

**CALLOWAY COUNTY SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

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**CALLOWAY COUNTY SCHOOL DISTRICT  
JUNE 30, 2023**

**BOARD OF EDUCATION**

Jay Housden, Chairman  
Van Pittman, Vice-chairman  
Sharon Bobo, Member  
Scott Lowe, Member  
Mitch Ryan, Member

**ADMINISTRATIVE STAFF**

Tres Settle, Superintendent  
Josh McKeel, Director of Pupil Personnel  
April Lax, District Finance Officer

ANNA B. GENTRY HERR, CPA, CFE

WALTER G. CUMMINGS, CPA  
TAYLOR MATHIS, CPA



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DUGUID, GENTRY & ASSOCIATES, P.S.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Kentucky State Committee for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*. 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 Calloway 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 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 auditors' 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 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 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 and budgetary comparison information and pension and postemployment benefits schedules, 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 District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 introductory section, combining and individual nonmajor fund financial statements, other information, 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 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 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 Calloway County School District's internal control over financial reporting and compliance.

Duguid, Gentry & Associates, PSC

***Duguid, Gentry & Associates, PSC***

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2023



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

As management of the Calloway County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. The District encourages readers to consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal, notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. GASB Statement No. 68 addresses accounting and financials for pensions that are provided to employees through trusts that have defined characteristics. The District has implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires reporting of the District's Other Postemployment Benefits (OPEB) liability on the face of the financial statements and more extensive note disclosure and required supplementary information about OPEB liabilities. Cost-sharing governmental employers, such as the District, are required to report a new OPEB liability, OPEB expense and OPEB-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

#### **FINANCIAL HIGHLIGHTS**

- The ending cash and investments balance for the District was \$15.7M in 2023 and \$16.1M in 2022.
- In total, net position increased \$3M. The net position of governmental activities increased \$3M, while the net position of business-type activities decreased \$88K. Total assets were \$55.5M at June 30, 2023 compared to \$56M at June 30, 2022 and total liabilities were \$39M at June 30, 2023 compared to \$38M at June 30, 2022.
- Total revenues were \$47.3M for the year. General revenues accounted for \$24.9M, 51.24% of the total, while program specific revenues, in the form of charges for services and sales, grant and contributions accounted for \$22.1M or 48.76% of total revenues. The District incurred \$44.3M in total expenses.

#### **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 report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets plus deferred outflows of resources and the District's liabilities plus deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, all the District's activities are reported as governmental activities.

- Governmental activities – All the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of the activities.

**Fund financial statements** – The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – The District's proprietary fund are Food Service, Day Care Fund and Adult Education Fund. The proprietary fund statements are the same as the business-type activities in the government-wide statements, but provide more detail and additional information, such as cash flows.

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

- *Fiduciary fund* – The District is a fiduciary for assets that belong to others and is responsible for ensuring that assets reported in the fiduciary funds are used only for their intended purposes. These funds are excluded from the government-wide financial statements because the assets cannot be used to finance the operations of the District.

**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.

**Other information** – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules, as listed in the table of contents.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$20M as of June 30, 2023.

A significant portion of the District's net position, \$17.5M, reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services; 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. An additional portion of the District's net position, \$2.4M, represents resources subject to external restrictions on how they may be used.

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

Following is a summary of the District's government-wide net position as of June 30, 2023 and 2022:

**Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>						
Current assets						
and other assets	\$17,972,227	\$20,165,297	\$ 1,951,546	\$ 2,151,878	\$19,923,773	\$22,317,175
Capital assets	<u>35,313,560</u>	<u>33,855,723</u>	<u>271,464</u>	<u>180,478</u>	<u>35,585,024</u>	<u>34,036,201</u>
Total assets	<u>53,285,787</u>	<u>54,021,020</u>	<u>2,223,010</u>	<u>2,332,356</u>	<u>55,508,797</u>	<u>56,353,376</u>
<b>Deferred outflows of resources</b>	<u>7,804,204</u>	<u>3,913,320</u>	<u>837,542</u>	<u>563,356</u>	<u>8,641,746</u>	<u>4,476,676</u>
<b>LIABILITIES</b>						
Current liabilities	1,059,798	1,402,445	19,711	18,793	1,079,509	1,421,238
Long-term debt	<u>35,037,692</u>	<u>34,076,000</u>	<u>2,559,137</u>	<u>2,223,180</u>	<u>37,596,829</u>	<u>36,299,180</u>
Total liabilities	<u>36,097,490</u>	<u>35,478,445</u>	<u>2,578,848</u>	<u>2,241,973</u>	<u>38,676,338</u>	<u>37,720,418</u>
<b>Deferred inflows of resources</b>	<u>5,100,216</u>	<u>5,608,155</u>	<u>572,370</u>	<u>656,599</u>	<u>5,672,586</u>	<u>6,264,754</u>
<b>NET POSITION</b>						
Investment in capital assets net of related debt	17,220,871	12,833,088	271,464	180,478	17,492,335	13,013,566
Restricted	2,448,579	4,336,195	-	-	2,448,579	4,336,195
Unrestricted	<u>222,835</u>	<u>(321,543)</u>	<u>(362,130)</u>	<u>(183,338)</u>	<u>(139,295)</u>	<u>(504,881)</u>
Total net position	<u>\$ 19,892,285</u>	<u>\$ 16,847,740</u>	<u>\$ (90,666)</u>	<u>\$ (2,860)</u>	<u>\$ 19,801,619</u>	<u>\$ 16,844,880</u>

The net pension liability (NPL) and the net other postemployment benefits (OPEB) liability are the largest liabilities reported by the District as of June 30, 2023. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows of resources related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows of resources related to pension and OPEB.

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for-benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. Changes in benefits, contribution rates and return on investments affect the balance of these liabilities but are outside the control of the local government.

In the event that contributions, investment returns and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows of resources.

The Kentucky School Facilities Construction Commission (SFCC) makes direct payments of principal and interest on District bonds issued for construction of facilities. The bonds payable are included in the long-term obligations of the District, and the payments are recorded as revenue from the State. The result is an increase in net position from the direct payment of principal and interest by the SFCC of \$283K. Another increase is the expenditure of current revenues on capital assets, an expenditure that does not reduce net position on the government-wide statements. The decrease in business-type activities net position is due mainly to current year changes in pension liability charges.

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

Following is a summary of changes in the District's net position for the years ended June 30, 2023 and 2022:

**Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>District Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>REVENUES</b>						
Program revenues						
Operating grants and contributions	\$ 19,097,336	\$ 16,506,604	\$ 2,800,051	\$ 2,903,960	\$ 21,897,387	\$ 19,410,564
Capital grants and contributions	-	418,435	-	-	-	418,435
Charges for services	-	-	288,084	244,541	288,084	244,541
<b>GENERAL REVENUES</b>						
Property taxes	9,226,532	8,626,384	-	-	9,226,532	8,626,384
Other taxes	3,834,985	3,505,929	-	-	3,834,985	3,505,929
Investment earnings	728,243	230,556	74,307	17,153	802,550	247,709
State aid	9,927,893	8,692,028	318,028	272,334	10,245,921	8,964,362
Other	1,009,476	1,454,285	1,562	1,383	1,011,038	1,455,668
<b>Total revenues</b>	<b>43,824,465</b>	<b>39,434,221</b>	<b>3,482,032</b>	<b>3,439,371</b>	<b>47,306,497</b>	<b>42,873,592</b>
<b>EXPENSES</b>						
Instruction	27,202,016	24,151,817	-	-	27,202,016	24,151,817
Support services						
Student	1,340,215	1,291,354	-	-	1,340,215	1,291,354
Instructional staff	1,682,163	1,225,090	-	-	1,682,163	1,225,090
District administrative	1,013,450	1,020,673	-	-	1,013,450	1,020,673
School administrative	1,804,625	1,589,594	-	-	1,804,625	1,589,594
Business	776,046	816,282	-	-	776,046	816,282
Plant operations and maintenance	3,550,746	2,747,936	-	-	3,550,746	2,747,936
Student transportation	2,542,520	2,612,716	-	-	2,542,520	2,612,716
Day care	137,972	144,131	327,048	261,957	465,020	406,088
Community service activities	383,217	304,601	-	-	383,217	304,601
Building acquisition and construction	75,669	292,914	-	-	75,669	292,914
Interest costs	486,335	609,854	-	-	486,335	609,854
Bond issuance costs	(92,090)	92,090	-	-	(92,090)	92,090
Adult education	-	-	79,631	75,980	79,631	75,980
Food service	-	25,522	3,040,195	2,415,082	3,040,195	2,440,604
<b>Total expenses</b>	<b>40,902,884</b>	<b>36,924,574</b>	<b>3,446,874</b>	<b>2,753,019</b>	<b>44,349,758</b>	<b>39,677,593</b>
<b>Change in net position before transfers</b>	<b>2,921,581</b>	<b>2,509,647</b>	<b>35,158</b>	<b>686,352</b>	<b>2,956,739</b>	<b>3,195,999</b>
Transfers in (out)	122,964	109,595	(122,964)	(109,595)	-	-
<b>Change in net position after transfers</b>	<b>\$ 3,044,545</b>	<b>\$ 2,619,242</b>	<b>\$ (87,806)</b>	<b>\$ 576,757</b>	<b>\$ 2,956,739</b>	<b>\$ 3,195,999</b>

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$14.6M, a decrease of \$1.7M in comparison with the prior year. The following schedule indicates the fund balances and the total changes in fund balances by major fund and other governmental (nonmajor) funds as reported in the basic financial statements for the fiscal years ended June 30, 2023 and 2022.

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. The majority of the District's activities are accounted for in the General Fund. The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state, and expenditures of those grants for specific programs in accordance with the grants' guidelines. In addition to the Special Revenue (Grant) Fund, the District has the Special Revenue District Activity Fund and the Special Revenue Student Activity Fund, which includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements.

The SEEK Capital Outlay Fund's revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent property tax equivalent. The use of both funds' resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

The Debt Service Fund is used to account for all activities related to long-term bond obligations.



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

**General Fund** – The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$8.5M, while total fund balance was \$12.5M. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 28.58% of total General Fund expenditures, while total fund balance represents 41.98% of that same amount.

Following is a summary of fund balances as of June 30, 2023 and 2022:

<b>Governmental Funds</b>	<b>2023</b>	<b>2022</b>	<b>Increase (Decrease)</b>
General Fund	\$ 12,522,999	\$ 12,304,644	\$ 218,355
Special Revenue Fund	-	-	-
Student Activity Fund	461,203	486,342	(25,139)
Building Fund	873,999	76,687	797,312
Capital Outlay Fund	279,984	-	279,984
Debt Service Fund	-	1,991,770	(1,991,770)
District Activity Fund	175,771	163,003	12,768
Construction Fund	297,622	1,258,393	(960,771)
Total governmental funds	<u>\$ 14,611,578</u>	<u>\$ 16,280,839</u>	<u>\$ (1,669,261)</u>

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

**GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with directives from the Kentucky Department of Education (KDE) and Kentucky law, the budgets of the District funds' budgets are prepared to account for most transactions on a cash receipt/cash disbursement/encumbrance basis. The KDE requires a budget in which any budgeted remaining fund balance is shown as a contingency expense and any amounts being accumulated for other purposes are ultimately shown as unspent or over-budgeted expenditures. By law, the budget must have a minimum 2.00% contingency. The District adopted a General Fund budget with a contingency of \$2.6M or 7.54%. Over the course of the year, the District revises the annual operating budget as circumstances dictate or as required by KDE.

The General Fund budget included \$10M of state payments on behalf of District employees for retirement and health benefits. These payments are reflected in the GAAP basis actual amounts as state program revenues and in each type of expenditure in relation to wages paid, with the major portion contained in instructional expenditures. Local revenues are budgeted conservatively resulting in a favorable variance of local revenues for the year.

- The District's total revenues for General Fund activities for the fiscal year ended June 30, 2023, excluding interfund transfers and beginning balances, were \$31.9M compared to the total budgeted revenues of \$28.6M.
- The District's total expenditures for General Fund activities for the fiscal year ended June 30, 2023, excluding interfund transfers, were \$30M compared to the total budgeted expenditures of \$34.5M.
- The fund balance at the end of the 2023 fiscal year for all Governmental Funds was \$14.6M compared to \$16.3M in the prior year.

Significant Board action that impacts the District's finances includes the award of multiple contracts and salary increases mandated by the Legislature.

Special Revenue Fund (Fund 2) is made up of state, local and federal grants. These grants include Title I, Preschool, Special Education and others. These funds have restricted use, according to the guidelines for each. Expenditures include salaries and benefits, supplies and transportation.

SEEK Capital Outlay Fund (Fund 310) and FSPK Building Fund (Fund 320) are restricted funds for capital projects. The State contributes to Fund 310.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – At June 30, 2023, the District had \$35.6M invested in capital assets net of depreciation; historical cost totaled \$82.4M with accumulated depreciation totaling \$47M. These assets include school, athletic and support facilities, as well as technology, food service and other equipment. Expenditures for acquisitions and improvements during the year totaled \$4M. Depreciation charged to expense during the year totaled \$2.5M, the majority of which was charged to governmental functions. More detailed information relating to capital assets may be found in Note 3 to the financial statements.

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

Following is a summary of capital assets, net of depreciation, as of June 30, 2023 and 2022:

**Net Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>District Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 1,207,760	\$ 1,207,758	\$ -	\$ -	\$ 1,207,760	\$ 1,207,758
Land improvements	536,023	583,359	-	-	536,023	583,359
Construction in progress	75,358	10,903,954	-	-	75,358	10,903,954
Buildings and improvements	31,196,800	19,442,640	56,113	28,433	31,252,913	19,471,073
Technology equipment	196,638	56,192	-	-	196,638	56,192
General equipment	501,478	357,853	-	-	501,478	357,853
Vehicles	1,599,503	1,303,969	-	-	1,599,503	1,303,969
Food service equipment	-	-	215,351	152,045	215,351	152,045
<b>Total</b>	<b>\$ 35,313,560</b>	<b>\$ 33,855,725</b>	<b>\$ 271,464</b>	<b>\$ 180,478</b>	<b>\$ 35,585,024</b>	<b>\$ 34,036,203</b>

**Long-term Debt** – The District’s long-term general obligation bonds outstanding at June 30, 2023 were \$18.2M. Of that amount, the Kentucky SFCC has agreed to make a portion of the principal and interest payment under agreements previously described. Though the District is liable for the full amount of the bonds and the full amount is recorded on the financial statements, the SFCC has agreed to pay \$2.6M of the bonds leaving the District to pay \$15.6M.

The State must approve the issuance of any new bonds of the District.

More detailed information about the District’s long-term liabilities may be found in Note 4 to the financial statements.

**OUTLOOK FOR THE FUTURE**

The most crucial aspect in the financial future of the District is continued adequate funding from the state. The District’s major source of revenue is state aid, primarily Kentucky SEEK funding.

The District’s financial position is contingent upon legislation and factors related to property taxation in conjunction with decisions made by the District’s Board management. The District remains committed to utilizing resources to provide the maximum benefit to students and provide them with a quality education. This involves closely monitoring legislation and seeking new sources of revenues through grant writing, etc.

**CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District’s finances, comply with finance-related laws and regulations and demonstrate the District’s commitment to public accountability. Questions regarding this report should be directed to the District Finance Officer at the following address: Calloway County Board of Education, 2110 College Farm Road, Murray, Kentucky 42071.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,969,207	\$ 1,675,387	\$ 15,644,594
Accounts receivable			
Taxes	151,394	-	151,394
Other	25,136	97,323	122,459
Intergovernmental - indirect federal	1,385,207	-	1,385,207
Inventory	-	178,836	178,836
Capital assets			
Non-depreciable	1,283,118	-	1,283,118
Depreciable (net)	34,030,442	271,464	34,301,906
Joint venture rights	2,441,283	-	2,441,283
<b>Total assets</b>	<b>53,285,787</b>	<b>2,223,010</b>	<b>55,508,797</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
OPEB related	5,605,401	336,724	5,942,125
Pension related	2,084,139	500,818	2,584,957
Deferred amount on refunding of debt	114,664	-	114,664
<b>Total deferred outflows of resources</b>	<b>7,804,204</b>	<b>837,542</b>	<b>8,641,746</b>
<b>LIABILITIES</b>			
Accounts payable	4,625	-	4,625
Cash overdraft	-	19,711	19,711
Unearned revenue	914,741	-	914,741
Accrued interest	140,432	-	140,432
Long-term obligations			
Portion due or payable within one year			
Bonds payable	1,034,962	-	1,034,962
Compensated absences	86,400	3,269	89,669
Portion due or payable after one year			
Bonds payable	17,220,215	-	17,220,215
Compensated absences	162,488	27,738	190,226
Net OPEB liability	9,280,860	560,001	9,840,861
Net pension liability	7,252,767	1,968,129	9,220,896
<b>Total liabilities</b>	<b>36,097,490</b>	<b>2,578,848</b>	<b>38,676,338</b>

Continued

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

	Governmental Activities	Business- type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
OPEB related	4,246,620	307,339	4,553,959
Pension related	853,596	265,031	1,118,627
Total deferred inflows of resources	<u>5,100,216</u>	<u>572,370</u>	<u>5,672,586</u>
<b>NET POSITION</b>			
Net investment in capital assets	17,220,871	271,464	17,492,335
Restricted	2,448,579	-	2,448,579
Unrestricted	222,835	(362,130)	(139,295)
Total net position	<u>\$ 19,892,285</u>	<u>\$ (90,666)</u>	<u>\$ 19,801,619</u>

See accompanying notes to financial statements

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

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Instruction	\$ 27,202,016	\$ -	\$ 14,733,646	\$ -	\$ (12,468,370)	\$ -	\$ (12,468,370)
Support services							
Student	1,340,215	-	691,450	-	(648,765)	-	(648,765)
Instructional staff	1,682,163	-	731,533	-	(950,630)	-	(950,630)
District administration	1,013,450	-	257,751	-	(755,699)	-	(755,699)
School administration	1,804,625	-	662,710	-	(1,141,915)	-	(1,141,915)
Business	776,046	-	311,569	-	(464,477)	-	(464,477)
Plant operations and maintenance	3,550,746	-	383,951	-	(3,166,795)	-	(3,166,795)
Student transportation	2,542,520	-	928,904	-	(1,613,616)	-	(1,613,616)
Day care	137,972	-	-	-	(137,972)	-	(137,972)
Building acquisition and construction	75,669	-	-	-	(75,669)	-	(75,669)
Community service activities	383,217	-	395,822	-	12,605	-	12,605
Building improvements	(92,090)	-	-	-	92,090	-	92,090
Interest on long-term debt	486,335	-	-	-	(486,335)	-	(486,335)
<b>Total governmental activities</b>	<b>40,902,884</b>	<b>-</b>	<b>19,097,336</b>	<b>-</b>	<b>(21,805,548)</b>	<b>-</b>	<b>(21,805,548)</b>
<b>Business-type Activities</b>							
Food service	3,040,195	39,366	2,635,459	-	-	(365,370)	(365,370)
Day care	327,048	248,718	84,961	-	-	6,631	6,631
Adult education	79,631	-	79,631	-	-	-	-
<b>Total business-type activities</b>	<b>3,446,874</b>	<b>288,084</b>	<b>2,800,051</b>	<b>-</b>	<b>-</b>	<b>(358,739)</b>	<b>(358,739)</b>
<b>Total activities</b>	<b>\$ 44,349,758</b>	<b>\$ 288,084</b>	<b>\$ 21,897,387</b>	<b>\$ -</b>	<b>(21,805,548)</b>	<b>(358,739)</b>	<b>(22,164,287)</b>

Continued  
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**CALLOWAY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

	<b>Net(Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	(21,805,548)	(358,739)	(22,164,287)
<b>General Revenues</b>			
Taxes			
Property	9,226,532	-	9,226,532
Motor vehicle	1,606,555	-	1,606,555
Utilities	1,962,189	-	1,962,189
Other	266,241	-	266,241
Investment earnings	728,243	74,307	802,550
Other local revenue	419,153	-	419,153
Student activities	775,588	-	775,588
State aid	9,927,893	318,028	10,245,921
Gain (loss) on sale of fixed assets	2,107	-	2,107
Transfers	122,964	(122,964)	-
Miscellaneous	(187,372)	1,562	(185,810)
	24,850,093	270,933	25,121,026
Total general revenues			
Change in net position	3,044,545	(87,806)	2,956,739
<b>Net position, beginning of year</b>	16,847,740	(2,860)	16,844,880
<b>Net position, end of year</b>	\$ 19,892,285	\$ (90,666)	\$ 19,801,619

See accompanying notes to financial statements



**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

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

	General Fund	Special Revenue	Nonmajor Governmental	Total Governmental
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,880,628	\$ -	\$ 2,088,579	\$ 13,969,207
Receivables				
Taxes	148,867	2,527	-	151,394
Intergovernmental - indirect federal	-	1,385,207	-	1,385,207
Other	25,136	-	-	25,136
Interfund receivable	472,993	-	-	472,993
<b>Total assets</b>	<b><u>\$ 12,527,624</u></b>	<b><u>\$ 1,387,734</u></b>	<b><u>\$ 2,088,579</u></b>	<b><u>\$ 16,003,937</u></b>

Continued

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

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 4,625	\$ -	\$ -	\$ 4,625
Interfund payable	-	472,993	-	472,993
Unearned revenue	-	914,741	-	914,741
	<u>4,625</u>	<u>1,387,734</u>	<u>-</u>	<u>1,392,359</u>
Total liabilities				
Fund balances				
Nonspendable	-	-	-	-
Spendable				
Restricted	360,000	-	2,088,579	2,448,579
Committed	3,639,256	-	-	3,639,256
Assigned	-	-	-	-
Unassigned	8,523,743	-	-	8,523,743
	<u>12,522,999</u>	<u>-</u>	<u>2,088,579</u>	<u>14,611,578</u>
Total fund balances				
	<u>12,522,999</u>	<u>-</u>	<u>2,088,579</u>	<u>14,611,578</u>
Total liabilities and fund balances	<u>\$ 12,527,624</u>	<u>\$ 1,387,734</u>	<u>\$ 2,088,579</u>	<u>\$ 16,003,937</u>

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

Total fund balance per fund financial statements	\$ 14,611,578
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and are not reported as assets in governmental funds. The cost of the assets is \$80,918,442 and the accumulated depreciation is \$45,604,882	35,313,560
Certain long-term assets related to current and prior bond issues are not reported in the governmental funds because they are not available to pay current period expenditures. These assets are, however, included in the statement of net position.	114,664
Deferred outflows of resources related to pensions and OPEB are not reported in the governmental fund because the consumption of net position will occur in future periods.	7,689,540
Deferred inflows of resources related to pensions and OPEB are not reported in the governmental fund because the acquisition of net position will occur in future periods.	(5,100,216)
Joint ventures are not reported in the governmental funds because current financial resources are not required. This investment is, however, included in the statement of net position.	2,441,283
Long-term liabilities, including interest payable, are not due and payable in the current period and are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds	(18,255,177)
Accrued interest on bonds	(140,432)
Accrued sick leave payable	(248,888)
Pension liability	(7,252,767)
OPEB liability	(9,280,860)
Net position of governmental activities	<u><u>\$ 19,892,285</u></u>

See accompanying notes to financial statements

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

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 8,074,123	\$ -	\$ 1,152,409	\$ 9,226,532
Motor vehicle	1,606,555	-	-	1,606,555
Utilities	1,962,189	-	-	1,962,189
Other	266,241	-	-	266,241
Earnings on investments	665,457	-	62,786	728,243
Other local revenues	131,368	287,785	-	419,153
Student activities	-	-	775,588	775,588
Intergovernmental - state	19,097,335	1,878,579	791,954	21,767,868
Intergovernmental - federal	68,657	7,188,703	-	7,257,360
	<u>31,871,925</u>	<u>9,355,067</u>	<u>2,782,737</u>	<u>44,009,729</u>
Total revenues				

Continued

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

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b>EXPENDITURES</b>				
Current				
Instruction	18,912,631	6,949,664	797,689	26,659,984
Support services				
Student	934,168	389,799	2,634	1,326,601
Instructional staff	1,435,915	238,690	7,558	1,682,163
District administration	1,009,380	-	-	1,009,380
School administration	1,767,793	35,532	1,101	1,804,426
Business support services	964,476	-	-	964,476
Plant operations and maintenance	2,537,060	260,915	627	2,798,602
Student transportation	2,191,890	662,089	-	2,853,979
Day care	-	137,972	-	137,972
Community service	-	383,217	-	383,217
Building acquisitions and construction	-	-	1,455,086	1,455,086
Site improvement	75,669	-	-	75,669
Building improvements	-	-	1,186,840	1,186,840
Debt service	-	-	3,465,667	3,465,667
	<u>29,828,982</u>	<u>9,057,878</u>	<u>6,917,202</u>	<u>45,804,062</u>
Total expenditures				

Continued

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

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Excess (deficit) of revenues over (under) expenditures	2,042,943	297,190	(4,134,465)	(1,794,332)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from disposal of fixed assets	2,107	-	-	2,107
Transfers in	497,825	77,670	2,860,763	3,436,258
Transfers (out)	<u>(2,324,520)</u>	<u>(374,860)</u>	<u>(613,914)</u>	<u>(3,313,294)</u>
Total other financing sources (uses)	<u>(1,824,588)</u>	<u>(297,190)</u>	<u>2,246,849</u>	<u>125,071</u>
Net changes in fund balances	218,355	-	(1,887,616)	(1,669,261)
<b>Fund balances, beginning of year</b>	<u>12,304,644</u>	<u>-</u>	<u>3,976,195</u>	<u>16,280,839</u>
<b>Fund balances, end of year</b>	<u><u>\$ 12,522,999</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,088,579</u></u>	<u><u>\$ 14,611,578</u></u>

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

Net change in fund balance - total governmental funds \$ (1,669,261)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses exceeded capital outlay in the current period:

Capital outlay	3,900,991
Depreciation expense	(2,443,156)

Joint ventures are only reported in governmental funds to the extent that current financial resources are required. In the government-wide financial statements, the entire investment is reported as a single amount adjusted for any profit or loss. (187,371)

Bond proceeds are reported as other financing sources in governmental funds and contribute to the change in fund balance. However, in the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of bond principal is an expenditure in the government funds financial statements but is a reduction of the liability in the statement of net position.

Bond repayments	2,990,000
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Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:

Deferred other postemployment benefits	43,240
Deferred pension	321,087
Accumulated sick leave - noncurrent portion	99,684
Amortization of bond discount/premium	4,962
Amortization on refunding debt	(21,840)
Accrued interest on bonds	6,209
	6,209

Change in net position of governmental activities	\$ 3,044,545
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See accompanying notes to the financial statements



**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

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

	Food Service	School Age Child Care	Adult Education	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,557,412	\$ 117,975	\$ -	\$ 1,675,387
Accounts receivable	77,612	-	19,711	97,323
Inventory	178,836	-	-	178,836
Total current assets	<u>1,813,860</u>	<u>117,975</u>	<u>19,711</u>	<u>1,951,546</u>
Noncurrent assets				
Capital assets	1,460,890	15,067	-	1,475,957
Less: accumulated depreciation	<u>(1,189,427)</u>	<u>(15,067)</u>	<u>-</u>	<u>(1,204,494)</u>
Total noncurrent assets	<u>271,463</u>	<u>-</u>	<u>-</u>	<u>271,463</u>
Total assets	<u>2,085,323</u>	<u>117,975</u>	<u>19,711</u>	<u>2,223,009</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
OPEB related	279,013	57,711	-	336,724
Pension related	<u>471,451</u>	<u>29,367</u>	<u>-</u>	<u>500,818</u>
Total deferred outflows of resources	<u>750,464</u>	<u>87,078</u>	<u>-</u>	<u>837,542</u>

Continued

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

	<u>Food Service</u>	<u>School Age Child Care</u>	<u>Adult Education</u>	<u>Total</u>
<b>LIABILITIES</b>				
Current liabilities				
Cash overdraft	-	-	19,711	19,711
Accrued sick leave	3,269	-	-	3,269
Total current liabilities	<u>3,269</u>	<u>-</u>	<u>19,711</u>	<u>22,980</u>
Long-term liabilities				
Accrued sick leave	27,738	-	-	27,738
Net OPEB liability	512,340	47,661	-	560,001
Net pension liability	1,796,075	172,054	-	1,968,129
Total noncurrent liabilities	<u>2,336,153</u>	<u>219,715</u>	<u>-</u>	<u>2,555,868</u>
Total liabilities	<u>2,339,422</u>	<u>219,715</u>	<u>19,711</u>	<u>2,578,848</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
OPEB related	274,691	32,648	-	307,339
Pension related	237,101	27,930	-	265,031
Total deferred inflows of resources	<u>511,792</u>	<u>60,578</u>	<u>-</u>	<u>572,370</u>
<b>NET POSITION</b>				
Net investment in capital assets	271,464	-	-	271,464
Unrestricted	(286,890)	(75,240)	-	(362,130)
Total net position	<u>\$ (15,426)</u>	<u>\$ (75,240)</u>	<u>\$ -</u>	<u>\$ (90,666)</u>

See accompanying notes to the financial statements

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

	Food Service	School Age Child Care	Adult Education	Total
<b>OPERATING REVENUES</b>				
Lunchroom sales	\$ 39,366	\$ -	\$ -	\$ 39,366
Community service activities	-	248,718	-	248,718
<b>Total operating revenues</b>	<b>39,366</b>	<b>248,718</b>	<b>-</b>	<b>288,084</b>
<b>OPERATING EXPENSES</b>				
Salaries, wages and benefits	1,285,121	291,009	75,961	1,652,091
Materials and supplies	1,607,025	28,587	3,330	1,638,942
Depreciation	43,829	-	-	43,829
Contract services	95,704	2,712	-	98,416
Other	8,516	4,740	340	13,596
<b>Total operating expenses</b>	<b>3,040,195</b>	<b>327,048</b>	<b>79,631</b>	<b>3,446,874</b>
Operating income (loss)	(3,000,829)	(78,330)	(79,631)	(3,158,790)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	74,308	-	-	74,308
Donated commodities	182,261	-	-	182,261
Grants - child nutrition program	2,453,198	-	-	2,453,198
State on-behalf payments	222,589	79,553	-	302,142
State grants	95,439	5,408	79,631	180,478
Other	1,562	-	-	1,562
<b>Total non-operating revenues (expenses)</b>	<b>3,029,357</b>	<b>84,961</b>	<b>79,631</b>	<b>3,193,949</b>
Transfers (out)	(122,964)	-	-	(122,964)
Change in net position	(94,436)	6,631	-	(87,805)
<b>Net position, beginning of year</b>	<b>79,010</b>	<b>(81,871)</b>	<b>-</b>	<b>(2,861)</b>
<b>Net position, end of year</b>	<b>\$ (15,426)</b>	<b>\$ (75,240)</b>	<b>\$ -</b>	<b>\$ (90,666)</b>

See accompanying notes to the financial statements

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

	School Food Service	School Age Child Care	Adult Education	Total
<b>Cash flows from operating activities</b>				
Cash received from				
Lunchroom sales	\$ 33,148	\$ -	\$ -	\$ 33,148
Community service activities	-	248,718	-	248,718
Cash paid to/for				
Employees	(1,079,591)	(216,856)	(75,961)	(1,372,408)
Supplies	(1,498,466)	(28,587)	(4,587)	(1,531,640)
Contract services	(104,220)	(7,452)	-	(111,672)
<b>Net cash provided (used) by operating activities</b>	<u>(2,649,129)</u>	<u>(4,177)</u>	<u>(80,548)</u>	<u>(2,733,854)</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in (out)	(122,964)	-	-	(122,964)
Other receipts (expenses)	1,562	-	-	1,562
Government grants	2,548,637	5,408	79,631	2,633,676
<b>Net cash provided (used) by noncapital financing activities</b>	<u>2,427,235</u>	<u>5,408</u>	<u>79,631</u>	<u>2,512,274</u>
<b>Cash flows from investing activities</b>				
Purchase of fixed assets	(134,815)	-	-	(134,815)
Receipt of interest income	74,308	-	-	74,308
<b>Net cash provided (used) by investing activities</b>	<u>(60,507)</u>	<u>-</u>	<u>-</u>	<u>(60,507)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(282,401)	1,231	(917)	(282,087)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,839,814</u>	<u>116,744</u>	<u>(18,793)</u>	<u>1,937,765</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,557,413</u>	<u>\$ 117,975</u>	<u>(19,710)</u>	<u>\$ 1,655,678</u>

Continued

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

	School Food Service	School Age Child Care	Adult Education	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (3,000,829)	\$ (78,330)	\$ (79,631)	\$ (3,158,790)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>				
Depreciation	43,829	-	-	43,829
Donated commodities	182,261	-	-	182,261
State on-behalf payments	222,589	79,553	-	302,142
Changes in assets and liabilities				
Accounts receivable	(6,218)	-	(917)	(7,135)
Inventory	(73,704)	-	-	(73,704)
Compensated absences	13,849	-	-	13,849
OPEB	29,047	(33,430)	-	(4,383)
Pension	(59,953)	28,030	-	(31,923)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (2,649,129)</b>	<b>\$ (4,177)</b>	<b>\$ (80,548)</b>	<b>\$ (2,733,854)</b>
<b>Schedule of non-cash transactions</b>				
Donated commodities received from federal government	\$ 182,261	\$ -	\$ -	\$ 182,261
On-behalf payments	222,589	79,553	-	302,142

See accompanying notes to the financial statements

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

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

	<u>Private Purpose Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 70,198</u>
Total assets	<u><u>70,198</u></u>
<b>NET POSITION</b>	
Net position held in trust	<u>70,198</u>
Total net position	<u><u>\$ 70,198</u></u>

See accompanying notes to the financial statements



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

	Private Purpose Trust
<b>ADDITIONS</b>	
Interest income	\$ 2,935
Total additions	2,935
<b>DEDUCTIONS</b>	
Support services	
Instructional staff support services	22,920
Community services	2,300
Total deductions	25,220
Change in net position	(22,285)
<b>Net position, beginning of year</b>	<b>92,483</b>
<b>Net position, end of year</b>	<b>\$ 70,198</b>

See accompanying notes to the financial statements

**NOTES TO FINANCIAL STATEMENTS**

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

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

Nature of Operations

The Calloway 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 education within the jurisdiction of the Calloway County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not a component unit of any other governmental "reporting entity". 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's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

In accordance with Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, agencies, boards, commissions and authorities for which the District is financially accountable. The District has also considered all other potential organizations for which the nature and significance of their relationships with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the District to impose its will on that organization or 2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. In addition, the GASB Statement No. 39, as amended by GASB Statement No. 61, sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units or its constituents, 2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the organization and 3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, there are no other organizations which should be included in these basic financial statements.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the District. 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 Calloway County School District Finance Corporation are included in the accompanying financial statements. In 1993, the Board authorized the establishment of the Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The Board members of the Calloway County Board of Education also comprise the Corporation's Board of Directors.

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

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

Basis of Presentation

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Interfund services provided and used are not eliminated in the process of consolidation for these statements.

The statement of net position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* – Results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – Consists of net position that does not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

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

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

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

The *General Fund* is the main operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the fund consists primarily of local property taxes and state governmental aid. This is a major fund of the District.

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

The *Special Revenue (Grant Fund)* includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods, as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *Special Revenue District Activity Fund* includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special Revenue Student Activity Fund* accounts for money held by the District on behalf of the students who have raised these funds and are responsible for their disposition for co-curricular to extracurricular activities of the District.

*Capital Projects 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 Funds).

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

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

The *Construction Fund* accounts for proceeds from sales of bonds and other revenue to be used for authorized construction. This is a major fund.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Revenue of the fund primarily consists of local property taxes. This is a major fund of the District.

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

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

Proprietary Fund Types

Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

*Enterprise Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The District has the following enterprise funds:

The *School Food Service Fund* accounts for the food service operations of the District.

The *Day Care Fund* is used to account for day care operations of the District.

The *Adult Education Fund* is used to account for specific needs and purposes related to adult education.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

The *Private Purpose Trust Fund* is used to report trust arrangements which benefit individuals, private organizations or other governments.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. The District also reports a fiduciary fund which focuses on net position and changes in net position. The fiduciary fund reports on the accrual basis of accounting.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues – Exchange and Nonexchange Transactions

Property taxes, other taxes, grants, entitlements and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which it is budgeted. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's proprietary funds are charges for food sales or tuition and fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs and then general revenues.

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure to restricted fund balance and then to less restrictive classifications—committed, assigned and then unassigned fund balances.

The Significant Accounting Policies Followed by the District Include the Following:

**Cash and Cash Equivalents**

The District considers demand deposits, money market accounts and time deposits that are nonnegotiable to be cash and cash equivalents for the governmental, proprietary and fiduciary funds. This definition is also used for the proprietary funds' statement of cash flows.

The District may invest funds in a bank depository selected by the Board, bonds of the United States, or instruments issued by political subdivisions of Kentucky; however, such investments must be approved by the Kentucky Department of Education.

**Investments**

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), derivatives and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. International stocks are then adjusted to reflect the current exchange rate of the underlying currency. Investments, for which no national exchanges or pricing services exist, such as private equity assets, are valued at fair value by the investment partnership based on the valuation methodology outlined in the partnership agreement. Real estate may be valued by the manager or independent appraisers. Commingled assets that are not traded on a national exchange are valued by the commingled manager. The District performs due diligence reviews of the investment pricing, process and infrastructure of private equity, commingled and real estate investments to assure that the asset values provided by the managers are available.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to the District's investment operations, as well as the internal administrative expenses associated with the District's investment program.



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

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

Property Taxes Receivable

Property taxes receivable in the governmental funds are accounted for using the modified accrual basis of accounting.

Property taxes collected are recorded as revenues in the fund for which they were levied. Property taxes are levied on the assessed value listed as of the prior January 1 for all real, business and personal property located in the District. The usual collection date is the period of November 1 through December 31. Taxes become delinquent after December 31.

The property tax rates for the year ended June 30, 2023, to finance the General Fund operations, were \$.465 per \$100 valuation for real property, \$.465 per \$100 valuation for business tangible personal property and \$.521 per \$100 valuation for motor vehicles.

Inventories

Inventories are valued at cost, which approximates market. The Food Service Fund uses the specific identification method, and the General Fund uses the first-in, first-out method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method.

Prepaid Expenditures

Payments made that will benefit periods beyond the end of the fiscal year 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 an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Certain investments of the District's Debt Service Fund are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in a separate account.

Capital Assets

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

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for all assets, including technology, which has a useful life of more than one year. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the value of the asset or materially extend an asset’s life are not. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

Description	Estimated Lives for Depreciation
Buildings and improvements	25 - 50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5 - 10 years
Food service equipment	12 years
General equipment	5 - 10 years
Software	7 years

**Unearned Revenue**

Proprietary funds defer revenue recognition in connection with resources that have been received, but not earned. Unearned revenue in governmental funds arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue. Unearned revenue consists primarily of school registration fees and meal revenues collected for the programs and services in the next school year.

**Debt Premiums and Discounts**

Unamortized premiums and discounts associated with bond issues are amortized over the lives of the related bonds using the straight-line method and are an addition (premium) or deduction (discount) to the debt balances in the government-wide statements.

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

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

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions and Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate financial statement element, *deferred outflows of resources*, which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category: the deferred outflows of resources related to the net pension liability described in Note 12, the net OPEB liability described in Note 13 and the deferred amount on refunding of debt.

In addition to liabilities, the statement of net position will sometimes report a separate financial statement element, *deferred inflows of resources*, which represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category: the deferred inflows of resources related to the net pension liability as described in Note 12 and the net OPEB liability described in Note 13.

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

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

Cash Flows

For the purposes of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Education intends to use for specific purposes. The authority to assign fund balances has been designated by the District's Board of Education to the Finance Officer.

Unassigned – All amounts not included in other spendable classifications as well as any deficit fund balance of any other governmental fund is reported as unassigned.

The District's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the District considers committed funds to be expended first followed by assigned funds and then unassigned.

Net Position

In proprietary funds, fiduciary funds and government-wide financial statements, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

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

Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Interfund activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after 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.

Estimates

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

Subsequent Events

Subsequent events have been evaluated through November 15, 2023, which is the date the financial statements were available to be issued.

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

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. As stipulated by KRS 41.240(4), all deposits are collateralized with eligible securities or other obligations having an aggregate current face value or current quoted market value at least equal to the deposits. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4).

At June 30, 2023, the carrying amount of the District's deposits was \$15,695,081 and the bank balance was \$17,537,519. Of the District's bank balance, \$17,287,519 was collateralized while \$250,000 was covered by Federal Deposit Insurance.

For purposes of the statement of cash flows, the District considers all investments with a maturity of three months or less when purchased to be cash equivalents.

The carrying amounts are reflected in the financial statements as follows:

Reconciliation to government-wide statement of net position:	
Unrestricted cash, including time deposits	\$ 15,624,883
Private purpose trust cash, including time deposits (not included in government-wide statement)	70,198
	<u>\$ 15,695,081</u>

These amounts are reported in the financial statements, as follows:

Governmental funds	\$ 13,969,207
Business-type funds	1,655,676
Fiduciary funds	70,198
	<u>\$ 15,695,081</u>

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

**NOTE 3 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Capital assets not depreciated				
Land	\$ 1,207,760	\$ -	\$ -	\$ 1,207,760
Construction in progress	10,903,954	75,360	10,903,956	75,358
Total non-depreciable historical cost	<u>12,111,714</u>	<u>75,360</u>	<u>10,903,956</u>	<u>1,283,118</u>
Capital assets depreciated				
Land improvements	2,400,237	-	-	2,400,237
Buildings and improvements	54,839,056	13,751,040	-	68,590,096
Technology equipment	1,384,992	174,792	4,091	1,555,693
Vehicles	4,888,101	617,049	-	5,505,150
General equipment	1,397,442	186,706	-	1,584,148
Total depreciable historical cost	<u>64,909,828</u>	<u>14,729,587</u>	<u>4,091</u>	<u>79,635,324</u>
Less: accumulated depreciation				
Land improvements	1,816,878	47,336	-	1,864,214
Buildings and improvements	35,396,416	1,996,880	-	37,393,296
Technology equipment	1,328,800	34,346	4,091	1,359,055
Vehicles	3,584,134	321,513	-	3,905,647
General equipment	1,039,589	43,081	-	1,082,670
Total accumulated depreciation	<u>43,165,817</u>	<u>2,443,156</u>	<u>4,091</u>	<u>45,604,882</u>
Total depreciable historical cost - net	<u>21,744,011</u>	<u>12,286,431</u>	<u>-</u>	<u>34,030,442</u>
Governmental activities capital assets - net	<u>\$ 33,855,725</u>	<u>\$ 12,361,791</u>	<u>\$ 10,903,956</u>	<u>\$ 35,313,560</u>

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

**NOTE 3 – CAPITAL ASSETS, continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
Instruction	\$1,367,539
Support services	
Student	13,614
District administration	4,070
School administration	199
Plant operations and maintenance	752,144
Student transportation	305,590
	\$2,443,156

Business-type Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets depreciated				
Buildings and improvements	\$ 348,953	\$ -	\$ -	\$ 348,953
Technology equipment	31,069		-	31,069
General equipment	994,744	134,815	33,624	1,095,935
	1,374,766	134,815	33,624	1,475,957
Total depreciable historical cost				
Less: accumulated depreciation				
Buildings and improvements	320,520	5,943	33,624	292,839
Technology equipment	31,069	-	-	31,069
Food service equipment	842,699	37,885	-	880,584
	1,194,288	43,828	33,624	1,204,492
Total accumulated depreciation				
Business-type activities capital assets - net	\$ 180,478	\$ 90,987	\$ -	\$ 271,464



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

**NOTE 4 – LONG-TERM OBLIGATIONS**

The District's debt is the responsibility of the governmental activities.

The original amount of each bond issue, the bond issue dates, interest rates and maturity dates are summarized below:

<u>Issue</u>	<u>Proceeds</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>
2007 (QZAB)	\$ 2,000,000	5.58%	2023
2013	5,995,000	1.70% - 4.125%	2034
2014	2,765,000	0.90% - 3.00%	2030
2016	2,955,000	2.00% - 2.10%	2028
2021	10,735,000	2.00%	2041

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

In 1986, the District entered into "participation agreements" with the School Facilities Construction Commission (SFCC). The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

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

<u>Year</u>	<u>Calloway County School District</u>		<u>School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 806,434	\$ 402,235	\$ 223,566	\$ 59,349	\$ 1,491,584
2025	856,557	383,217	228,443	54,466	1,522,683
2026	901,565	363,085	233,435	49,474	1,547,559
2027	951,359	340,882	238,641	44,270	1,575,152
2028	1,005,719	315,336	244,281	38,628	1,603,964
2029-2033	4,979,000	1,146,748	701,000	128,581	6,955,329
2034-2038	3,806,605	459,029	443,395	51,053	4,760,082
2039-2042	2,323,150	94,160	251,850	10,143	2,679,303
	<u>\$ 15,630,389</u>	<u>\$ 3,504,692</u>	<u>\$ 2,564,611</u>	<u>\$ 435,964</u>	<u>\$ 22,135,656</u>

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

**NOTE 4 – LONG-TERM OBLIGATIONS, continued**

Changes in long-term liabilities are as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation debt	\$ 21,185,000	\$ -	\$ 2,990,000	\$ 18,195,000	\$ 1,030,000
Premium (discounts)	65,139	-	4,962	60,177	4,962
Total bonds payable	<u>21,250,139</u>	<u>-</u>	<u>2,994,962</u>	<u>18,255,177</u>	<u>1,034,962</u>
Other liabilities					
Compensated absences	348,570	-	99,682	248,888	86,400
Net OPEB liability	6,373,150	2,907,710	-	9,280,860	-
Net pension liability	6,104,141	1,148,626	-	7,252,767	-
Total other liabilities	<u>12,825,861</u>	<u>4,056,336</u>	<u>99,682</u>	<u>16,782,515</u>	<u>86,400</u>
Total long-term liabilities	<u>\$ 34,076,000</u>	<u>\$ 4,056,336</u>	<u>\$ 3,094,644</u>	<u>\$ 35,037,692</u>	<u>\$ 1,121,362</u>
<b>Business-type activities</b>					
Other liabilities					
Compensated absences	\$ 17,158	\$ 13,849	\$ -	\$ 31,007	\$ 3,269
Net OPEB liability	524,182	35,819	-	560,001	-
Net pension liability	1,681,840	286,289	-	1,968,129	-
Total other liabilities	<u>\$ 2,223,180</u>	<u>\$ 335,957</u>	<u>\$ -</u>	<u>\$ 2,559,137</u>	<u>\$ 3,269</u>

As explained in Note 1, payments on the District's bonds are made by the Debt Service Fund. The compensated absences and insurance assessment will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

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

**NOTE 5 – COMPENSATED ABSENCES**

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be funded with current year's economic financial resources. These amounts are recorded in the account "accrued sick leave payable" in the General Fund. Management has estimated that the amount for governmental activities will be approximately \$248,888, with \$86,400 considered the short-term portion and \$162,488 considered the long-term portion. Management has estimated the amount for business-type activities will be approximately \$31,007, with \$3,269 considered the short-term portion and \$27,738 considered the long-term portion.

**NOTE 6 – NET POSITION DEFICIT BALANCE**

The School Food Service Fund has a deficit balance of (\$15,426). Day Care Fund has a deficit balance of (\$75,240). Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of (\$193,215), Day Care has a net position of \$117,975. Excluding the effect on net position of GASB 68 related pension accounts and of GASB 75 related OPEB accounts of (\$2,069,743), School Food Service has a net position of \$2,054,316. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 7 – FUND BALANCE REPORTING**

Following is a summary of designations of fund balance at June 30, 2023:

	<u>General</u>	<u>Special Revenue</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted				
Future construction	-	-	873,999	873,999
Capital outlay	-	-	577,606	577,606
Sick leave	360,000	-	-	360,000
Student activity funds	-	-	461,203	461,203
District activity funds	-	-	175,771	175,771
Debt service	-	-	-	-
Committed				
Site-based carryforward	139,256	-	-	139,256
Future construction	3,500,000	-	-	3,500,000
Assigned	-	-	-	-
Unassigned	<u>8,523,743</u>	<u>-</u>	<u>-</u>	<u>8,523,743</u>
	<u>\$ 12,522,999</u>	<u>\$ -</u>	<u>\$ 2,088,579</u>	<u>\$ 14,611,578</u>

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

**NOTE 8 – TRANSFER OF FUNDS**

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General	Special Revenue	KETS	\$ 57,385
General	Special Revenue	Set up BB Video Board Project	20,284
General	Construction	Auxiliary Gym	1,669,776
General	Debt Service	Debt Service	577,073
Special Revenue	General	Indirect Costs	374,804
Special Revenue	General	Closed Old Local Grants	56
Food Service	General	Indirect Costs	122,965
Building	Debt Service	Debt Service	613,915
			<b>\$ 3,436,258</b>

**NOTE 9 – DEFICIT OPERATING FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance.

Construction fund experienced a net decrease in fund balance of (\$960,771). Debt service fund experienced a net decrease in fund balance of (\$1,991,770). Student Activity fund experienced a net decrease in fund balance of (\$25,139).

**NOTE 10 – ON-BEHALF PAYMENTS**

The Kentucky State Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2023:

Health insurance	\$ 3,983,233
Life insurance	5,133
Administrative fee	41,004
Health reimbursement account - HRA/dental/vision	140,016
	4,169,386
Federal reimbursements of health benefits	(504,692)
	3,664,694
KTRS OPEB and pension fund	6,418,118
Technology	103,369
SFCC debt service	282,910
	\$ 10,469,091

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

**NOTE 10– ON-BEHALF PAYMENTS, continued**

The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental activities	
General Fund	\$ 9,884,039
Debt Service Fund	282,910
Business-type activities	
Food Service Fund	222,589
Day Care	79,553
	\$ 10,469,091

**NOTE 11 – PENSION PLANS**

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

**General Information about the County Employees Retirement System Non-Hazardous (CERS) Pension Plan**

*Plan description* – Full-time employees whose positions do not require a degree beyond high school diploma are covered by CERS, a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of the Kentucky Public Pensions Authority (KPPA). The CERS financial statements and other supplementary information are contained in the publicly available annual financial report of the KPPA. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided* – CERS provides retirement, death and disability benefits to Plan employees and beneficiaries. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years’ service or 65 years old
	Reduced retirement	At least 5 years’ service and 55 years old At least 25 years’ service and any age
	Required contributions	5.00%
Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	At least 5 years’ service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years’ service and 60 years old
	Required contributions	5.00% + 1.00% for insurance

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

**NOTE 11 – PENSION PLANS, continued**

Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
	Required contributions	5.00% + 1.00% for insurance

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

*Contributions* – Per Kentucky Revised Statute 61.565, normal contribution and past service contribution rates shall be determined by the Board of Trustees of the Kentucky Public Pensions Authority on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2022, plan members were required to contribute 5% of their annual creditable compensation. Plan members hired subsequent to September 1, 2008 were required to contribute 6% of their annual creditable compensation. The District is required to contribute at an actuarial determined rate. For the fiscal year ended June 30, 2023, participating employers contributed 23.40% of each employee's creditable compensation.

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

At June 30, 2023, the District reported a liability of \$9,220,896 for its proportionate share of the net pension liability. The net pension liability of the plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability was based on the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was 0.127554%.

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

**NOTE 11 – PENSION PLANS, continued**

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

For the measurement period ended June 30, 2022, the District recognized pension expense of \$744,533. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,858	\$ 82,116
Change of assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	1,254,688	1,018,297
Changes in proportion and difference between District contributions and proportionate share of contributions	273,202	18,214
District contributions subsequent to the measurement date	1,047,209	-
<b>Total</b>	<b>\$ 2,584,957</b>	<b>\$ 1,118,627</b>

The amount of \$1,047,209 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Years Ending June 30		
2023	\$	107,186
2024		127,476
2025		(77,487)
2026		261,946
Thereafter		-
<b>Total</b>	<b>\$</b>	<b>419,121</b>

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

**NOTE 11 – PENSION PLANS, continued**

*Actuarial assumptions* – For financial reporting, the actuarial valuation as of June 30, 2022 was performed by Gabriel Roeder Smith (GRS). The total pension liability, net pension liability and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date (June 30, 2020) to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumption or method changes since June 30, 2020. Additionally, there have been no plan provision changes that would materially affect the total pension liability since June 30, 2021.

Based on the June 30, 2020 actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions are below.

Determined by the	
Actuarial Valuation as of:	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 is recognized
Amortization Method:	Level percent of pay
Amortization Period:	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Investment Return:	6.25%
Inflation:	2.30%
Salary Increases:	3.30% to 10.30%, varies by service
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
Phase-in provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.



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

**NOTE 11 – PENSION PLANS, continued**

*Long-term rate of return* – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equity	50.00%	4.45%
Private equity	10.00%	10.15%
Core bonds	10.00%	28.00%
High yield	10.00%	2.28%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Cash	0.00%	-0.91%
 Total	 <u>100.00%</u>	

*Discount rate* – The discount rates used to measure the total pension liability for the measurement period with year ended June 30, 2022 was 6.25%. The projection of cash flows used to determine the discount rate of 6.25% for CERS Non-hazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

*Sensitivity of the District's proportionate share of net pension liability to changes in the discount rate* – The following table presents the District's proportionate share of the net pension liability, calculated using the discount rates selected by the pension system, 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 or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 11,524,976	\$ 9,220,896	\$ 7,315,231

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

**NOTE 11 – PENSION PLANS, continued**

*Pension plan fiduciary net position* – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of CERS.

*Payable to the pension plan* – At June 30, 2023, the District reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

**General information about the Teachers’ Retirement System of the State of Kentucky (KTRS) Pension Plan**

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

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

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

Participants who retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to 2.00% (service prior to July 1, 1983) and 2.50% percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2.00% of their final average salary for each year of service if, upon retirement, their total service was less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.50% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.50% to 3.00% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Participants hired on or after January 1, 2022, conditions for retirement are attainment age fifty-seven (57) and ten (10) years of service or age sixty-five (65) and five (5) years of service. The annual foundational benefit for non-university participants is equal to service times a multiplier times final average salary. The multiplier ranges from 1.70% to 2.40% based on age and years of service.

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

**NOTE 11 – PENSION PLANS, continued**

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 or the date the participant would have completed 30 years of service.

Final average salary is defined as the member’s five (5) highest salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. For members who entered on or after January 1, 2022, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

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

*Contributions* – Contribution rates are established by Kentucky Revised Statutes (KRS). For members who began participating before January 1, 2022, non-university members are required to contribute 12.855% of their salaries to the System. For members employed by local school districts, the Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105% of salaries for those who joined before July 1, 2008 and 14.105% for those who joined on or after July 1, 2008, and before January 1, 2022. For members who began participating on or after January 1, 2022, non-university members contribute 14.75% of their salaries to the system. Employers of non-university members, including the Commonwealth of Kentucky, as a non-employer contributing entity, contribute 10.75% of salaries. For local school district and regional cooperative members whose salaries are federally funded, the employer contributes 16.105% of salaries. If a member leaves covered employment before accumulating five (5) years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

At June 30, 2023, the District did not report a liability for its proportionate share of the net pension liability, because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District:

Commonwealth's proportionate share of KTRS net pension liability associated with the District	\$ 68,832,866
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**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023**

**NOTE 11 – PENSION PLANS, continued**

The total pension liability was rolled forward from the actuarial valuation date of June 30, 2021 to the plan’s fiscal year ended June 30, 2022, using generally accepted actuarial principles. The District’s proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary.

For the measurement period ended June 30, 2022, the District recognized pension expense of \$2,510,594 and revenue of \$2,510,594 for support provided by the State in the government-wide financial statements.

*Actuarial assumptions* – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Investment rate of return	7.10%, net of pension plan investment expense, including inflation
Projected salary increases	3.00% - 7.50%
Municipal bond index rate	2.13%
Single equivalent interest rate	7.10%

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, setbacks 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 TRS 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.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US equity	40.00%	8.90%
International equity	22.00%	10.70%
Fixed income	15.00%	-0.10%
Additional categories	7.00%	3.90%
Real estate	7.00%	4.00%
Private equity	7.00%	6.90%
Cash	2.00%	-0.03%
<b>Total</b>	<b>100.0%</b>	

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

**NOTE 11 – PENSION PLANS, continued**

*Discount rate* – The discount rate used to measure the total pension liability 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 rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of KTRS.

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the County Employees Retirement Systems Non-Hazardous (CERS) OPEB Plan**

*Plan description* – The Kentucky Public Pensions Authority (KPPA) Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from KERS and CERS. Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan and the administrative costs incurred by those receiving an insurance benefit.

*Benefits provided* – The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plan that covers substantially all regular full-time members employed in positions of each participating county, city and school board and any additional eligible local agencies electing to participate in the System. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

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

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Contributions* – The Commonwealth is required to contribute at an actuarially determined rate for KERS. Participating employers are required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Sections KERS 61.565(3) and CERS 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of the last annual valuation preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS. For the year ended June 30, 2023, required contribution was 3.39% of each employee's covered payroll. Contributions from the District to the CERS Insurance Fund for the year ended June 30, 2023 was \$151,710.

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

At June 30, 2023, the District reported a liability of \$2,516,861 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion for was 0.127532%.

For the measurement period ended June 30, 2022, the District recognized OPEB expense of \$345,601.

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 253,343	\$ 577,175
Changes of assumptions	398,059	327,998
Net difference between projected and actual earnings on pension plan investments	468,665	366,512
Changes in proportion and difference between District contributions and proportionate share of contributions	77,233	119,274
District contributions subsequent to the measurement date	151,710	-
Total	\$ 1,349,010	\$ 1,390,959

For the year ended June 30, 2023, \$151,710 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30		
2023	\$	(40,728)
2024		(39,983)
2025		(141,574)
2026		28,626
2027		-
Thereafter		-
Total	\$	(193,659)

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

*Actuarial assumptions*

The total OPEB liability, net OPEB liability and sensitivity information for the actuarial valuation as of June 30, 2021 were based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date (June 30, 2020) to the plan’s fiscal year ended June 30, 2021, using generally accepted actuarial principles. An actuarial experience study was conducted for the five-year period July 1, 2013 to June 30, 2018 and the Board adopted updated assumptions for first use in the June 30, 2020 actuarial valuation. The assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

Actuarial Valuation as of:	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 is recognized
Amortization Method	Level percent of pay
Amortization Period	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. 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.



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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a 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. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

*Long-term expected rate of return* – The long-term expected return on plan assets was determined by using a building-block method in which best-estimated ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core Bonds	10.00%	28.00%
High yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real Estate	7.00%	3.67%
Real Return	<u>13.00%</u>	4.07%
Total	<u>100.00%</u>	

*Discount rate* – Single discount rates used to measure the total OPEB liability for the year ended June 30, 2022 was 5.70% for CERS Non-hazardous plans. 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 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

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

	1% Decrease	Current Discount Rate	1% Increase
	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 3,364,642	\$ 2,516,861	\$ 1,816,029

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,871,231	\$ 2,516,861	\$ 3,292,142

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority's Comprehensive Annual Financial Report on the KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Payable to the OPEB plan* – At June 30, 2023, the District reported a payable of \$0 for the outstanding amount of contributions to the CERS OPEB plan required for the year ended June 30, 2023.

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

**General Information about the Teachers' Retirement System of Kentucky (KTRS) OPEB Plan**

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

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

**Medical Insurance Plan**

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

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

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

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

At June 30, 2023, the District reported a liability of \$7,324,000 for its proportionate share of the net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was 0.295002%.

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

District's proportionate share of net OPEB liability	\$ 7,324,000
State's proportionate share of net OPEB liability associated with the District	<u>2,406,000</u>
Total	<u><u>\$ 9,730,000</u></u>

For the measurement period ended June 30, 2022, the District recognized OPEB expense of (\$197,000) and revenue of \$380,000 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,078,000
Changes of assumptions	1,487,000	-
Net difference between projected and actual earnings on pension plan investments	389,000	-
Changes in proportion and difference between District contributions and proportionate share of contributions	2,315,000	85,000
District contributions subsequent to the measurement date	<u>402,115</u>	<u>-</u>
Total	<u><u>\$ 4,593,115</u></u>	<u><u>\$ 3,163,000</u></u>

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Of the total amount reported as deferred outflows of resources related to OPEB, \$402,115 resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Years Ending June 30	
2024	\$ (81,000)
2025	(32,000)
2026	31,000
2027	520,000
2028	418,000
Thereafter	<u>172,000</u>
Total	<u>\$ 1,028,000</u>

*Actuarial assumptions* – The total KTRS OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Projected salary increases	3.00% - 7.50 %, including inflation
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Municipal bond index rate	3.37%
Healthcare cost trend rates	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, setbacks and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the TRS board on September 20, 2021. The remaining actuarial assumptions used in the June 30, 2020 valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation. The healthcare cost trend assumption was updated for the June 30, 2020 valuation and was shown as an assumption change 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 published weekly by the Board of Governors of the Federal Reserve System.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	58.00%	5.10%
Fixed income	9.00%	-0.10%
Real estate	6.50%	4.00%
Private equity	8.50%	6.90%
Other additional categories	17.00%	3.90%
Cash (LIBOR)	1.00%	-0.30%
Total	<u>100.00%</u>	

*Discount rate* – The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2020. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the OPEB plan’s fiduciary net position was not projected to be depleted.

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

	1% Decrease	Current Discount Rate	1% Increase
	-6.10%	-7.10%	-8.10%
District's proportionate share of net OPEB liability	\$ 9,189,000	\$ 7,324,000	\$ 5,779,000

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 5,490,000	\$ 7,324,000	\$ 9,604,000

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

**Life Insurance Plan**

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

*Benefits provided* – TRS provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability if hired prior to January 1, 2022. TRS provides a life insurance benefit of \$10,000 for its members who retire based on service or disability if hired on or after January 1, 2022. TRS provides a life insurance benefit of \$2,000 payable for its active contributing members if hired prior to January 1, 2022. TRS provides a life insurance benefit of \$5,000 payable for its active contributing members if hired on or after January 1, 2022. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

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

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

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

District's proportionate share of net OPEB liability	\$	-
State's proportionate share of net OPEB liability associated with the District		<u>120,000</u>
<b>Total</b>	<b>\$</b>	<b><u><u>120,000</u></u></b>

For the year ended June 30, 2023, the District recognized OPEB expense of \$0 and revenue of \$0 for support provided by the State.

*Actuarial assumptions* – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	3.37%
Discount rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the PUB2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with various set-forwards, setbacks and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ended 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 published weekly by the Board of Governors of the Federal Reserve System.



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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	40.00%	4.40%
International equity	23.00%	5.60%
Fixed income	18.00%	-0.10%
Real estate	6.00%	4.00%
Private equity	5.00%	6.90%
Other additional categories	6.00%	2.10%
Cash (LIBOR)	<u>2.00%</u>	-0.30%
Total	<u><u>100.00%</u></u>	

*Discount rate* – The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection’s basis was an actuarial valuation performed as of June 30, 2020. Other assumptions are listed in the TRS CAFR and in the RSI. Based on those assumptions, the LIF’s fiduciary net position was not projected to be depleted.

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

**NOTE 13 – CONTINGENCIES AND COMMITMENTS**

Grant Programs

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

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

**NOTE 14 – INSURANCE AND RELATED ACTIVITIES**

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

**NOTE 15 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to and destruction of assets; fire, personal liability, vehicular accidents; errors and omissions; injuries to employees; fiduciary responsibility; and natural disaster. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

Contributions to the Workers' Compensation Fund were based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount.

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

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial statements.

**NOTE 16 – 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.

The District has notified all terminated employees of available continuing insurance coverage as mandated by COBRA.

**NOTE 17 – INTERFUND RECEIVABLES AND PAYABLES**

The General Fund extends short-term cash flow loans to funds outside the General Fund that receive funding on a reimbursement basis. Repayment is expected when available cash is in excess of that needed for operations. Interfund receivable and interfund payable in the amount of \$472,993 exists between the General Fund and Special Revenue Fund at June 30, 2023.

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

**NOTE 18 – JOINT VENTURE**

On February 11, 2010 the District entered into a joint venture agreement with the Murray Independent School District. The agreement stipulates that Murray Independent School District fund the joint venture from SEEK monies released by Calloway County School District for nonresident pupils. These funds were used to build and operate a 21st Century, state of the art, Career Technical Center for the benefit of students from both districts.

The operations are controlled by the Board, which is comprised of representatives from each District. The District's interest in this joint venture is accounted for using the equity method. The District's equity interest represents its explicit, measurable right to the net present or future resources of the joint venture. Under this method, the District records its share of the joint venture's net income or loss for each period. For additional financial information regarding the joint venture, contact Murray Independent School District (270.753.4363) or by mail at 208 South 13th Street, Murray, KY 42071.

**NOTE 19 – RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement took effect for the fiscal year ended June 30, 2023. Based on the SBITA amounts obtained, the total present value was below the materiality level and no amounts were recorded in the financial statements.

In June 2022, the GASB issued Statement 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. GASB 100 prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement 101, *Compensated Absences*. GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amount		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
From local sources				
Taxes				
Property	\$ 7,644,500	\$ 7,644,500	\$ 8,074,123	\$ 429,623
Motor vehicle	1,400,000	1,400,000	1,606,555	206,555
Utilities	1,650,000	1,650,000	1,962,189	312,189
Other	265,000	265,000	266,241	1,241
Earnings on investments	175,000	175,000	665,457	490,457
Other local revenues	182,295	186,295	131,368	(54,927)
Intergovernmental - state	17,587,575	17,245,714	19,097,335	1,851,621
Intergovernmental - federal	48,000	48,000	68,657	20,657
<b>Total revenues</b>	<b>28,952,370</b>	<b>28,614,509</b>	<b>31,871,925</b>	<b>3,257,416</b>
<b>EXPENDITURES</b>				
Current				
Instruction	18,093,307	18,087,224	18,912,631	(825,407)
Support services				
Student	1,020,242	1,023,311	934,168	89,143
Instructional staff	1,263,440	1,430,776	1,435,915	(5,139)
District administration	1,000,082	1,000,082	1,009,380	(9,298)
School administration	1,684,030	1,697,142	1,767,793	(70,651)
Business	899,278	899,278	964,476	(65,198)
Plant operations and maintenance	5,831,968	5,316,673	2,537,060	2,779,613
Student transportation	2,427,589	2,427,589	2,191,890	235,699
Land/site acquisition	-	-	75,669	(75,669)
Contingency	2,600,000	2,600,000	-	2,600,000
<b>Total expenditures</b>	<b>34,819,936</b>	<b>34,482,075</b>	<b>29,828,982</b>	<b>4,653,093</b>
Excess (deficit) of revenues over (under) expenditures	(5,867,566)	(5,867,566)	2,042,943	7,910,509
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of fixed assets	20,000	20,000	2,107	(17,893)
Transfers in	153,308	153,308	497,825	344,517
Transfers (out)	(2,750,384)	(2,750,384)	(2,324,520)	425,864
<b>Total other financing sources (uses)</b>	<b>(2,577,076)</b>	<b>(2,577,076)</b>	<b>(1,824,588)</b>	<b>752,488</b>
Net change in fund balance	(8,444,642)	(8,444,642)	218,355	8,662,997
<b>Fund balance, beginning of year</b>	<b>8,444,642</b>	<b>8,444,642</b>	<b>12,304,644</b>	<b>3,860,002</b>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,522,999</b>	<b>\$ 12,522,999</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amount</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>REVENUES</b>				
From local sources				
Other local revenues	\$ 59,421	\$ 116,236	\$ 287,785	\$ 171,549
Intergovernmental - state	1,385,509	1,925,811	1,878,579	(47,232)
Intergovernmental - federal	2,932,987	3,169,861	7,188,703	4,018,842
<b>Total revenues</b>	<u>4,377,917</u>	<u>5,211,908</u>	<u>9,355,067</u>	<u>4,143,159</u>
<b>EXPENDITURES</b>				
Current				
Instruction	3,725,482	4,499,325	6,949,663	(2,450,338)
Support services				
Student	53,895	53,895	389,799	(335,904)
Instructional staff	80,812	85,812	238,690	(152,878)
School administration	13,705	13,705	35,532	(21,827)
Plant operations and maintenance	46,646	46,646	260,915	(214,269)
Student transportation	143,015	162,147	662,089	(499,942)
Day care	-	50,980	137,972	(86,992)
Community service activities	328,440	328,440	383,217	(54,777)
<b>Total expenditures</b>	<u>4,391,995</u>	<u>5,240,950</u>	<u>9,057,877</u>	<u>(3,816,927)</u>
Excess (deficit) of revenues over (under) expenditures	<u>(14,078)</u>	<u>(29,042)</u>	<u>297,190</u>	<u>326,232</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	57,386	77,670	77,670	-
Transfers (out)	(43,308)	(48,628)	(374,860)	(326,232)
<b>Total other financing sources (uses)</b>	<u>14,078</u>	<u>29,042</u>	<u>(297,190)</u>	<u>(326,232)</u>
Net change in fund balance	-	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGET AND ACTUAL  
JUNE 30, 2023**

**NOTE 1 – BUDGETARY INFORMATION**

The District's budgetary process accounts for transactions on a basis other than Generally Accepted Accounting Procedures (GAAP). The major differences between the budgetary accounting method and GAAP are:

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

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

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2.00% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Expenditures exceed appropriations in the Special Revenue Fund by \$3,816,927. These over expenditures were funded by greater than anticipated revenues in that fund and beginning fund balance.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.127554%	0.122118%	0.122814%	0.126786%	0.136096%	0.138745%	0.159640%	0.159300%	16.246000%
District's proportionate share of net pension liability	\$ 9,220,896	\$ 7,785,980	\$ 9,419,732	\$ 8,916,916	\$ 8,288,661	\$ 8,121,171	\$ 7,860,121	\$ 6,849,144	\$ 5,270,868
District's covered-employee payroll	\$ 3,557,619	\$ 3,113,364	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287	\$ 3,817,066	\$ 3,728,876	\$ 3,740,315
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	259.19%	250.08%	298.20%	274.93%	244.58%	239.33%	205.92%	183.68%	140.92%
Plan fiduciary net position as a percentage of	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	68.80%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information



**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,047,209	\$ 753,148	\$ 603,772	\$ 607,400	\$ 526,056	\$ 490,735	\$ 478,493	\$ 472,653	\$ 475,596
Contributions in relation to the contractually required contribution	<u>1,047,209</u>	<u>753,148</u>	<u>603,772</u>	<u>607,400</u>	<u>526,056</u>	<u>490,735</u>	<u>478,493</u>	<u>472,653</u>	<u>475,596</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,475,252	\$ 3,557,619	\$ 3,113,864	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287	\$ 3,817,066	\$ 3,728,876
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.39%	19.23%	16.22%	14.48%	14.10%	12.38%	12.75%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in benefit terms

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

2022: No changes in benefit terms.  
2021: No changes in benefit terms.  
2020: No changes in benefit terms.  
2019: No changes in benefit terms.  
2018: No changes in benefit terms.  
2017: No changes in benefit terms.  
2016: No changes in benefit terms.  
2015: No changes in benefit terms.

Changes in assumptions

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

2022: No changes.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who became “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not affect the calculation of Total Pension Liability and only affects the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted with removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the total pension liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The total pension liability as of June 30, 2019 is determined using these updated assumptions.

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

Changes in assumptions, continued

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The total pension liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the total pension liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

<u>As of June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of net pension liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of net pension liability	\$ 68,832,866	\$ 51,490,474	\$ 54,362,556	\$ 52,285,488	\$ 52,386,936	\$ 109,163,279	\$ 124,454,760	\$ 100,030,883	\$ 90,898,723
District's covered-employee payroll	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 122,237,380	\$ 10,117,099	\$ 10,866,685	\$ 11,233,501
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

<u>For the year ended June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,410,643	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380	\$ 10,117,099	\$ 10,866,685
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2015 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION  
KENTUCKY TEACHERS' RETIREMENT SYSTEMS (KTRS)**

Changes in benefit terms

2022: A new benefit tier was added for members joining the System on and after January 1, 2022.

Changes in assumptions

2022: No changes in assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the PUB2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) results in an assumption change from 7.50% to 7.10%.

2019: No changes in assumptions

2018: The calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumptions change from 4.49% to 7.50%

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

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%.

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

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

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>As of June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.127532%	0.122089%	0.122778%	0.126753%	0.136090%	0.138745%
District's proportionate share of collective net OPEB liability	\$ 2,516,861	\$ 2,337,333	\$ 2,964,715	\$ 2,131,927	\$ 2,416,251	\$ 2,789,249
District's covered-employee payroll	\$ 3,557,619	\$ 3,113,364	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890	\$ 3,393,287
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	70.75%	75.07%	93.85%	65.73%	71.30%	82.20%
Plan fiduciary net position as a percentage of total OPEB liability	60.95%	62.91%	51.67%	60.44%	52.62%	52.40%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

<u>For the year ended June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 151,710	\$ 205,630	\$ 148,910	\$ 149,768	\$ 170,615	\$ 159,245
Contributions in relation to the contractually required contribution	<u>151,710</u>	<u>205,630</u>	<u>148,910</u>	<u>149,768</u>	<u>170,615</u>	<u>159,245</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,475,252	\$ 3,557,619	\$ 3,113,364	\$ 3,158,871	\$ 3,243,359	\$ 3,388,890
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.78%	4.74%	5.26%	4.70%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information



**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB  
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)**

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

Changes of Benefit Terms

2022: No changes of benefit terms

2021: No changes of benefit terms

2020: No changes of benefit terms

2019: No changes of benefit terms.

2018: No changes of benefit terms (other than the blended discount rate used to calculate the total OPEB liability).

Changes in assumptions

2022: The initial healthcare trend rate for pre-65 was changed from 6.30% to 6.20%. The initial healthcare trend rate for post-65 was changed from 6.30% to 9.00%.

2021: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 12 of the financial statements. During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The Total OPEB liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>As of June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.295002%	0.212501%	0.206952%	0.205477%	0.207480%	0.214593%
District's proportionate share of collective net OPEB liability	\$ 7,324,000	\$ 4,560,000	\$ 5,223,000	\$ 6,014,000	\$ 7,199,000	\$ 7,652,000
State's proportionate share of collective net OPEB liability	\$ 2,406,000	\$ 3,703,000	\$ 4,184,000	\$ 4,857,000	\$ 6,204,000	\$ 6,251,000
District's covered-employee payroll	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	74.44%	65.66%	42.85%	50.43%	58.38%	62.53%
Plan fiduciary net position as a percentage of total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – MEDICAL INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 402,115	\$ 391,467	\$ 377,435	\$ 365,494	\$ 357,792	\$ 369,368
Contributions in relation to the contractually required contribution	<u>402,115</u>	<u>391,467</u>	<u>377,435</u>	<u>365,494</u>	<u>357,792</u>	<u>369,368</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,410,643	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF COLLECTIVE NET OPEB LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>As of June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of collective net OPEB liability	\$ 120,000	\$ 49,000	\$ 127,000	\$ 113,000	\$ 106,000	\$ 84,000
District's covered-employee payroll	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229	\$ 12,237,380
District's proportionate share of collective net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.86%	0.69%
Plan fiduciary net position as a percentage of total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year's end.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS) – LIFE INSURANCE FUND**

<u>For the year ended June 30</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 13,410,643	\$ 13,070,087	\$ 12,584,577	\$ 12,188,077	\$ 11,926,426	\$ 12,332,229
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to the required supplementary information

**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
KENTUCKY TEACHERS' RETIREMENT SYSTEM (KTRS)**

**Medical Insurance Fund**

Changes in benefit terms

2022: A new benefit term was added for members joining the System on and after January 1, 2022.

2021: No changes in benefit terms

2020: No changes in benefit terms

2019: No changes in benefit terms

2018: No changes in benefit terms

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

Changes in assumptions

2022: The health care trend rates were updated to reflect future anticipated experience.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, setbacks and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 8.00% to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

**Life Insurance Fund**

Changes in benefit terms

2022: A new benefit term was added for members joining the System on and after January 1, 2022.

Changes in assumptions

2022: None

The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

**OTHER SUPPLEMENTARY INFORMATION**

**CALLOWAY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2023**

	SEEK Capital Outlay	FSPK	Construction	Debt Service	Student Activity	District Activity	Total Nonmajor Governmental
<b>ASSETS</b>							
Cash and cash equivalents	\$ 279,984	\$ 873,999	\$ 297,622	\$ -	\$ 461,203	\$ 175,771	\$ 2,088,579
Total assets and resources	<u>\$ 279,984</u>	<u>\$ 873,999</u>	<u>\$ 297,622</u>	<u>\$ -</u>	<u>\$ 461,203</u>	<u>\$ 175,771</u>	<u>\$ 2,088,579</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances							
Nonspendable	-	-	-	-	-	-	-
Spendable							
Restricted	279,984	873,999	297,622	-	461,203	175,771	2,088,579
Committed	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>279,984</u>	<u>873,999</u>	<u>297,622</u>	<u>-</u>	<u>461,203</u>	<u>175,771</u>	<u>2,088,579</u>
Total liabilities and fund balances	<u>\$ 279,984</u>	<u>\$ 873,999</u>	<u>\$ 297,622</u>	<u>\$ -</u>	<u>\$ 461,203</u>	<u>\$ 175,771</u>	<u>\$ 2,088,579</u>



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

	SEEK Capital Outlay	FSPK	Construction	Debt Service	Student Activity	District Activity	Total Nonmajor Governmental
<b>REVENUES</b>							
From local sources							
Taxes							
Property	\$ -	\$ 1,152,409	\$ -	-	\$ -	\$ -	\$ 1,152,409
Earnings on investments	6,719	23,038	11,379	-	21,650	-	62,786
Student activities	-	-	-	-	694,147	81,441	775,588
Intergovernmental - state	273,265	235,779	-	282,910	-	-	791,954
<b>Total revenues</b>	<b>279,984</b>	<b>1,411,226</b>	<b>11,379</b>	<b>282,910</b>	<b>715,797</b>	<b>81,441</b>	<b>2,782,737</b>
<b>EXPENDITURES</b>							
Current							
Instruction	-	-	-	-	740,936	56,753	797,689
Student Support Services	-	-	-	-	-	2,634	2,634
Instructional staff	-	-	-	-	-	7,558	7,558
School admin support	-	-	-	-	-	1,101	1,101
Plant Operations & Maintenance	-	-	-	-	-	627	627
Building acquisition and construction	-	-	1,455,086	-	-	-	1,455,086
Building Improvements	-	-	1,186,840	-	-	-	1,186,840
Debt Service	-	-	-	3,465,667	-	-	3,465,667
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>2,641,926</b>	<b>3,465,667</b>	<b>740,936</b>	<b>68,673</b>	<b>6,917,202</b>
Excess (deficit) of revenues over (under) expenditures	279,984	1,411,226	(2,630,547)	(3,182,757)	(25,139)	12,768	(4,134,465)

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

	SEEK Capital Outlay	FSPK	Construction	Debt Service	Student Activity	District Activity	Total Nonmajor Governmental
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	1,669,776	1,190,987	-	-	2,860,763
Transfers (out)	-	(613,914)	-	-	-	-	(613,914)
Total other funding sources (uses)	-	(613,914)	1,669,776	1,190,987	-	-	2,246,849
Net change in fund balances	279,984	797,312	(960,771)	(1,991,770)	(25,139)	12,768	(1,887,616)
Fund balances, beginning of year	-	76,687	1,258,393	1,991,770	486,342	163,003	3,976,195
Fund balances, end of year	<u>\$ 279,984</u>	<u>\$ 873,999</u>	<u>\$ 297,622</u>	<u>\$ -</u>	<u>\$ 461,203</u>	<u>\$ 175,771</u>	<u>\$ 2,088,579</u>

**CALLOWAY COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balance July 1, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2023
Calloway County High School	\$ 292,245	\$ 473,539	\$ 497,809	\$ 267,975	\$ -	\$ -	\$ 267,975
Calloway County Middle School	122,637	144,659	140,164	127,132	-	-	127,132
North Calloway County Elementary School	22,477	32,447	35,777	19,147	-	-	19,147
East Calloway County Elementary School	5,625	18,448	18,016	6,057	-	-	6,057
Southwest Calloway County Elementary School	28,948	41,836	37,640	33,144	-	-	33,144
Calloway County Preschool	14,410	4,869	11,531	7,748	-	-	7,748
<b>Total activity funds</b>	<b>\$ 486,342</b>	<b>\$ 715,798</b>	<b>\$ 740,937</b>	<b>\$ 461,203</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 461,203</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
STATEMENT OF SCHOOL ACTIVITY FUNDS  
CALLOWAY COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balance July 1, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2023
BOE sweep	\$ -	\$ 50,661	\$ 50,661	\$ -	\$ -	\$ -	\$ -
General	1,500	75,000	75,978	522	-	-	522
Guidance office	1,193	-	126	1,067	-	-	1,067
Library	150	1,834	1,431	553	-	-	553
Principals discretionary	5,902	11,962	10,511	7,353	-	-	7,353
Teachers fund	581	580	1,013	148	-	-	148
Vending fund/students	1,480	-	1,480	-	-	-	-
Vending fund/teachers	811	628	1,092	347	-	-	347
Class of 2024	-	3,156	(50)	3,206	-	-	3,206
Class of 2023	2,411	7,758	10,169	-	-	-	-
Homecoming fund	303	540	600	243	-	-	243
Project graduation	1,525	530	348	1,707	-	-	1,707
Startup money	-	625	625	-	-	-	-
Student activities	14,242	13,440	6,989	20,693	-	-	20,693
Student course fees	-	42,398	42,398	-	-	-	-
Student testing	10	732	644	98	-	-	98
Academic team	217	9,235	8,075	1,377	-	-	1,377
Applied voco	885	-	598	287	-	-	287
Band	355	11,515	11,156	714	-	-	714
Beta	6,681	263	1,235	5,709	-	-	5,709
Chess Club	228	-	62	166	-	-	166
Choir	9	4,061	2,605	1,465	-	-	1,465

Continued

**ALLOWAY COUNTY SCHOOL DISTRICT  
STATEMENT OF SCHOOL ACTIVITY FUNDS, continued  
ALLOWAY COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balance July 1, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	Due to Student Groups June 30, 2023
Esports club	1,487	1,500	-	2,987	-	-	2,987
FBLA	3,135	59,785	55,399	7,521	-	-	7,521
FEA	746	846	1,564	28	-	-	28
FFA	9,447	24,278	30,119	3,606	-	-	3,606
FCCLA	326	326	652	-	-	-	-
FC4A	1,828	1,828	2,972	684	-	-	684
Horticulture club	11,694	28,595	31,197	9,092	-	-	9,092
Interact	-	160	-	160	-	-	160
Journalism	15,732	1,752	4,685	12,799	-	-	12,799
KYA	430	-	430	-	-	-	-
National Art Honor Soc	(9)	1,370	868	493	-	-	493
National science	1,277	1,277	2,554	-	-	-	-
National Honor Soc	-	2,079	2,079	-	-	-	-
Pep club	169	803	691	281	-	-	281
Robotics team	587	1,980	855	1,712	-	-	1,712
Spanish club	2,383	595	822	2,156	-	-	2,156
Speech team	3,454	3,673	5,381	1,746	-	-	1,746
Student council	1,011	3,332	861	3,482	-	-	3,482
Tech ed vinyl	382	130	190	322	-	-	322
Tech Eng IV	4,110	4,379	3,585	4,904	-	-	4,904
Tech Math	-	1,125	-	1,125	-	-	1,125
TSA club	50	50	100	-	-	-	-
Yearbook	27,279	10,560	2,826	35,013	-	-	35,013
Youth service center	14,941	9,262	13,395	10,808	-	-	10,808
Youth service / CCCL	2,039	-	737	1,302	-	-	1,302

Continued

**CALLOWAY COUNTY SCHOOL DISTRICT  
STATEMENT OF SCHOOL ACTIVITY FUNDS, continued  
CALLOWAY COUNTY HIGH SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balance July 1, 2022	Receipts	Disbursements	Cash Balance June 30, 2023	Accounts Receivable	Accounts Payable	Student Groups June 30, 2023
Archery	1,938	6,239	7,693	484	-	-	484
Athletic miscellaneous	12,780	36,109	32,989	15,900	-	-	15,900
Athletic pass	3,206	120	-	3,326	-	-	3,326
Baseball	9,995	13,822	14,020	9,797	-	-	9,797
Bass fishing team	2,387	1,963	1,415	2,935	-	-	2,935
Boys basketball	6,883	22,209	24,214	4,878	-	-	4,878
Boys soccer	14,771	12,716	16,164	11,323	-	-	11,323
B/G cross country	4,911	7,495	8,783	3,623	-	-	3,623
B/G tennis	6,841	5,634	7,937	4,538	-	-	4,538
B/G track	1,206	20,735	21,723	218	-	-	218
Chair Seats	1,950	13,625	15,575	-	-	-	-
Cheerleaders	1,242	24,842	14,247	11,837	-	-	11,837
Football	16,374	28,074	26,326	18,122	-	-	18,122
Girls basketball	13,321	20,784	19,378	14,727	-	-	14,727
Girls soccer	15,791	12,981	22,018	6,754	-	-	6,754
Girls softball	1,399	10,249	10,703	945	-	-	945
Golf	2,042	1,748	3,621	169	-	-	169
USC	1,204	2,092	1,203	2,093	-	-	2,093
Volleyball	12,084	15,555	18,348	9,291	-	-	9,291
Video Board	3,000	-	3,000	-	-	-	-
Wrestling	3,489	6,923	10,412	-	-	-	-
Regional tour sponsorship	14,450	-	14,450	-	-	-	-
District tournament	-	1,465	326	1,139	-	-	1,139
Regional tournament	-	1,550	1,550	-	-	-	-
<b>Totals</b>	<b>\$ 292,245</b>	<b>\$ 661,533</b>	<b>\$ 685,803</b>	<b>\$ 267,975</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 267,975</b>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program Title	Federal Prefix ALN	Pass-Through Grantor's Number	Federal Expenditures	
<b>U. S. Department of Education</b>				
Passed through State Department of Education				
Special Education Cluster				
Special Education - Grants to States	84.027	3810002-22	\$ 704,136	
	84.027	3810002-21	238,930	
COVID-19 Special Education - Grants to States	84.027	4910002-21	122,378	
Special Education - Preschool Grants	84.173	3800002-22	66,826	
	84.173	3800003-21	225,317	
	84.173	3800003-20	118,231	
COVID-19 Special Education - Preschool Grants	84.173	4900002-21	<u>20,991</u>	
Total Special Education Cluster				<u>\$ 1,496,809</u>
Title I Grants to Local Education Agencies				
	84.010	3100002-22	677,613	
	84.010	3100002-21	517,914	
	84.010	3100002-20	<u>9,214</u>	1,204,741
Career and Technical Education -				
Basic Grants to States	84.048	3710002-22	29,597	
	84.048	3710002-21	<u>2,191</u>	31,788
Special Education - State Personnel Development				
	84.323	3840001-21		24,594
Rural Education				
	84.358	3140002-21		30,335
Supporting Effective Instruction State Grants				
	84.367	3230002-22	35,718	
	84.367	3230002-21	<u>138,371</u>	174,089
Student Support and Academic				
Enrichment Program	84.424	3420002-22	33,260	
	84.424	3420002-21	<u>22,573</u>	55,833
COVID-19 Education Stabilization Fund Under the				
Coronavirus Aid, Relief and Economic Security Act	84.425	4200002-21	1,212,705	
	84.425	4200003-21	299,068	
	84.425	4300002-21	2,093,027	
	84.425	4300005-21	96,728	
	84.425	4000002-20	<u>2,209</u>	3,703,737
Passed through State Department of Juvenile Justice:				
Title I, Part D	84.010			<u>32,112</u>
Passed through West Kentucky Educational Cooperative:				
COVID-19 Education Stabilization Fund Under the				
Coronavirus Aid, Relief and Economic Security Act	84.425			<u>12,577</u>
<b>Total U. S. Department of Education</b>				<u><u>6,766,615</u></u>

**CALLOWAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, continued  
FOR THE YEAR ENDED JUNE 30, 2023**

Federal Grantor/Pass-Through Grantor Program Title	Federal Prefix ALN	Pass-Through Grantor's Number	Federal Expenditures
<b>U. S. Department of Agriculture</b>			
Passed through State Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005-23	488,258
	10.553	7760005-22	131,753
National School Lunch Program	10.555	7750002-23	1,201,507
	10.555	7750002-22	315,851
	10.555	9980000-23	35,973
	10.555	9980000-22	76,179
Summer Food Service Program for Children	10.559	7690024-23	7,239
	10.559	7740023-23	70,373
	10.559	7690024-22	4,934
	10.559	7740023-22	<u>47,960</u>
Total Child Nutrition Cluster			<u>2,380,027</u>
Child and Adult Care Food Program	10.558	7790021-23	49,343
	10.558	7800016-23	3,673
	10.558	7790021-22	12,167
	10.558	7800016-22	<u>906</u>
Total Child and Adult Care Food Program			66,089
Passed through State Department of Education			
State Administrative Expenses for Child Nutrition	10.560	7700001-22	3,947
COVID-19: Pandemic EBT Administrative Cost	10.649	9990000-22	3,135
Other U. S. Department of Agriculture Programs			
Fruit & Vegetable Program	10.555	Direct	<u>182,262</u>
<b>Total U.S. Department of Agriculture</b>			<u>2,635,460</u>
<b>U. S. Department of Health and Human Services</b>			
Passed through Murray Independent Board of Education:			
Head Start	93.600	Direct	340,117
Other U.S. Department of Health and Human Services Programs:			
COVID-19 Child Care and Development Block Grant	93.575	Direct	<u>81,971</u>
<b>Total U. S. Department of Health and Human Services</b>			<u>422,088</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 9,824,163</u></u>

See notes to Schedule of Expenditures of Federal Awards



**CALLOWAY COUNTY SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

**NOTE 4 – INDIRECT COST RATE**

Calloway County School District has not elected to use the 10-percent de minimus indirect rate allowed under the Uniform Guidance.

**NOTE 5 – COMMODITIES**

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

## **INTERNAL CONTROL AND COMPLIANCE**

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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 *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Calloway County School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 15, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Calloway 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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Calloway County School District in a separate report 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.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2023

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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

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

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 the 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

November 15, 2023





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

**Findings – Financial Statements Audit**

None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

None

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

None

**MANAGEMENT COMMENTS FOR AUDIT**

ANNA B. GENTRY HERR, CPA, CFE

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CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2023

Kentucky State Committee  
for School District Audits  
Members of the Board of Education  
Calloway County School District  
Murray, Kentucky

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

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this memorandum. A separate report dated November 15, 2023 contains our report on the District's internal control. This letter does not affect our report dated November 15, 2023 on the financial statements of the District.

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

This report is intended solely for the information and use of management, the members of the Calloway County Board of Education, others within the District, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Duguid, Gentry & Associates, PSC

*Duguid, Gentry & Associates, PSC*

Certified Public Accountants  
Hopkinsville, Kentucky

**CALLOWAY COUNTY SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**SOUTH CALLOWAY ELEMENTARY SCHOOL**

- I. **Criteria** – Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for inactive activity accounts if there has been no activity during the preceding 12 months.

**Condition** – One account with balances at year end had no activity during the preceding 12 months and is considered inactive.

**Cause** – Lack of implementation of Redbook policy.

**Effect** – Noncompliance with Accounting Procedures for Kentucky School Activity Funds (Redbook).

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Views of Responsible Officials** – District agrees with recommendation and will appropriately close all inactive accounts.

**CALLOWAY COUNTY HIGH SCHOOL**

- I. **Condition** – Accounting Procedures for Kentucky School Activity Funds (Redbook) requires the use of Form F-SA-1, Requisition and Report of Ticket Sales, to be used to report and reconcile the number of tickets sold and the funds collected for all events where admission is charged.

**Cause** – Lack of implementation of Redbook policy.

**Criteria** – Form F-SA-1, Requisition and Report of Ticket Sales, was not properly completed to reconcile revenue received from events where admission was charged.

**Effect** – Noncompliance with *Accounting Procedures for Kentucky School Activity Funds* (Redbook).

**Recommendation** – Form F-SA-1, Requisition and Report of Ticket Sales, is to be used and properly completed and signed by the person in charge of sales, the ticket taker, and the school treasurer when tickets are sold and funds collected.

**Views of Responsible Officials** – District agrees with recommendation and will monitor that Form F-SA-1 is completed timely and properly.

**CALLOWAY COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**EAST CALLOWAY ELEMENTARY SCHOOL**

- I. **Condition** – One account with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Current Status** – This finding was not repeated for fiscal year end June 30, 2023.

**CALLOWAY COUNTY HIGH SCHOOL**

- I. **Condition** – Nine accounts with balances at year end had no activity during the preceding 12 months and are considered inactive.

**Recommendation** – If the student organization did not designate in writing how remaining funds shall be disposed, then inactive accounts' funds shall be transferred to the school activity general account and used for the general benefit of all students.

**Current Status** – This finding was not repeated in fiscal year end June 30, 2023.

- I. **Condition** – Fundraisers tested were missing Form F-SA-2B, Fundraiser Summary.

**Recommendation** – Form F-SA-2B, Fundraiser Summary, should be completed for each fundraiser.

**Current Status** – This finding was not repeated for fiscal year June 30, 2023.

- II. **Condition** – Form F-SA-5, Monthly Inventory Control Worksheet, was not used and completed monthly.

**Recommendation** – Form F-SA-5, Monthly Inventory Control Worksheet, should be completed to recap the flow of inventory monthly of all inventory/concessions and to identify overages and shortages.

**Current Status** – This finding was repeated in fiscal year end June 30, 2023.

**Views of Responsible Officials** – District agrees with recommendation and will monitor that Form F-SA-5 is completed timely and properly.