

**WHITLEY COUNTY
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2023

Prepared by:

WHITE & ASSOCIATES, PSC
CERTIFIED PUBLIC ACCOUNTANTS
1407 Lexington Road
Richmond, Kentucky 40475
Phone (859) 624-3926 Fax (859) 625-0227

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Whitley County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

White & Associates, PSC

Richmond, Kentucky
November 15, 2023

WHITLEY COUNTY PUBLIC SCHOOL DISTRICT
WILLIAMSBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2023

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

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance for the District was \$8,386,722 and ending with \$8,093,910.
- The General Fund had \$44.68 million in revenue, which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$44.97 million expenditures in General Fund. This includes \$12.63 million in revenue and expenditures for On-Behalf payments.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. There were no new building bonds issued in FY23.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Table 1
Net Position
\$ (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current assets	\$ 15.28	\$ 13.80	\$ 1.31	\$ 1.35	\$ 16.59	\$ 15.15
Non-current assets	52.00	57.81	0.44	0.48	52.44	58.29
Total assets	67.28	71.61	1.75	1.83	69.03	73.44
Deferred outflows	5.82	12.12	0.85	0.36	6.67	12.48
Current liabilities	6.34	3.75	-	-	6.34	3.75
Non-current liabilities	44.79	52.28	3.39	1.15	48.18	53.43
Total liabilities	51.13	56.03	3.39	1.15	54.52	57.18
Deferred inflows	9.61	9.06	0.96	0.24	10.57	9.30
Net position:						
Invested in capital assets, net of debt	29.89	35.21	0.44	0.48	30.33	35.69
Restricted	2.50	3.69	(2.19)	0.30	0.31	3.99
Unrestricted (deficit)	(20.03)	(20.26)	-	-	(20.03)	(20.26)
Total net position	\$ 12.36	\$ 18.64	\$ (1.75)	\$ 0.78	\$ 10.61	\$ 19.42

GOVERNMENTAL ACTIVITIES

Ending net position was \$18.64 million for the District. This was an increase of \$6.28 million from 2022.

Table 2
Changes in Net Position
(in millions)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022-2023</u>
Revenues:							
Charges for services	\$ 0.20	\$ 0.47	\$ 0.06	\$ 0.11	\$ 0.26	\$ 0.58	123%
Operating grants and contributions	29.87	28.81	4.75	5.35	34.62	34.16	-1%
Capital grants and contributions	-	2.68	-	-	-	2.68	#DIV/0!
General revenues	31.37	32.66	(0.17)	(0.13)	31.20	32.53	4%
Total revenue	61.44	64.62	4.64	5.33	66.08	69.95	6%
Expenses:							
Instruction	\$ 36.87	\$ 38.06	\$ -	\$ -	\$ 36.87	\$ 38.06	3%
Student	1.38	1.55	-	-	1.38	1.55	12%
Instructional staff	1.40	1.52	-	-	1.40	1.52	9%
District administration	1.12	1.34	-	-	1.12	1.34	20%
School administration	1.64	1.64	-	-	1.64	1.64	0%
Business	0.88	1.03	-	-	0.88	1.03	17%
Plant operation & maintenance	4.24	4.01	-	-	4.24	4.01	-5%
Student transportation	3.58	4.01	-	-	3.58	4.01	12%
Community services operations	0.57	0.64	-	-	0.57	0.64	12%
Food Service Operations	-	-	3.96	2.72	3.96	2.72	-31%
Other non-instructional	0.01	0.01	-	-	0.01	0.01	0%
Site improvements	0.41	-	-	-	0.41	-	-100%
Depreciation/Amortization	-	2.01	-	0.07	-	2.08	#DIV/0!
Interest on long-term debt	0.95	1.03	-	-	0.95	1.03	8%
Total Expenses	\$ 53.05	\$ 56.85	\$ 3.96	\$ 2.79	\$ 57.01	\$ 59.64	5%
Change in net position	\$ 8.39	\$ 7.77	\$ 0.68	\$ 2.54	\$ 9.07	\$ 10.31	14%

DEBT

Debt decreased from 2022 by \$417,556.

Table 4
Outstanding Debt at Year-End

	Government Activities	
	2022	2023
General Obligation Bonds	\$ 21,361,475	\$ 21,963,578
Finance Purchase Obligations	751,351	643,436
KSBIT	237,226	160,594
Total Obligations	\$ 22,350,052	\$ 22,767,608

CAPITAL ASSETS

After depreciation, at the end of fiscal 2023, the District had \$58.30 million invested in capital assets, including land, buildings, buses, computers and other equipment. This amount represents an increase (including additions and deductions) of \$ 5.82 million over last year, mainly due to construction projects throughout the district.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	\$ 1,423,339	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339	\$ 1,423,339
Land Improvements	-	-	-	-	-	-
Buildings	41,918,027	40,741,341	-	-	41,918,027	40,741,341
Technology	200,281	131,594	2,621	1,058	202,902	132,652
Vehicles	2,364,974	2,585,903	4,936	380	2,369,910	2,586,282
General Equipment	289,787	319,740	430,818	481,382	720,605	801,122
Infrastructure	200,828	171,819	-	-	200,828	171,819
Construction in Progress	5,604,972	12,367,948	-	-	5,604,972	12,367,948
Finance Purchases	38,489	70,537	-	-	38,489	70,537
Totals	\$ 52,040,697	\$ 57,812,219	\$ 438,375	\$ 482,820	\$ 52,479,072	\$ 58,295,039

THE DISTRICT'S FUNDS

As the District completed the year, the General Fund reflected a fund balance of \$8,093,910, a decrease of (\$292,812) from the prior year's fund balance of \$8,386,722. The unassigned portion of the fund balance as of June 30, 2023 is \$7,594,471.

The following table presents a summary of revenue and expense for the District as a whole for the fiscal year ended June 30, 2023:

*Note This chart does not include beginning balances.

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 6,301,933	\$ 1,182,819	\$ -	\$ 521,932	\$ -	\$ 46,987	\$ 173,791
State Revenue Sources	36,973,251	2,433,429	374,345	1,379,741	-	522,478	1,044,887
Federal Revenue Sources	244,389	13,427,114	-	-	-	404,674	4,301,176
Other	47,862	-	-	-	-	-	-
Transfers	1,114,717	78,613	-	-	6,684,363	1,876,118	-
TOTALS	\$44,682,152	\$17,121,975	\$374,345	\$1,901,673	\$6,684,363	\$2,850,257	\$5,519,854
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	25,516,737	11,943,568	-	-	-	-	-
Student Support Services	1,336,115	213,613	-	-	-	-	-
Instructional Staff Support Services	1,113,991	403,428	-	-	-	-	-
District Admin Support	1,338,073	506	-	-	-	-	-
School Admin Support	1,577,432	60,974	-	-	-	-	-
Business Support Services	1,030,673	-	-	-	-	-	-
Plant Operation & Management	4,857,495	10,716	-	-	-	-	-
Student Transportation	4,167,213	457,335	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	2,720,677
Community Services	37,546	599,208	-	-	-	-	-
Building improvements	-	-	-	-	6,359,700	-	-
Depreciation	-	-	-	-	-	-	69,938
Debt Service	185,907	-	-	-	-	2,218,789	-
Transfers	3,813,782	3,432,627	374,345	1,901,673	40,470	-	190,914
TOTALS	\$44,974,964	\$17,121,975	\$374,345	\$1,901,673	\$6,400,170	\$2,218,789	\$2,981,529
Excess / (Deficit)	(292,812)	-	-	-	284,193	631,468	2,538,325

Comments on Budget Comparisons

- The District’s total revenue, including “On-behalf” payments for general fund fiscal year ending June 30, 2023 was \$43,519,573, net of other financing sources, transfers and uses. Transfers into general fund were \$1,114,717.
- The total cost of all general fund programs and services was \$44,974,964 million including transfers and “on-behalf” payments.
- Actual general fund revenues were \$14,606,038 more than budgeted and expenditures were \$5,607,445 more than budgeted.

BUDGETARY IMPLICATIONS

By policy, the budget must have a minimum 2% contingency. The District adopted a tentative budget for 2022-2023 with a general fund contingency of \$1,931,613

Issues which may impact future budgets include:

- Increased expenses to meet federal and state academic mandates
- Declining federal funding related to COVID
- Significant Board action such as potential employee raises, KETS matching Funds, KISTA bus lease obligations and utilizing excess building fund and capital outlay monies for facility operations.

Questions regarding this report should be directed to the Finance Officer, Alicia Logan or Superintendent, John Siler at (606) 549-7000 or by mail at Whitley County Board of Education, 300 Main Street, Williamsburg, KY 40769.

Whitley County School District
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,621,940	\$ 1,119,944	\$ 11,741,884
Receivables (net)	3,175,946	52,126	3,228,072
Inventories		172,106	172,106
Capital assets:			
Land and construction in progress	13,791,287		13,791,287
Other capital assets, net of depreciation	43,950,395	482,820	44,433,215
Net finance purchases	70,537		70,537
Total capital assets	57,812,219	482,820	58,295,039
Total assets	71,610,105	1,826,996	73,437,101
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	4,183,435	231,070	4,414,505
Deferred outflows related to OPEB CERS	2,297,129	126,881	2,424,010
Deferred outflows related to OPEB TRS	5,640,585		5,640,585
Total deferred outflows of resources	12,121,149	357,951	12,479,100
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	83,731,254	2,184,947	85,916,201
LIABILITIES			
Accounts payable and accrued expenses	939,328		939,328
Accrued interest payable	128,134		128,134
Unearned revenue	1,071,787		1,071,787
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,345,000		1,345,000
Finance purchase obligations	190,855		190,855
KSBIT payable	79,017		79,017
Total due within 1 year	1,614,872	-	1,614,872
Due in more than 1 year:			
Bond obligations	20,618,578		20,618,578
Finance purchase obligations	452,581		452,581
Sick leave	623,398		623,398
KSBIT payable	81,577		81,577
Net pension liability	16,416,834	906,774	17,323,608
Net OPEB liability CERS	4,481,013	247,506	4,728,519
Net OPEB liability TRS	9,604,000		9,604,000
Total due in more than 1 year	52,277,981	1,154,280	53,432,261
Total liabilities	56,032,102	1,154,280	57,186,382
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,061,893	113,888	2,175,781
Deferred inflows related to OPEB CERS	2,406,419	132,917	2,539,336
Deferred inflows related to OPEB TRS	4,588,000		4,588,000
Total deferred inflows of resources	9,056,312	246,805	9,303,117
NET POSITION			
Net investment in capital assets	35,205,205	482,820	35,688,025
Restricted for:			
Capital projects	1,482,036		1,482,036
District activities	125,194		125,194
Student activities	341,064		341,064
Debt service	1,744,567		1,744,567
Food services		301,042	301,042
Unrestricted (deficit)	(20,255,226)	783,862	(20,255,226)
Total net position	18,642,840	783,862	19,426,702
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 83,731,254	\$ 2,184,947	\$ 85,916,201

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Activities
Year ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 38,061,049	\$ -	\$ 20,822,753	\$ -	\$ (17,238,296)	\$ -	\$ (17,238,296)
Support services							
Student	1,549,728	473,300	786,352		(290,076)		(290,076)
Instructional staff	1,518,873		770,696		(748,177)		(748,177)
District administration	1,338,579		679,212		(659,367)		(659,367)
School administration	1,638,406		831,348		(807,058)		(807,058)
Business	1,030,673		522,977		(507,696)		(507,696)
Plant operation & maintenance	4,005,778		2,032,583	1,754,086	(219,109)		(219,109)
Student transportation	4,014,487		2,037,002		(1,977,485)		(1,977,485)
Other non-instructional	9,849		4,998		(4,851)		(4,851)
Community services operations	636,754		323,097		(313,657)		(313,657)
Interest on general long-term debt	1,035,412			927,152	(108,260)		(108,260)
Depreciation*	2,014,383				(2,014,383)		(2,014,383)
Total governmental activities	<u>56,853,971</u>	<u>473,300</u>	<u>28,811,017</u>	<u>2,681,238</u>	<u>(24,888,416)</u>		<u>(24,888,416)</u>
Business-type activities:							
Food service operations	2,720,677	113,824	5,346,063			2,739,210	2,739,210
Depreciation	69,938					(69,938)	(69,938)
Total business-type activities	<u>2,790,615</u>	<u>113,824</u>	<u>5,346,063</u>	<u>-</u>	<u>-</u>	<u>2,669,272</u>	<u>2,669,272</u>
Total primary government	\$ <u>59,644,586</u>	\$ <u>587,124</u>	\$ <u>34,157,080</u>	\$ <u>2,681,238</u>	<u>(24,888,416)</u>	<u>2,669,272</u>	<u>(22,219,144)</u>
General revenues:							
Taxes:							
Property taxes					3,536,324		3,536,324
Unmined minerals taxes					8,610		8,610
Motor vehicle taxes					1,180,065		1,180,065
Utility					1,367,176		1,367,176
In lieu					29,891		29,891
State and formula grants					24,267,166		24,267,166
Unrestricted investment earnings					561,616	48,167	609,783
Other local					1,514,034	11,800	1,525,834
Transfers					190,914	(190,914)	-
Total general revenues and transfers					<u>32,655,796</u>	<u>(130,947)</u>	<u>32,524,849</u>
Change in net position					7,767,380	2,538,325	10,305,705
Net position (deficit) - beginning					12,359,887	(1,754,463)	10,605,424
Prior period adjustment					(1,484,427)		(1,484,427)
Restated net position - beginning					<u>10,875,460</u>	<u>(1,754,463)</u>	<u>9,120,997</u>
Net position - ending					\$ <u>18,642,840</u>	\$ <u>783,862</u>	\$ <u>19,426,702</u>

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

See the accompanying notes to the financial statements.

Whitley County School District
Balance Sheet
Governmental Funds
June 30, 2023

Governmental Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 6,571,420	\$ -	\$ 1,940,562	\$ 1,643,268	\$ 466,690	\$ 10,621,940
Receivables, net						
Interfund receivables	1,325,406					1,325,406
Taxes-current	304,875					304,875
Accounts	57,163	331,544		101,299	259	490,265
Intergovernmental-state		41,764				41,764
Intergovernmental-federal		2,339,042				2,339,042
Total assets	<u>8,258,864</u>	<u>2,712,350</u>	<u>1,940,562</u>	<u>1,744,567</u>	<u>466,949</u>	<u>15,123,292</u>
LIABILITIES						
Accounts payable	19,368	315,157	89,902		691	425,118
Accrued salaries & benefits payable	145,586					145,586
Retainage payable			368,624			368,624
Interfund payable		1,325,406				1,325,406
Unearned revenue		1,071,787				1,071,787
Total liabilities	<u>164,954</u>	<u>2,712,350</u>	<u>458,526</u>	<u>-</u>	<u>691</u>	<u>3,336,521</u>
FUND BALANCE						
Restricted			1,482,036	1,744,567	466,258	3,692,861
Committed	499,436					499,436
Unassigned	7,594,474					7,594,474
Total fund balance	<u>8,093,910</u>	<u>-</u>	<u>1,482,036</u>	<u>1,744,567</u>	<u>466,258</u>	<u>11,786,771</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 8,258,864</u>	<u>\$ 2,712,350</u>	<u>\$ 1,940,562</u>	<u>\$ 1,744,567</u>	<u>\$ 466,949</u>	<u>\$ 15,123,292</u>

See the accompanying notes to the financial statements.

Whitley County School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2023

Fund balances-total governmental funds	\$	11,786,771
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.</p>		57,812,219
<p>Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Accrued interest payable		(128,134)
Bonds payable		(21,963,578)
Finance purchase obligations		(643,436)
KSBIT payable		(160,594)
Sick leave liability		(623,398)
Net pension liability		(16,416,834)
Net OPEB liability		(14,085,013)
<p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds</p>		
Deferred outflows related to OPEB		7,937,714
Deferred inflows related to OPEB		(6,994,419)
Deferred outflows related to pensions		4,183,435
Deferred inflows related to pensions		(2,061,893)
		(2,061,893)
Net position of governmental activities	\$	18,642,840
		18,642,840

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
From local sources						
Taxes						
Property	\$ 3,014,392	\$ -	\$ -	\$ -	\$ 521,932	\$ 3,536,324
Motor vehicle	1,180,065					1,180,065
Unmined mineral	8,610					8,610
Utility tax	1,367,176					1,367,176
In lieu of tax	29,891					29,891
Earnings on investments	497,447	3,367		46,987	13,815	561,616
Student activities					473,300	473,300
Other local revenue	204,352	1,179,452			130,230	1,514,034
Intergovernmental - state	36,973,251	2,433,429		522,478	1,754,086	41,683,244
Intergovernmental - federal	244,389	13,427,114		404,674		14,076,177
Total revenues	<u>43,519,573</u>	<u>17,043,362</u>	<u>-</u>	<u>974,139</u>	<u>2,893,363</u>	<u>64,430,437</u>
EXPENDITURES						
Instruction	25,516,737	11,943,568			610,170	38,070,475
Support services						
Student	1,336,115	213,613				1,549,728
Instructional staff	1,113,991	403,428			1,454	1,518,873
District administration	1,338,073	506				1,338,579
School administration	1,577,432	60,974				1,638,406
Business	1,030,673					1,030,673
Plant operation & maintenance	4,857,495	10,716				4,868,211
Student transportation	4,167,213	457,335			1,572	4,626,120
Other non-instruction					9,849	9,849
Community services	37,546	599,208				636,754
Debt service	185,907			2,218,789		2,404,696
Site improvement			4,871,226			4,871,226
Building acquisition & construction			1,488,474			1,488,474
Total expenditures	<u>41,161,182</u>	<u>13,689,348</u>	<u>6,359,700</u>	<u>2,218,789</u>	<u>623,045</u>	<u>64,052,064</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,358,391	3,354,014	(6,359,700)	(1,244,650)	2,270,318	378,373
OTHER FINANCING SOURCES (USES)						
Finance purchase proceeds	47,862					47,862
Operating transfers in	1,114,717	78,613	6,684,363	1,876,118		9,753,811
Operating transfers (out)	(3,813,782)	(3,432,627)	(40,470)		(2,276,018)	(9,562,897)
Total other financing sources and (uses)	<u>(2,651,203)</u>	<u>(3,354,014)</u>	<u>6,643,893</u>	<u>1,876,118</u>	<u>(2,276,018)</u>	<u>238,776</u>
NET CHANGE IN FUND BALANCE	(292,812)	-	284,193	631,468	(5,700)	617,149
FUND BALANCE-BEGINNING	8,386,722	-	1,197,843	634,997	471,958	10,691,520
Prior period adjustment				478,102		478,102
FUND BALANCE ADJUSTED-BEGINNING	<u>8,386,722</u>	<u>-</u>	<u>1,197,843</u>	<u>1,113,099</u>	<u>471,958</u>	<u>11,169,622</u>
FUND BALANCE-ENDING	<u>\$ 8,093,910</u>	<u>\$ -</u>	<u>\$ 1,482,036</u>	<u>\$ 1,744,567</u>	<u>\$ 466,258</u>	<u>\$ 11,786,771</u>

See the accompanying notes to the financial statements.

Whitley County School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
Statement of Activities**
Year ended June 30, 2023

Net change in fund balances-total governmental funds	\$	617,149
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		(1,276,147)
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		47,995
Bonds sold at a discount/premium is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.		
		(6,853)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		
		5,771,521
Bond and finance purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		
		1,456,409
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		(128,134)
KSBIT payable		76,632
Noncurrent sick leave payable		1,208,808
		1,208,808
Change in net position of governmental activities	\$	7,767,380

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 2,496,000	\$ 2,496,000	\$ 3,014,392	\$ 518,392
Motor vehicle	750,000	750,000	1,180,065	430,065
Unmined minerals	10,000	10,000	8,610	(1,390)
Utility tax	1,075,000	1,075,000	1,367,176	292,176
In lieu of tax	30,000	30,000	29,891	(109)
Earnings on investments	95,000	95,000	497,447	402,447
Other local revenue	95,000	95,000	204,352	109,352
Intergovernmental - state	24,199,535	24,199,535	36,973,251	12,773,716
Intergovernmental - federal	163,000	163,000	244,389	81,389
Total revenues	<u>28,913,535</u>	<u>28,913,535</u>	<u>43,519,573</u>	<u>14,606,038</u>
EXPENDITURES				
Instruction	19,807,838	19,807,838	25,516,737	(5,708,899)
Support services				
Student	1,664,617	1,664,617	1,336,115	328,502
Instructional staff	1,208,218	1,208,218	1,113,991	94,227
District administration	1,217,112	1,217,112	1,338,073	(120,961)
School administration	1,736,177	1,736,177	1,577,432	158,745
Business	720,791	720,791	1,030,673	(309,882)
Plant operation & maintenance	4,558,848	4,558,848	4,857,495	(298,647)
Student transportation	4,374,620	4,374,620	4,167,213	207,407
Food service operations	2,600	2,600		2,600
Community services operations	77,009	77,009	37,546	39,463
Debt service	185,907	185,907	185,907	-
Total expenditures	<u>35,553,737</u>	<u>35,553,737</u>	<u>41,161,182</u>	<u>(5,607,445)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(6,640,202)	(6,640,202)	2,358,391	8,998,593
OTHER FINANCING SOURCES (USES)				
Finance purchase proceeds			47,862	47,862
Operating transfers in	705,660	705,660	1,114,717	409,057
Operating transfers out	(78,000)	(78,000)	(3,813,782)	(3,735,782)
Total other financing sources and (uses)	<u>627,660</u>	<u>627,660</u>	<u>(2,651,203)</u>	<u>(3,278,863)</u>
NET CHANGE IN FUND BALANCE	(6,012,542)	(6,012,542)	(292,812)	5,719,730
FUND BALANCE BEGINNING	<u>7,742,543</u>	<u>7,944,156</u>	<u>8,386,722</u>	<u>442,566</u>
FUND BALANCE-ENDING	<u>\$ 1,730,001</u>	<u>\$ 1,931,614</u>	<u>\$ 8,093,910</u>	<u>\$ 6,162,296</u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 3,367	\$ 3,367
Other local revenue	1,069,896	1,145,881	1,179,452	33,571
Intergovernmental - state	2,475,947	2,799,804	2,433,429	(366,375)
Intergovernmental - federal	5,257,277	6,525,009	13,427,114	6,902,105
Total revenues	<u>8,803,120</u>	<u>10,470,694</u>	<u>17,043,362</u>	<u>6,572,668</u>
EXPENDITURES				
Instruction	7,729,177	9,320,003	11,943,568	(2,623,565)
Support services				
Student	23,901	67,028	213,613	(146,585)
Instructional staff	492,539	526,161	403,428	122,733
District administration			506	(506)
School administration	63,253	63,253	60,974	2,279
Plant operations & maintenance			10,716	(10,716)
Student transportation			457,335	(457,335)
Community service	572,250	572,249	599,208	(26,959)
Total expenditures	<u>8,881,120</u>	<u>10,548,694</u>	<u>13,689,348</u>	<u>(3,140,654)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(78,000)	(78,000)	3,354,014	3,432,014
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)			(3,432,627)	(3,432,627)
Operating transfers in	78,000	78,000	78,613	613
Total other financing sources and (uses)	<u>78,000</u>	<u>78,000</u>	<u>(3,354,014)</u>	<u>(3,432,014)</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE-BEGINNING	-	-	-	-
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Net Position
Proprietary Funds
June 30, 2023

	School Food Services
ASSETS	
Cash and cash equivalents	\$ 1,119,944
Inventories	172,106
Accounts receivable, net	52,126
Capital assets:	
Other capital assets, net of depreciation	482,820
Total assets	1,826,996
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	231,070
Deferred outflows related to OPEB	126,881
Total deferred outflows of resources	357,951
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,184,947
LIABILITIES	
Net pension liability	906,774
Net OPEB liability	247,506
Total liabilities	1,154,280
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	113,888
Deferred inflows related to OPEB	132,917
Total deferred inflows of resources	246,805
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,401,085
NET POSITION	
Net Investment in capital assets	482,820
Restricted	301,042
Total net position	783,862
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 2,184,947

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2023

		School Food Services
OPERATING REVENUES		
Lunchroom sales	\$	113,824
Other local		11,800
Total operating revenues		125,624
OPERATING EXPENSES		
Food service operations		
Salaries and benefits		396,952
Operational		2,323,725
Depreciation		69,938
Total operating expenses		2,790,615
Operating income (loss)		(2,664,991)
NONOPERATING REVENUES (EXPENSES)		
Federal grants		4,301,176
State grants		1,044,887
Transfers in (out)		(190,914)
Earnings from investments		48,167
Total nonoperating revenues (expenses)		5,203,316
CHANGE IN NET POSITION		2,538,325
NET POSITION (DEFICIT)-BEGINNING		(1,754,463)
NET POSITION-ENDING	\$	783,862

See the accompanying notes to the financial statements.

Whitley County School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	<u>School Food Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 110,807
Payments to suppliers	(2,350,486)
Payments to employees	(2,857,168)
Net cash provided (used) by operating activities	<u>(5,096,847)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and contributions	5,346,063
Net cash provided (used) by noncapital financing activities	<u>5,346,063</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers	(190,914)
Purchase of capital assets	(114,383)
Net cash provided (used) by capital and related financing activities	<u>(305,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	48,167
Net cash provided (used) by investing activities	<u>48,167</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,914)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>1,127,858</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 1,119,944</u>
Reconciliation of operating income (loss) to net cash provided (used)	
by operating activities:	
Operating income (loss)	\$ (2,664,991)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	69,938
Changes in assets and liabilities:	
Receivables	(14,817)
Inventories	(26,509)
Outflow Deferrals	490,965
Inflow Deferrals	(715,029)
Net pension liability	(1,700,854)
Net OPEB liability	(535,298)
Accrued liabilities	(252)
Net cash provided provided (used) by operating activities	<u>\$ (5,096,847)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$249,366 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$1,016,136 for food services provided by state government.

See the accompanying notes to the financial statements.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit:

Whitley County Board Of Education Finance Corporation

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

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds 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 specified project periods as well as the state grant programs. Project accounting is employed to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Special Revenue (District Activity) Fund

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

(D) Special Revenue (Student Activity) Fund

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

(E) Capital Project Funds

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

SEEK Capital Outlay Fund

The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects as identified in the District's facility plan.

Building (FSPK) Fund

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

Construction Fund

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

(F) Debt Service Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

II. Proprietary Funds (Enterprise Funds)

Food Service Fund

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

Prepaid Assets

Payments made that will benefit periods beyond the fiscal period end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

Capital Assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accrued Liabilities and Long-Term Obligations

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

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

Accumulated Unpaid Sick Leave Benefits

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

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

Fund Balances

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

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

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

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.409 per \$100 valuation of real property, \$.409 per \$100 valuation for business personal property and \$.552 per \$100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

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

In-Kind

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

Contributions of Capital

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Inter-fund Receivables/Payables

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

Inter-fund Transfers

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Bond and Related Premiums, Discounts, and Issuance Costs

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

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

Estimates

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

Budgetary Process

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

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

The District's General Fund expenditures exceeded budgeted appropriations by \$5,607,445. The District's Special Revenue Fund exceeded budgeted appropriations by \$3,140,654.

New Accounting Pronouncements

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

GASB Statement No. 99-In April, 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023.

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

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

Effective in Future Years:

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS

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

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

At year end the District's bank balances were fully collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$11,741,884. The bank balance for the same time was \$15,070,706.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE C – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Land-nondepreciable	\$ 1,423,339	\$ -	\$ -	\$ 1,423,339
Construction in progress	5,604,972	7,098,296	335,320	12,367,948
Land improvements	1,416,757	-	-	1,416,757
Buildings	70,971,910	266,122	-	71,238,032
Technology	1,283,886	-	-	1,283,886
Vehicles	7,860,591	611,633	55,956	8,416,268
General equipment	2,691,790	97,312	-	2,789,102
Infrastructure	601,840	-	-	601,840
Total at historical cost	<u>\$ 91,855,084</u>	<u>\$ 8,073,363</u>	<u>\$ 391,276</u>	<u>\$ 99,537,170</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,416,757	\$ -	\$ -	\$ 1,416,757
Buildings	29,053,882	1,442,809	-	30,496,691
Technology	1,083,605	68,687	-	1,152,292
Vehicles	5,495,617	390,705	55,956	5,830,365
General equipment	2,402,003	67,359	-	2,469,362
Infrastructure	401,012	29,010	-	430,022
Total accumulated depreciation	<u>\$ 39,852,875</u>	<u>\$ 1,998,569</u>	<u>\$ 55,956</u>	<u>\$ 41,795,488</u>
Finance Purchases				
General equipment	\$ 62,180	\$ 47,862	\$ -	\$ 110,042
Less: Accumulated depreciation	<u>(23,691)</u>	<u>(15,814)</u>	<u>-</u>	<u>(39,505)</u>
Finance Purchases-net	<u>\$ 38,489</u>	<u>\$ 32,048</u>	<u>\$ -</u>	<u>\$ 70,537</u>
<u>Governmental Activities</u>				
Capital Assets-net	<u>\$ 52,040,697</u>	<u>\$ 6,106,842</u>	<u>\$ 335,320</u>	<u>\$ 57,812,219</u>
<u>Business-Type Activities</u>				
Technology	\$ 21,263	\$ -	\$ 17,043	\$ 4,219
Vehicles	22,780	-	-	22,780
General equipment	1,444,963	114,383	143,180	1,416,166
Total at historical cost	<u>\$ 1,489,006</u>	<u>\$ 114,383</u>	<u>\$ 160,223</u>	<u>\$ 1,443,166</u>
Less: Accumulated depreciation				
Technology	\$ 18,642	\$ 1,563	\$ 17,043	\$ 3,161
Vehicles	17,844	4,556	-	22,400
General equipment	1,014,145	63,819	143,180	934,784
Total accumulated depreciation	<u>\$ 1,050,631</u>	<u>\$ 69,938</u>	<u>\$ 160,223</u>	<u>\$ 960,346</u>
<u>Business-Type Activities</u>				
Capital Assets-net	<u>\$ 438,375</u>	<u>\$ 44,445</u>	<u>\$ -</u>	<u>\$ 482,820</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE D – LONG TERM DEBT OBLIGATIONS

Bonds

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

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

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

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

Bond Issues	Original Amount	Maturity Date	Interest Rates	2022 Bonds Outstanding	Additions	Retirements	2023 Bonds Outstanding
QZAB 2010	\$ 1,850,000	11/1/2029	5.25%	\$ 1,850,000	\$ -	\$ -	\$ 1,850,000
QSCB 2010	6,324,000	11/1/2029	5.25%	6,324,000	-	-	6,324,000
2013 Energy	1,020,000	6/1/2033	.55-3.10%	780,000	-	45,000	735,000
2014	8,570,000	3/1/2034	1.80-4.00%	7,905,000	-	90,000	7,815,000
2015A Refunding	4,625,000	6/1/2026	2.00-2.50%	2,560,000	-	615,000	1,945,000
2015B Refunding	3,415,000	10/1/2026	1.00-2.50%	3,090,000	-	525,000	2,565,000
2020	890,000	6/1/2040	1.75-2.75%	820,000	-	40,000	780,000
				23,329,000	-	1,315,000	22,014,000
Add:	Premium			9,034	-	1,972	7,062
Less:	Discount			(66,309)	-	(8,825)	(57,484)
				<u>\$ 23,271,725</u>	<u>\$ -</u>	<u>\$ 1,308,147</u>	<u>\$ 21,963,578</u>

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the District, including

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

amounts to be paid by the Commission, at June 30, 2023, for debt service, (principal and interest) are as follows:

<u>June 30th</u>	<u>Principal</u>			<u>Interest</u>			<u>Principal</u>	<u>Interest</u>
	<u>Local</u>	<u>KSFCC</u>	<u>Urgent Need</u>	<u>Local</u>	<u>KSFCC</u>	<u>Urgent Need</u>	<u>Total</u>	<u>Total</u>
2024	\$ 917,304	\$ 214,454	\$ 213,242	\$ 802,919	\$ 54,648	\$ 16,396	\$ 1,345,000	\$ 873,964
2025	947,460	218,968	218,572	782,648	49,435	11,065	1,385,000	843,148
2026	962,210	223,753	224,037	760,995	43,949	5,601	1,410,000	810,545
2027	1,033,865	106,135	-	732,360	38,335	-	1,140,000	770,695
2028	101,550	108,450	-	717,538	35,320	-	210,000	752,858
2029-2033	13,812,931	596,069	-	1,802,035	125,475	-	14,409,000	1,927,510
2034-2038	1,664,632	340,368	-	66,585	39,102	-	2,005,000	105,688
2039-2040	-	110,000	-	-	4,538	-	110,000	4,538
	<u>\$ 19,439,952</u>	<u>\$ 1,918,197</u>	<u>\$ 655,851</u>	<u>\$ 5,665,079</u>	<u>\$ 390,803</u>	<u>\$ 33,062</u>	<u>\$ 22,014,000</u>	<u>\$ 6,088,944</u>

Finance Purchases

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

<u>FINANCE PURCHASES</u> <u>KISTA Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2022 Lease Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023 Lease Outstanding</u>
Series 2016	\$ 1,089,275	3/1/2026	2-2.625%	\$ 425,197	\$ -	\$ 112,122	\$ 313,075
Series 2018	547,056	3/1/2028	2-3%	326,154	-	53,812	272,342
Copiers	8,541	4/14/2024	2%	3,993	-	2,160	1,833
Copiers	28,429	3/2/2023	2%	4,440	-	4,440	-
Copiers	33,751	6/16/2025	2%	25,061	-	8,189	16,872
Copiers	10,188	11/15/2027	2%	-	10,188	1,152	9,036
Copiers	17,944	10/17/2027	2%	-	17,944	2,316	15,628
Copiers	19,730	11/16/2025	2%	-	19,730	5,080	14,650
				<u>\$ 784,845</u>	<u>\$ 47,862</u>	<u>\$ 189,271</u>	<u>\$ 643,436</u>

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

<u>Fiscal Year Ended June 30th</u>	<u>Local Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 190,855	\$ 16,927	\$ 207,782
2025	173,887	12,284	186,171
2026	170,062	7,747	177,809
2027	55,418	3,127	58,545
2028	53,214	1,542	54,756
2029-2033	-	-	-
	<u>\$ 643,436</u>	<u>\$ 41,627</u>	<u>\$ 685,063</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Total minimum payments	\$	685,063
Less: Amount representing interest		<u>(41,627)</u>
 Present Value of Net Minimum Payments	\$	<u>643,436</u>

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

Accumulated Sick Leave

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. The activity during fiscal year 2023 for accumulated sick leave is as follows:

	<u>2022 Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023 Outstanding Balance</u>
Sick Leave	\$ 549,662	\$ 73,736	\$ -	\$ 623,398

KSBIT

The District elected to finance the worker's compensation insurance deficit (KSBIT) with the now defunct Kentucky School Board Insurance Trust through the Kentucky Inter-local School Transportation Association (KISTA). The activity during fiscal year 2023 for the worker's compensation and property and liability deficit are as follows:

<u>KSBIT Issues</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>2022 KSBIT Outstanding</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023 KSBIT Outstanding</u>
KSBIT	\$ 712,009	8/15/2024	2.0 - 3.25%	\$ 237,226	\$ -	\$ 76,632	\$ 160,594

The minimum payments are as follows:

<u>Fiscal Year Ended June 30th</u>	<u>Local Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 79,017	\$ 3,886	\$ 82,903
2025	81,577	1,326	82,903
Totals	<u>\$ 160,594</u>	<u>\$ 5,212</u>	<u>\$ 165,806</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Pension & OPEB Liability

The net pension liability is \$16,416,834 for governmental activities and \$906,774 for business-type activities for a total of \$17,323,608 as of June 30, 2023 (See Note E for additional information). The net OPEB liability is \$14,085,013 for governmental activities and \$247,506 for business-type activities for a total of \$14,332,519 as of June 30, 2023 (See Note F for additional information).

A summary of activity in bond obligations and other debts is as follows:

	2022 Outstanding Balance	Additions	Retirements	2023 Outstanding Balance	Amount Due in One Year
Bonds, Net of Premium and Discount	\$ 23,271,725	-	1,308,147	\$ 21,963,578	\$ 1,345,000
Finance Purchases	784,845	47,862	189,271	643,436	190,855
Sick Leave	549,662	73,736	-	623,398	-
KSBIT	237,226	-	76,632	160,594	79,017
Net Pension Liability	15,072,992	2,250,616	-	17,323,608	-
Net OPEB Liability	10,679,879	3,652,640	-	14,332,519	-
Totals	\$ <u>50,596,329</u>	\$ <u>6,024,854</u>	\$ <u>1,574,050</u>	\$ <u>55,047,133</u>	\$ <u>1,614,872</u>

NOTE E – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

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

Benefits provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

For Members on and after January 1, 2022:

Condition for Retirement	Attainment of age 57 and 10 years of service or attainment of age 65 And 5 years of service.
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Amount of Allowance
Foundational Benefit

The annual foundational benefit for members is equal to service Times a multiplier times final average salary.

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

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

Supplemental Benefit

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

Disability Retirement Allowance
Condition for Allowance

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

Amount of Allowance

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Benefits Payable on Separation
From Service

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

Life Insurance

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

Death Benefits

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

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

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

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

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

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

Options

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Option 3(a). At the death of the beneficiary designated by the member

Under Option 3, the member’s benefit will revert to what would have been paid had he not selected an option.

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

Option 4(a). At the death of the beneficiary designated by the member

Under Option 4, the member’s benefit will revert to what would have been paid had he not selected an option.

Post-Retirement Adjustments

The retirement allowance of each retired member and of each Beneficiary shall be increased by 1.5% each July 1.

Member Contributions

Members before 1/1/2022

9.105% of salary to the Retirement System.

Members on and after 1/1/2022

9% of salary to the Retirement System and an additional 2% of salary to the supplemental benefit account. Employers also contributes 2%.

Contributions

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

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

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

TRS

State's proportionate share of the TRS net pension liability associated with the District

\$ 89,807,616

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The District’s proportion of the net pension liability was based on the actual liability of the employees and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.5301%.

Actuarial Methods and Assumptions

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

Valuation Date	June 30, 2021
Prior Measurement Date	June 30, 2021
Measurement Date	June 30, 2022
Reporting Date	June 30, 2023
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	2.13%
Municipal Bond Index Rate at Measurement Date	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the Actuarially Determined Contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 92,486,421	\$ 89,807,616	\$ 48,439,772

Pension plan fiduciary net position

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

County Employees Retirement System

Non-Hazardous

Plan description

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

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

Benefits provided

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

Contributions

Funding for CERS:

Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.

Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

For the year ending June 30, 2023, employers were required to contribute 26.95% of the member’s salary, 22.78% pension and 4.17% for insurance. The District contributed \$1,965,205 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$17,323,608 was based on contributions to CERS during the fiscal year ended June 30, 2022. The District’s proportion was 0.23964%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The District recognized pension revenue of \$657,733 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,521	\$ 154,274
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	2,357,224	1,913,110
Changes in proportion and differences between District contributions and proportionate share of contributions	187,144	108,397
District contributions subsequent to the measurement date	1,851,616	-
	\$ 4,414,505	\$ 2,175,781

The \$1,851,616 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>
Year 1	\$ (39,200)
Year 2	79,760
Year 3	(145,578)
Year 4	<u>492,126</u>
	<u>\$ 387,108</u>

Actuarial Valuation

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

Summary of Actuarial Assumptions

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

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and he expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed to accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member's salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA's 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member's terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.
13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.
14. Assumption Changes since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate

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

Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate

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

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 21,652,361	\$ 17,323,608	\$ 13,743,370

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

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

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2023, there are no payables to CERS.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

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

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

Benefits provided

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

Contributions

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

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

The District reported a liability of \$9,604,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2021, and the total OPEB

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .386851%.

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

MIF		
District's proportionate share of TRS net OPEB liability	\$	9,604,000
State's proportionate share of the TRS net OPEB liability associated with the District		3,155,000
	\$	12,759,000

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

MIF	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,037,000
Changes of assumptions	1,950,000	-
Net difference between projected and actual earnings on pension plan investments	511,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,671,000	551,000
District contributions subsequent to the measurement date	508,585	-
	\$ 5,640,585	\$ 4,588,000

The \$508,585 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MIF	Year Ended June 30,
Year 1	\$ (234,000)
Year 2	(200,000)
Year 3	(148,000)
Year 4	481,000
Year 5	444,000
Thereafter	201,000
	\$ 544,000

Actuarial Methods and Assumptions

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

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

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

Target Allocations

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

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

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to actuarial methods and assumptions were used in the projection of cash flows:

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

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amount in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year’s valuation and in accordance with the Health Trust’s funding policy. As the specific

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

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

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

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

MIF	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 12,049,000	\$ 9,604,000	\$ 7,579,000

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

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 7,200,000	\$ 9,604,000	\$ 12,594

Life Insurance Trust

Plan description and benefits provided

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Contributions

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

Net OPEB Liability

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

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	157,000
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Actuarial Assumptions

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

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 valuation were based on the results of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

the most recent actuarial experience studies for the system, which covered the five year period ending June 30, 2015.

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

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

Target Allocations

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

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

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

Discount Rate

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

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- The employer will contribute the actuarially determined contribution (ADC) in accordance with the Life Insurance Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

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

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2023, the District recognized OPEB revenue in the amount of \$910,585 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

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

Benefits provided

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

Contributions

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

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

The District reported a liability of \$4,728,519 for its proportionate share of the collective net OPEB liability which is .239599%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$336,253. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 475,965	\$ 1,084,359
Changes of assumptions	747,848	616,223
Net difference between projected and actual earnings on pension plan investments	880,499	688,580
Changes in proportion and differences between District contributions and proportionate share of contributions	35,627	150,174
District contributions subsequent to the measurement date	284,071	-
	\$ 2,424,010	\$ 2,539,336

The \$284,071 (includes \$170,482 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Year Ended June 30,	
Year 1	\$	(64,045)
Year 2		(69,224)
Year 3		(296,410)
Year 4		<u>30,283</u>
	\$	<u><u>(399,396)</u></u>

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

Changes of Benefit Terms

None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Senate Bill 209 passed in the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service each member attains over certain thresholds, depending on a member’s retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member’s applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

Discount rate

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

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

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

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 6,321,276	\$ 4,728,519	\$ 3,411,840

Health Care Trend Rate Sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,515,549	\$ 4,728,519	\$ 6,185,067

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 G – COMMITMENTS

The District has commitments of \$2,045,651 as of June 30, 2023, for future construction projects. The District has committed fund balance for the General Fund of \$249,436 for other lease obligations and \$250,000 for sick leave.

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

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

NOTE 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, illegal acts, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated and includes Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>		<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
General Fund	\$	(292,812)	-
District Activity	\$	(9,946)	-

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	Capital Outlay	General Fund	Operations	\$ 374,345
Operations	Building Fund	General Fund	Operations	126,854
Operations	General Fund	Building Fund	Operations	101,299
Debt Service	Building Fund	Debt Service	Debt Payments	1,774,819
Special Revenue	General Fund	Special Revenue	KETS Matching	78,613
Operations	Food Service	General Fund	Indirect Costs	190,915
Operations	Special Revenue	General Fund	Indirect Costs	422,603
Operations	Student Activity	District Activity	Operations	156,825
Construction	General Fund	Construction	Construction	3,633,870
Construction	Special Revenue	Construction	Construction	3,010,024
Construction	Construction	Construction	Construction	\$ 40,470

NOTE O – ON-BEHALF PAYMENTS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 &75)	\$ 8,374,757
Health Insurance	5,521,662
Life Insurance	8,524
Administrative Fee	68,080
HRA/Dental/Vision	269,150
Federal Reimbursement	(752,793)
Technology	153,065
SFCC Debt Service Payments	<u>522,478</u>
Total	<u>\$ 14,164,923</u>

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

NOTE P – RESTRICTED FUNDS

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Student Activity	\$ 341,064	Student Activities
District Activity	125,194	District Activities
Food Service	301,042	School Food Service
Debt Service	1,744,567	Debt Service Payments
Construction Fund	\$ 1,482,036	Future Construction Projects

NOTE Q – PRIOR PERIOD ADJUSTMENTS

The district previously reported an ending balance in Debt Service fund of \$634,997. An adjustment of \$478,102 was recorded restating the ending balance as \$1,113,099. The district previously reported an ending balance in Governmental Activities of \$12,359,887. An adjustment of (\$1,484,427) was recorded restating the ending balance as \$10,875,460

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2023, the date of the audit report.

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

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Districts' proportion of the net pension liability	0.23964%	0.23641%	0.24104%	0.24635%	0.25026%	0.25198%	0.261490%	0.26766%
District's proportionate share of the net pension liability	\$ 17,323,608	\$ 15,072,992	\$ 18,487,185	\$ 17,325,905	\$ 15,241,658	\$ 14,749,340	\$ 12,874,610	\$ 11,508,280
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-
Total	<u>\$ 17,323,608</u>	<u>\$ 15,072,992</u>	<u>\$ 18,487,185</u>	<u>\$ 17,325,905</u>	<u>\$ 15,241,658</u>	<u>\$ 14,749,340</u>	<u>\$ 12,874,610</u>	<u>\$ 11,508,280</u>
District's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	258.21%	249.64%	295.49%	469.43%	411.33%	381.17%	342.63%	308.90%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Districts' proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	89,807,616	69,300,521	78,470,501	79,086,418	77,335,740	156,076,827	174,562,169	135,871,569
Total	<u>\$ 89,807,616</u>	<u>\$ 69,300,521</u>	<u>\$ 78,470,501</u>	<u>\$ 79,086,418</u>	<u>\$ 77,335,740</u>	<u>\$ 156,076,827</u>	<u>\$ 174,562,169</u>	<u>\$ 135,871,569</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Contractually required contribution	\$ 1,851,616	\$ 1,420,356	\$ 1,179,943	\$ 1,207,541	\$ 1,002,795	\$ 904,385	\$ 1,157,563	\$ 1,080,418
Contributions in relation to the contractually required contributions	<u>1,851,616</u>	<u>1,420,356</u>	<u>1,179,943</u>	<u>1,207,541</u>	<u>1,002,795</u>	<u>904,385</u>	<u>1,157,563</u>	<u>1,080,418</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 6,214,482	\$ 6,222,323	\$ 6,202,208	\$ 6,333,075
District's contributions as a percentage of it's covered-employee payroll	25.64%	21.17%	19.54%	19.30%	16.14%	14.53%	18.66%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 21,070,304	\$ 20,510,275	\$ 20,795,404
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
For the year ended June 30, 2023

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

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

Changes of assumptions

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 For the year ended June 30, 2023

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

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

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

Please refer to P. 181 of KPPA’s 2022 Annual Report “Benefit Changes since the Prior Valuation”.

Changes of assumptions

None.

Actuarial Methods and Assumptions

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

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

WHITLEY COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.386851%	0.286873%	0.300067%	0.31218%	0.30804%	0.55132%
District's proportionate share of the collective net OPEB liability (asset)	\$ 9,604,000	\$ 6,155,000	\$ 7,573,000	\$ 9,137,000	\$ 10,688,000	\$ 10,996,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>3,155,000</u>	<u>4,999,000</u>	<u>6,066,000</u>	<u>7,379,000</u>	<u>9,211,000</u>	<u>8,982,000</u>
Total	<u>\$ 12,759,000</u>	<u>\$ 11,154,000</u>	<u>\$ 13,639,000</u>	<u>\$ 16,516,000</u>	<u>\$ 10,203,000</u>	<u>\$ 19,978,000</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	45.32%	30.40%	37.25%	85.50%	97.31%	99.18%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>157,000</u>	<u>66,000</u>	<u>183,000</u>	<u>171,000</u>	<u>158,000</u>	<u>120,000</u>
Total	<u>\$ 157,000</u>	<u>\$ 66,000</u>	<u>\$ 183,000</u>	<u>\$ 171,000</u>	<u>\$ 158,000</u>	<u>\$ 120,000</u>
District's covered-employee payroll	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

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

See the accompanying notes to the required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN						
Contractually required contribution	\$ 508,585	\$ 509,202	\$ 529,939	\$ 543,593	\$ 548,721	\$ 546,838
Contributions in relation to the contractually required contribution	<u>508,585</u>	<u>509,202</u>	<u>529,939</u>	<u>543,593</u>	<u>548,721</u>	<u>546,838</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 10,983,190
District's contributions as a percentage of it's covered-employee payroll	2.30%	2.40%	2.62%	2.67%	2.64%	4.98%
LIFE INSURANCE PLAN						
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 22,121,265	\$ 21,190,858	\$ 20,244,073	\$ 20,328,918	\$ 20,810,169	\$ 10,983,190
District's proportionate share of the net pension liability as a percentage of it's 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 will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

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

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.239599%	0.236354%	0.240966%	0.24629%	0.25025%	0.25198%
District's proportionate share of the collective net OPEB liability (asset)	\$ 4,728,519	\$ 4,524,879	\$ 5,818,596	\$ 4,142,420	\$ 4,413,175	\$ 5,065,720
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	6,709,094	6,037,864	6,256,530	6,214,482	6,222,323
Total	<u>\$ 4,728,519</u>	<u>\$ 11,233,973</u>	<u>\$ 11,856,460</u>	<u>\$ 10,398,950</u>	<u>\$ 10,627,657</u>	<u>\$ 11,288,043</u>
District's covered-employee payroll	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	70.48%	74.94%	93.00%	112.24%	119.10%	130.91%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	51.67%	51.67%	60.44%	57.62%	13.00%

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

See the accompanying notes to the required supplementary information.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN						
Contractually required contribution	\$ 284,071	\$ 387,785	\$ 290,941	\$ 297,746	\$ 291,527	\$ 293,476
Contributions in relation to the contractually						
	<u>284,071</u>	<u>387,785</u>	<u>290,941</u>	<u>297,746</u>	<u>291,527</u>	<u>293,476</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 7,220,831	\$ 6,709,094	\$ 6,037,864	\$ 6,256,530	\$ 6,214,482	\$ 3,705,438
District's contributions as a percentage of it's covered-employee payroll	3.93%	5.78%	4.82%	4.76%	4.69%	7.92%

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

See the accompanying notes to the required supplementary information.

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 For the year ended June 30, 2023

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

Life Insurance Trust

Changes of Benefit Terms

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2023

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

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

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

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

Changes of Assumptions

None.

Actuarial Methods and Assumptions

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

WHITLEY COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2023

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

Whitley County School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2023

	Other Governmental Funds				
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Special Revenue District Activity	Total
Assets					
Cash and cash equivalents	\$ 341,496	\$	\$	\$ 125,194	\$ 466,690
Accounts receivable	259				259
Total assets	341,755	-	-	125,194	466,949
Liabilities					
Accounts payable	691				691
Total liabilities	691	-	-	-	691
Fund Balance					
Restricted	341,064			125,194	466,258
Total fund balance	341,064	-	-	125,194	466,258
TOTAL LIABILITIES AND FUND BALANCE	\$ 341,755	\$ -	\$ -	\$ 125,194	\$ 466,949

Whitley County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2023

	Other Governmental Funds				
	<u>Special Revenue Student Activity</u>	<u>Capital Outlay</u>	<u>FSPK Fund</u>	<u>Special Revenue District Activity</u>	<u>Total</u>
Revenues					
Property taxes	\$ -	\$ -	\$ 521,932	\$ -	\$ 521,932
Earnings on investments	13,815				13,815
Student activities	458,201			15,099	473,300
Other local revenue	123,930			6,300	130,230
Intergovernmental - state		374,345	1,379,741		1,754,086
Total revenues	<u>595,946</u>	<u>374,345</u>	<u>1,901,673</u>	<u>21,399</u>	<u>2,893,363</u>
Expenditures					
Instruction	423,428			186,742	610,170
Support Services					
Instructional Staff	1,454				1,454
Student Transportation	144			1,428	1,572
Other Non-Instruction	9,849				9,849
Total expenditures	<u>434,875</u>	<u>-</u>	<u>-</u>	<u>188,170</u>	<u>623,045</u>
Excess (Deficit) of Revenues Over Expenditures	<u>161,071</u>	<u>374,345</u>	<u>1,901,673</u>	<u>(166,771)</u>	<u>2,270,318</u>
Other Financing Sources (Uses)					
Transfers (out)		(374,345)	(1,901,673)		(2,276,018)
Transfers in	(156,825)			156,825	-
Total other financing sources (uses)	<u>(156,825)</u>	<u>(374,345)</u>	<u>(1,901,673)</u>	<u>156,825</u>	<u>(2,276,018)</u>
Net Change in Fund Balances	4,246	-	-	(9,946)	(5,700)
Fund Balance Beginning	<u>336,818</u>	<u>-</u>	<u>-</u>	<u>135,140</u>	<u>471,958</u>
Fund Balance Ending	<u>\$ 341,064</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,194</u>	<u>\$ 466,258</u>

Whitley County School District
Combining Balance Sheet of
School Activity Funds
 June 30, 2023

	<u>WHITLEY CO HIGH SCHOOL</u>	<u>WHITLEY CO MIDDLE SCHOOL</u>	<u>OAK GROVE ELEMENTARY</u>	<u>NORTH ELEMENTARY</u>	<u>PLEASANT VIEW ELEMENTARY</u>	<u>CENTRAL ELEMENTARY</u>	<u>BOSTON ELEMENTARY</u>
ASSETS							
Cash and cash equivalents	\$ 126,207	\$ 81,865	\$ 8,051	\$ 928	\$ 9,802	\$ 24,645	\$ 12,227
Accounts receivable		110					149
	<u>126,207</u>	<u>81,975</u>	<u>8,051</u>	<u>928</u>	<u>9,802</u>	<u>24,645</u>	<u>12,376</u>
Total assets	<u><u>126,207</u></u>	<u><u>81,975</u></u>	<u><u>8,051</u></u>	<u><u>928</u></u>	<u><u>9,802</u></u>	<u><u>24,645</u></u>	<u><u>12,376</u></u>
LIABILITIES							
Accounts payable	634	57					
FUND BALANCE							
School activities	<u>125,573</u>	<u>81,918</u>	<u>8,051</u>	<u>928</u>	<u>9,802</u>	<u>24,645</u>	<u>12,376</u>
Total liabilities & fund balance	<u><u>\$ 126,207</u></u>	<u><u>\$ 81,975</u></u>	<u><u>\$ 8,051</u></u>	<u><u>\$ 928</u></u>	<u><u>\$ 9,802</u></u>	<u><u>\$ 24,645</u></u>	<u><u>\$ 12,376</u></u>

Whitley County School District
Combining Balance Sheet of
School Activity Funds
 June 30, 2023

	<u>WHITLEY CO INTERMEDIATE</u>	<u>EAST ELEMENTARY</u>	<u>SCHOOL ACTIVITY FUNDS TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 50,972	\$ 26,799	\$ 341,496
Accounts receivable			259
	<u>50,972</u>	<u>26,799</u>	<u>341,755</u>
Total assets	<u><u>50,972</u></u>	<u><u>26,799</u></u>	<u><u>341,755</u></u>
LIABILITIES			
Accounts payable			691
FUND BALANCE			
School activities	<u>50,972</u>	<u>26,799</u>	<u>341,064</u>
Total liabilities & fund balance	<u><u>\$ 50,972</u></u>	<u><u>\$ 26,799</u></u>	<u><u>\$ 341,755</u></u>

Whitley County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds
Year ended June 30, 2023

	<u>WHITLEY CO HIGH SCHOOL</u>	<u>WHITLEY CO MIDDLE SCHOOL</u>	<u>OAK GROVE ELEMENTARY</u>	<u>NORTH ELEMENTARY</u>	<u>PLEASANT VIEW ELEMENTARY</u>	<u>CENTRAL ELEMENTARY</u>	<u>BOSTON ELEMENTARY</u>
REVENUES							
Student revenues	\$ 301,190	\$ 116,859	\$ 44,585	\$ 10,807	\$ 6,090	\$ 18,695	\$ 16,402
Total revenues	<u>301,190</u>	<u>116,859</u>	<u>44,585</u>	<u>10,807</u>	<u>6,090</u>	<u>18,695</u>	<u>16,402</u>
EXPENDITURES							
Student activities	291,132	115,092	56,751	11,127	4,564	22,611	13,036
Total expenditures	<u>291,132</u>	<u>115,092</u>	<u>56,751</u>	<u>11,127</u>	<u>4,564</u>	<u>22,611</u>	<u>13,036</u>
Excess (Deficit) of Revenues Over Expenditures	10,058	1,767	(12,166)	(320)	1,526	(3,916)	3,366
FUND BALANCE - BEGINNING	<u>115,515</u>	<u>80,151</u>	<u>20,217</u>	<u>1,248</u>	<u>8,276</u>	<u>28,561</u>	<u>9,010</u>
FUND BALANCE - ENDING	<u>\$ 125,573</u>	<u>\$ 81,918</u>	<u>\$ 8,051</u>	<u>\$ 928</u>	<u>\$ 9,802</u>	<u>\$ 24,645</u>	<u>\$ 12,376</u>

Whitley County School District
Combining Statement of Revenues, Expenses and Changes in Fund Balance
School Activity Funds
Year ended June 30, 2023

	<u>WHITLEY CO</u> <u>INTERMEDIATE</u>	<u>EAST</u> <u>ELEMENTARY</u>	<u>SCHOOL ACTIVITY</u> <u>FUNDS</u> <u>TOTAL</u>
REVENUES			
Student revenues	\$ 47,444	\$ 33,874	\$ 595,946
Total revenues	<u>47,444</u>	<u>33,874</u>	<u>595,946</u>
EXPENDITURES			
Student activities	46,756	30,631	591,700
Total expenditures	<u>46,756</u>	<u>30,631</u>	<u>591,700</u>
Excess (Deficit) of Revenues Over Expenditures	688	3,243	4,246
FUND BALANCE - BEGINNING	<u>50,284</u>	<u>23,556</u>	<u>336,818</u>
FUND BALANCE - ENDING	<u>\$ 50,972</u>	<u>\$ 26,799</u>	<u>\$ 341,064</u>

WHITLEY COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES , EXPENSES, AND CHANGES IN FUND BALANCE -
WHITLEY COUNTY HIGH SCHOOL
Year ended June 30, 2023

	<u>FUND BALANCE BEGINNING</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>TRANSFERS</u>	<u>FUND BALANCE ENDING</u>
GENERAL	\$ 124	\$ 8,072	\$ 254	\$ (7,330)	\$ 612
STUDENT ACTIVITY FEES	112	3,356	42	(3,407)	19
START-UP FUND	-	1,500	1,500		-
DUAL COURSES FEE	937	4,198	5,037		98
TEXTBOOKS	883	115	-		998
COMMUNITY SERVICE EVENTS	-	-	-		-
SPECIAL EVENTS	2,444	2,660	1,205	(2,931)	968
TRANSPORTATION FUND	5	-	-		5
FAMILY RESOURCE	-	-	-		-
TEST FEES	2,766	-	-		2,766
SCHOLARSHIP	2,000	-	-		2,000
PEPSI	444	1,688	1,441	(532)	159
TEACHER'S PEPSI	538	778	2,495	1,256	77
COLONEL PLAYERS	8,090	10,485	8,718	(1,414)	8,443
DRAMA	8	-	-	(8)	0
FOOTBALL	12,735	13,609	6,382	(7,925)	12,037
BOYS BASKETBALL	2,742	18,492	14,588	(5,196)	1,450
GIRLS BASKETBALL	1,549	19,057	8,877	(10,683)	1,045
BASEBALL	-	11,610	7,149	(3,650)	811
SOFTBALL	120	30,702	22,300	(1,350)	7,171
TRACK	1,278	845	1,771		352
TENNIS	-	500	173	(192)	135
BOYS GOLF	1,336	9,885	2,085	(9,041)	95
GIRLS GOLF	1,604	1,246	819		2,031
VOLLEYBALL	1,378	21,336	18,812	(3,860)	43
CHEERLEADERS	7,721	13,368	15,093	(348)	5,647
WRESTLING	3,253	1,755	5,008	-	(0)
BOYS SOCCER	3,577	7,725	5,603	(4,283)	1,416
GIRLS SOCCER	10,115	23,599	8,643	(12,886)	12,185
ACADEMIC TEAM	22	-	-	-	22
ART	851	889	192		1,548
BETA CLUB	341	2,356	1,945		752
DECA	6	750	294	(216)	246
FBLA	-	-	-	-	-
FFA	1,414	16,992	13,005	(5,402)	(1)
FCCLA	889	813	1,435	129	396
EDUCATORS RISING	394	110	100		404
NHS	90	258	296		52
HISTORY	-	-	-		-
KY JUNIOR HISTORICAL	401	2,870	-	(2,003)	1,268
KUNA	-	-	-		-
BAND	1,793	6,675	6,008	(832)	1,628
CHOIR	20	195	160		55
HORTICULTURE	14,035	18,716	9,361	(5,741)	17,649
JROTC	14,329	4,611	7,244	400	12,096
JROTC PAVER PROJECT	-	-	-		-
BOYS CROSS COUNTRY	2,065	1,475	3,424	150	266
GIRLS CROSS COUNTRY	1,396	244	1,682	150	108
BASS FISHING	1,300	3,100	3,277	-	1,123
SKILLS USA-ELECTRICITY	-	199	-	(199)	-
YEARBOOK	3,074	4,841	635	(3,200)	4,080
HOSA	-	1,560	1,451		109
SENIORS	113	5,106	3,717	(698)	803
ELECTRICITY	-	2,300	653		1,647
NON-REVENUE SPORTS	6,025	18,429	3,082	(2,269)	19,103
WELDING	-	845	845		-
E-SPORTS	473	325	798		-
ENGINEERING	725	600	20		1,305
SKILLS USA WELDING	-	351	-		351
DISTRICT ACTIVITY SWEEP	-	-	93,512	93,512	-
SKILLS USA-CARPENTRY	-	-	-		-
Totals	\$ 115,515	\$ 301,190	\$ 291,132	\$ -	\$ 125,573

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
U.S. Department of Agriculture					
Passed Through State Department of Education					
* School Breakfast Program	10.553				
Fiscal Year 22		7760005 22	-	N/A	221,452
Fiscal Year 23		7760005 23	-	N/A	751,752
* National School Lunch Program	10.555				
Fiscal Year 22		7750002 22	-	N/A	535,410
Fiscal Year 23		7750002 23	-	N/A	1,812,752
Fiscal Year 22		9980000 22	-	N/A	98,146
Fiscal Year 23		9980000 23	-	N/A	45,532
* Summer Food Service	10.559				
Fiscal Year 22		7740023 22	-	N/A	41,125
Fiscal Year 23		7740023 23	-	N/A	23,560
Fiscal Year 22		7690024 22	-	N/A	4,244
Fiscal Year 23		7690024 23	-	N/A	2,426
Child Nutrition Cluster Subtotal					<u>3,536,399</u>
State Administrative Expense (SAE) Funds	10.560				
Fiscal Year 22		7700001 22	-	N/A	5,402
* Child and Adult Care Food Program	10.558				
Fiscal Year 22		7790021 22	-	N/A	60,951
Fiscal Year 23		7790021 23	-	N/A	265,300
Fiscal Year 22		7800016 22	-	N/A	4,095
Fiscal Year 23		7800016 23	-	N/A	17,763
					<u>348,109</u>
Fruit & Vegetable Program	10.582				
Fiscal Year 22		7720012 22	-	N/A	35,511
Fiscal Year 23		7720012 23	-	N/A	145,248
					<u>180,759</u>
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 23		510.4950	-	N/A	249,366
Pandemic Electronic Benefit Transfer Administrative Costs	10.649				
Fiscal Year 23		9990000 22	-	N/A	3,135
Total U.S. Department of Agriculture					<u>4,323,170</u>
US Department of Education					
Passed Through State Department of Education					
Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 22		3100002 22	-	2,375,418	913,756
Fiscal Year 23		3100002 23	-	2,380,015	1,575,390
					<u>2,489,146</u>
Special Education Grants to States	84.027A				
Fiscal Year 22		3810002 21	-	1,035,681	819,179
Fiscal Year 23		3810002 22	-	1,061,864	143,791
Special Education - Preschool Grants	84.173A				
Fiscal Year 22		3800002 21	-	39,762	33,821
Fiscal Year 23		3800002 22	-	40,926	22,254
COVID-19- ARP Individuals with Disabilities Education Act	84.027X				
Fiscal Year 22		4910002-21	-	243587	179,034
COVID-19- ARP Individuals with Disabilities Education Act- Preschool	84.173X				
Fiscal Year 22		4900002-21	-	33,789	4,894
Special Education Cluster Subtotal					<u>1,202,973</u>
Homeless Children & Youth	84.196				
Fiscal Year 22		3990002-21	-	78,510	35,022
Fiscal Year 23		3990002-22	-	97,573	60,990
					<u>96,012</u>
Passed through Laurel County Literacy Council:					
Adult Education Recruitment, Retention and Results	84.002				
Fiscal Year 23		365J	-	35,300	35,300
Fiscal Year 23		373J	-	17,350	17,350
					<u>52,650</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 22		3710002 22	-	6,232	6,232
Fiscal Year 23		3710002 22	-	72,598	72,598
					<u>78,830</u>
21st Century Community Learning Centers Program	84.287				
Fiscal Year 21		3400002 20	-	295,000	47,720
Fiscal Year 22		3400002 21	-	695,000	668,996
					<u>716,716</u>
Rural Education	84.358				
Fiscal Year 22		3140002 21	-	89,672	29,743
Fiscal Year 23		3140002 22	-	108,210	45,835
					<u>75,578</u>

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

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
KYCL: Kentucky Comprehensive Literacy Grant Round 2	84.371C				
Fiscal Year 22		3220002-21	-	88,066	38,492
Fiscal Year 23		3220002-21	-	376,276	99,691
					<u>138,183</u>
Title IV Part A	84.424				
Fiscal Year 21		3420002 20	-	182,907	29,622
Fiscal Year 22		3420002 21	-	190,517	82,622
Fiscal Year 23		3420002 22	-	3,689	1,324
					<u>113,568</u>
Improving Teacher Quality	84.367A				
Fiscal Year 22		3230002 21	-	246,048	13,602
Fiscal Year 23		3230002 22	-	258,149	168,796
					<u>182,398</u>
* COVID-19- ESSER	84.425D				
Fiscal Year 22		4200002-21	-	8,670,021	1,681,940
Fiscal Year 22		4200003-21	-	268,584	69,445
* COVID-19- ARP ESSER	84.425U				
FY21 ARP Emergency Relief Fund		4300002-21	-	18,691,227	6,050,536
FY22 Kentucky Virtual Library Round 2		4300003-21	-	4,790	4,790
FY22 CTE Showcase		4300005-21	-	7,000	7,000
FY22 Digital Learning Coach Supports		4300005-21	-	4,911	4,911
FY22 Deeper Learning		563J	-	55,646	14,168
* COVID-19- ARP ESSER Homeless Children and Youth I	84.425W				
Fiscal Year 22		4980002-21	-	237,169	61,017
Education Stabilization Funds Subtotal					<u>7,893,807</u>
Passed Through Berea College					
GEAR UP	84.334A				
Fiscal Year 21		P334A170041-17A	-	151,500	97,483
Fiscal Year 22		P334A170041-17A	-	263,000	154,714
					<u>252,197</u>
Passed Through Department of Justice					
Stop School Violence: School Prevention Program	16.710				
Fiscal Year 21		437GS	-	356,651.00	32,413
Passed Through National Endowment for the Arts					
Arts Education Relief and Disaster Recovery	45.025				
Fiscal Year 23		453JR	-	1,300.00	1,300
Passed Through Dept. of Labor/Workforce Innovation and Opportunity Act					
Kentucky Academy for Equity in Teaching Grow-Your-Own Pogram Start Up	17.278				
Fiscal Year 23		632I	-	50,000	27,772
Total U.S. Department of Education					<u>13,353,543</u>
U.S. Department of Defense					
ROTC	12.000				
Fiscal Year 22		Direct	-	N/A	6,981
Fiscal Year 23		Direct	-	N/A	74,349
Total U.S. Department of Defense					<u>81,330</u>
U.S. Department of Health and Human Services					
Promoting Adolescent Health Through School-Based Surveillance	93.079				
Fiscal Year 22		Direct	-	300.00	300
Total U.S. Department of Health and Human Services					<u>300</u>
Total Expenditure of Federal Awards					<u>\$ 17,758,343</u>

* Major program

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

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling \$249,367.

NOTE D – INDIRECT COST RATE

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

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

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Whitley County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly,

we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of This Report

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

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

To the Board of Education of the Whitley County School District
Williamsburg, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Whitley 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 Whitley County School District's major federal programs for the year ended June 30, 2023. Whitley County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Whitley County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Whitley 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 Whitley County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

WHITLEY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2023

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No

Major Programs	Child Nutrition Cluster [ALN 10.553, 10.555, & 10.559] Child And Adult Care Food Program [ALN 10.558] Educational Stabilization Fund [ALN 84.425D, 84.425U, & 84.425W]
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Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

WHITLEY COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

There were no prior audit findings.

Whitley County Board of Education

300 Main Street
Williamsburg, Kentucky 40769
(606) 549-7000
Fax: (606) 549-7006

JOHN SILER, Superintendent

PAULA RICKETT, Deputy Superintendent
BRENDA HILL, Board Chair
J.E. JONES, Board Vice Chair

BOARD MEMBERS
KENNETH CARR
PAULA GRUBB
BRENDA ROSE

September 27, 2023

White & Associates, PSC
1407 Lexington Road
Richmond, Kentucky 40475

Re: Management Response to Management Letter Points from White & Associates, PSC

WHITLEY COUNTY MIDDLE SCHOOL

1-1

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations for a second person to verify the deposit amount.

2-1

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both **must sign** the Requisition and Report of Ticket Sales (F-SA-1) form.

Management's Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be

following the recommendations to make sure they follow all guidelines and both the ticket seller and ticket taker sign the Requisition and Report of Ticket Sales (F-SA-1) form.

3-1

Statement of Condition: Outstanding checks are being carried longer than 12 months.

Recommendations for Correction: Bookkeeper should clear out all outstanding checks carried longer than 12 months.

Management response:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. The bookkeeper had already cleared out outstanding checks on July 12, 2023.

WHITLEY COUNTY INTERMEDIATE

No conditions

WHITLEY COUNTY HIGH SCHOOL

No conditions.

PLEASANT VIEW ELEMENTARY

4-1

Statement of Condition: Instances of receipts not being written to the person who collected the money and signed the Multiple Receipt Form.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations to write the receipt to the person who collected the money and signed the Multiple Receipt Form.

OAK GROVE ELEMENTARY

No conditions.

BOSTON ELEMENTARY

5-1

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations for a second person to verify the deposit amount.

6-1

Statement of Condition: Instances of receipts not being written to the person who collected the money and signed the Multiple Receipt Form.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations to write the receipt to the person who collected the money and signed the Multiple Receipt Form.

7-1

Statement of Condition: Monthly Financial Reports were not being submitted to the superintendent or finance officer at the close of each month.

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15th of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations to make sure the Monthly Financial Reports are completed, reviewed, signed and submitted to the finance officer by the 15th of the following month.

WHITLEY EAST ELEMENTARY

8-1

Statement of Condition: Instances of receipts not being written to the person who collected the money and signed the Multiple Receipt Form.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer. The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations to write the receipt to the person who collected the money and signed the Multiple Receipt Form.

WHITLEY CENTRAL ELEMENTARY

9-1

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations for a second person to verify the deposit amount.

WHITLEY NORTH ELEMENTARY

10-1

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total

amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation:

Redbook training was provided for all principals, bookkeepers/office managers. They were instructed on the proper handling of school activity funds. The finance officer and director of financial services met with the principal and bookkeeper to ensure that they understood the recommendation. They will be following the recommendations for a second person to verify the deposit amount.

Sincerely,



Alicia Logan
CSFO/Treasurer



John Sifer
Superintendent