002	550IH	125,843
21st Century Learning Center	84.287	3400002	550IX	200,000
21st Century Learning Center Total				638,979
Adult Education - Basic Grants To States	84.002	371C	371J	14,848
IDEA - Special Education - Grants to States	84.027	3810002	337I	168,904
IDEA - Special Education - Grants to States	84.027	3810002	337J	692,096
COVID - 19- Special Education-Grants to States	84.027X	4910002	478I	30,797
IDEA - Special Education - Preschool Grants	84.173	3800002	343I	21,706
IDEA - Special Education - Preschool Grants	84.173	3800002	343J	25,739
Special Education Cluster				939,242

COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	4300002	473G	661,577
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	4300005	473GB	3,059
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	4300005	473GL	266,421
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	4300005	473GO	13,402
COVID-19 - Elementary and Secondary School Emergency Relief	84.425U	4300005	473GT	17,093
COVID-19 - Elementary and Secondary School Emergency Relief	84.425W	4000002	476IC	1,027
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	554G	815
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	554GD	56,183
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000003	554GL	96
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	554GS	88,018
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000003	563J	18,838
COVID-19 - Governor's Emergency Educatin Relief Fund	84.425C	GEER-20	564GF	48,739
COVID-19 - Elementary and Secondary School Emergency Relief	84.425D	4000002	613F	25,980
COVID-19 Education Stabilization Fund Total				<u>1,201,248</u>
Total U.S. Department of Education				<u>3,444,483</u>
<u>U.S. Department of Health and Human Services</u>				
COVID-19 - Child Care and Development Block Grant	93.575	576I	576I	381,608
COVID-19 - Child Care and Development Block Grant	93.575	672G	672G	28,941
COVID-19 Child Care and Development Block Grant Total				<u>410,549</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
PEBT Administrative Funds	10.649	9990000-22	9990000-22	3,135
National School Lunchroom	10.555	7750002-22	7750002-22	326,404
National School Lunchroom	10.555	7750002-23	7750002-23	592,682
National School Lunchroom	10.555	9980000-22	9980000-22	80,028
National School Lunchroom	10.555	9980000-23	9980000-23	37,648
School Breakfast Program	10.553	7760005-22	7760005-22	97,993
School Breakfast Program	10.553	7760005-23	7760005-23	192,723
Child Nutrition Cluster				<u>1,330,613</u>
State Administration of Child Expenses	10.560	7700001-22	7700001-22	2,423
Pass-Through State Department of Agriculture				
Food Distribution	10.565	057502-10	057502-10	<u>107,226</u>
Total U.S. Department of Agriculture				<u>1,440,262</u>
Total Federal Financial Assistance				<u><u>5,295,294</u></u>

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

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of 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>
93.575	COVID-19 Child Care Development Block Grant
84.425C/84.425D/84.425U/84.425W	COVID-19 Education Stabilization Fund
10.553/10.555	Child Nutrition Cluster

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.

SPENCER COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

There were no prior year audit findings.

MONTGOMERY & COMPANY, P.L.L.C

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Joseph A. Montgomery, CPA

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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
Spencer County School District
Taylorsville, Kentucky

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 Spencer County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Spencer County 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 Spencer County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Spencer County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Spencer County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 Spencer County 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, P.L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

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Joseph A. Montgomery, CPA

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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
Spencer County School District
Taylorsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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 Spencer County 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 Spencer County School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance 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 Spencer County 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 Spencer County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Spencer County 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, P.L.L.C.

Certified Public Accountants

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Joseph A. Montgomery, CPA

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November 15, 2023

MANAGEMENT LETTER

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

In planning and performing my audit of the financial statements of Spencer County 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.

Prior Year Recommendations – School Activity Funds:

2021-2 – Prior Year Recommendation:

During prior year testing, there was one instance at Spencer County Middle School where the purchase order did not have proof of proper approval. I recommend that no purchases be made unless the submitted purchase order has been reviewed and properly approved.

Current Year Status and Recommendation:

No such instances were found during current year testing.

Prior Year Recommendations – District:

None.

Current Year Recommendations – School Activity Funds:

2023-1 – Current Year Recommendation:

During the course of the audit there were two instances at the Spencer County Middle School where purchases occurred prior to the issuance of an approved purchase order. I recommend that all coaches, staff and sponsors be reminded that an approved purchase order is required prior to making a purchase.

Management Response:

Coaches, staff and sponsors at all schools have been informed that prior to making any purchase an approved purchase order must be received. The instances occurred prior to the schools new bookkeeper being hired, which was at the end of January 2022. There were no audit findings after the hire date of the new bookkeeper.

Current Year Recommendations – District:

None.

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

I would like to offer our 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.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

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Joseph A. Montgomery, CPA

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November 15, 2023

Members of the Board of Education
Spencer County School District
Taylorsville, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Spencer County 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 polices used by Spencer County 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 Spencer County 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 Spencer County 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 Spencer County 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 Spencer County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants