

CARLISLE COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2023

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INTRODUCTORY SECTION

CARLISLE COUNTY SCHOOL DISTRICT

June 30, 2023

BOARD OF EDUCATION

Brian Grogan, Chairman
John Matt Fourshee, Vice Chairman
Casey Storm, Member
Scott McIntyre, Member
Kirk Arnold, Member

ADMINISTRATIVE STAFF

Casey Henderson, Superintendent
Rachel Bowles, Finance Officer

FINANCIAL SECTION



Independent Auditor's Report

Kentucky State Committee for School District Audits
Carlisle County Board of Education
Bardwell, 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 Carlisle County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Carlisle County School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Carlisle 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Carlisle County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information, OPEB information and notes to required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the introductory section. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2023, on our consideration of the Carlisle County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carlisle County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering Carlisle County School District's internal control over financial reporting and compliance.

ATA CPAs + Advisors PLLC

Murray, Kentucky
November 14, 2023

CARLISLE COUNTY BOARD OF EDUCATION
4557 State Route 1377 --- Bardwell, KY 42023
Phone: 270-628-3800 --- Fax: 270-628-5477

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

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

FINANCIAL HIGHLIGHTS

- The District's net position on June 30, 2023 was \$2,111,806 an increase of \$560,021 over the prior year.
- On July 1, 2022, the beginning cash balance, including investments for all District funds, was \$4,335,051.
- On June 30, 2023, the ending cash balance, including investments for all District funds, was \$5,628,010, an increase of \$1,292,959. This increase is largely due to an increase in investments with Fiscal Agents and General Fund carryover.
- Total revenues for the District General Fund were \$7,961,829. The primary source of these revenues was the state SEEK program, local taxes, and state on-behalf payments.
- Total expenditures for the District General Fund were \$7,728,833. Of these expenses, 29.46% were instructional salary costs.
- The ending balance for the District General Fund was \$1,398,933, an increase from the prior year of \$232,996. This increase is largely due to CARES ACT Funding received in response to the Coronavirus Pandemic.
- Ending unassigned carryover balance for the District General Fund was \$1,340,835.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of three components:

1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information.

Government-wide financial statements: The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The *statement of net position* provides information concerning the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with net position being the remaining balance. A long-term trend of increasing or decreasing net position may be an indicator of District financial stability. However, one must take into consideration that the primary purpose of a school district is to provide quality educational services to all students, not to generate profits. Many factors over which the District has no control have a significant influence on the financial position of the District. Some of these include: property tax wealth, state and federal tax laws, restricted educational program funding, and others.

The *statement of activities* provides a more detailed explanation of the change in net position over the fiscal year. Revenues and Expenses are recorded when incurred, not when received or paid. Governmental activities are those supported by property taxes and intergovernmental revenues. These activities include: instruction, support services, plant operations and maintenance, transportation, community services, facility acquisition and construction, and interest on long-term debt.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements: A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS accounting software. All of the District's funds can be divided into 3 types: governmental, proprietary, and fiduciary. Food Service is our only proprietary fund. Fiduciary funds are held as trust funds established by benefactors to aide in student education. All other activities and resources are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Notes to the financial statements: The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20 through 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As previously discussed, net position may be a long-term indicator of a District's financial position. See the first item under financial highlights on page 5.

The largest portion (\$4.77 million) of the District's net position is capital assets less related debt, and funds restricted for capital projects, allocations to Site-Based Council funds required by statute, debt service, and sick leave payable. Unrestricted net position as of June 30, 2023 is a deficit balance of \$2,666,350; the deficit is due to the adjustments to record the net pension liability required by GASB 68 and GASB 75.

Net Position for the Years Ended June 30

	<u>2023</u>	<u>2022</u>
Current assets	\$ 3,494,547	\$ 2,270,331
Non-current assets (Investments with Fiscal Agents)	2,273,695	2,536,193
Non-current assets (Capital Assets)	<u>18,139,184</u>	<u>18,377,507</u>
Total assets	<u>23,907,426</u>	<u>23,184,031</u>
Deferred outflows of resources	<u>1,364,097</u>	<u>924,499</u>
Current liabilities	1,128,936	1,606,753
Non-current liabilities	<u>21,009,565</u>	<u>19,720,631</u>
Total liabilities	<u>22,138,501</u>	<u>21,327,384</u>
Deferred inflows of resources	<u>1,021,216</u>	<u>1,229,361</u>
Net investment in capital assets	1,009,264	1,345,613
Restricted	3,768,892	2,996,164
Unrestricted	<u>(2,666,350)</u>	<u>(2,789,992)</u>
TOTAL NET POSITION	<u>\$ 2,111,806</u>	<u>\$ 1,551,785</u>

As a comparison for the year ended June 30, 2023, total net position has increased by \$560,021.

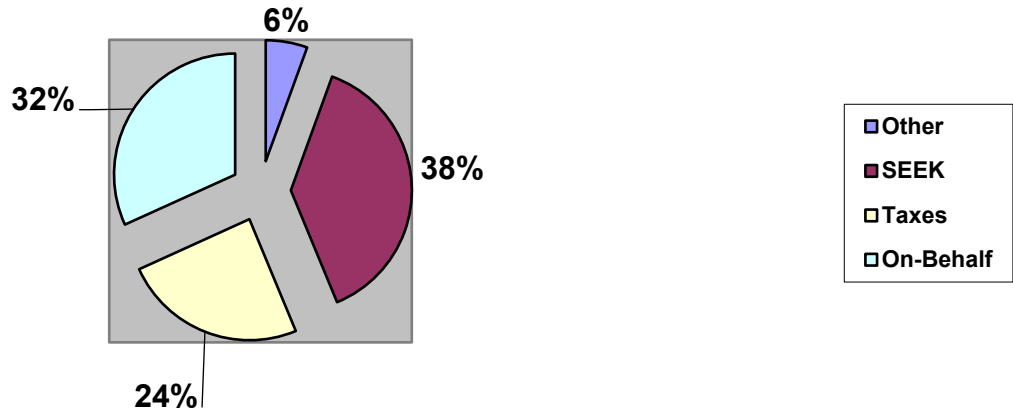
The following is a summary of revenues and expenses for the years ended June 30, 2022 and 2023.

Revenues:	<u>2023</u>	<u>2022</u>
Operating grants and contributions	\$ 2,721,773	\$ 3,027,243
Capital grants and contributions	173,946	173,946
Charges for services	51,328	39,813
Taxes	2,282,104	2,251,371
State aid	6,842,099	6,192,915
Investment earnings	104,087	80,960
Other	373,281	354,433
Indirect Costs	28,366	24,629
Gain/Loss on Disposal of Assets	<u>(95,341)</u>	<u>0</u>
 Total revenues	 <u>\$12,481,643</u>	 <u>\$12,145,310</u>
 Expenses:		
Instruction	\$ 6,931,091	\$ 6,434,998
Student support services	352,908	302,520
Instructional staff support	199,709	156,687
District administration	613,634	559,356
School administration	511,288	429,740
Business	317,335	280,107
Plant operations and maintenance	972,081	864,677
Student transportation	669,411	594,244
Community service	85,093	68,443
Facility acquisition and construction	414	0
Interest on long-term debt	570,799	580,416
Food services	<u>697,859</u>	<u>580,590</u>
 Total expenses	 <u>11,921,622</u>	 <u>10,851,778</u>
 CHANGE IN NET POSITION	 <u>\$ 560,021</u>	 <u>\$ 1,293,532</u>

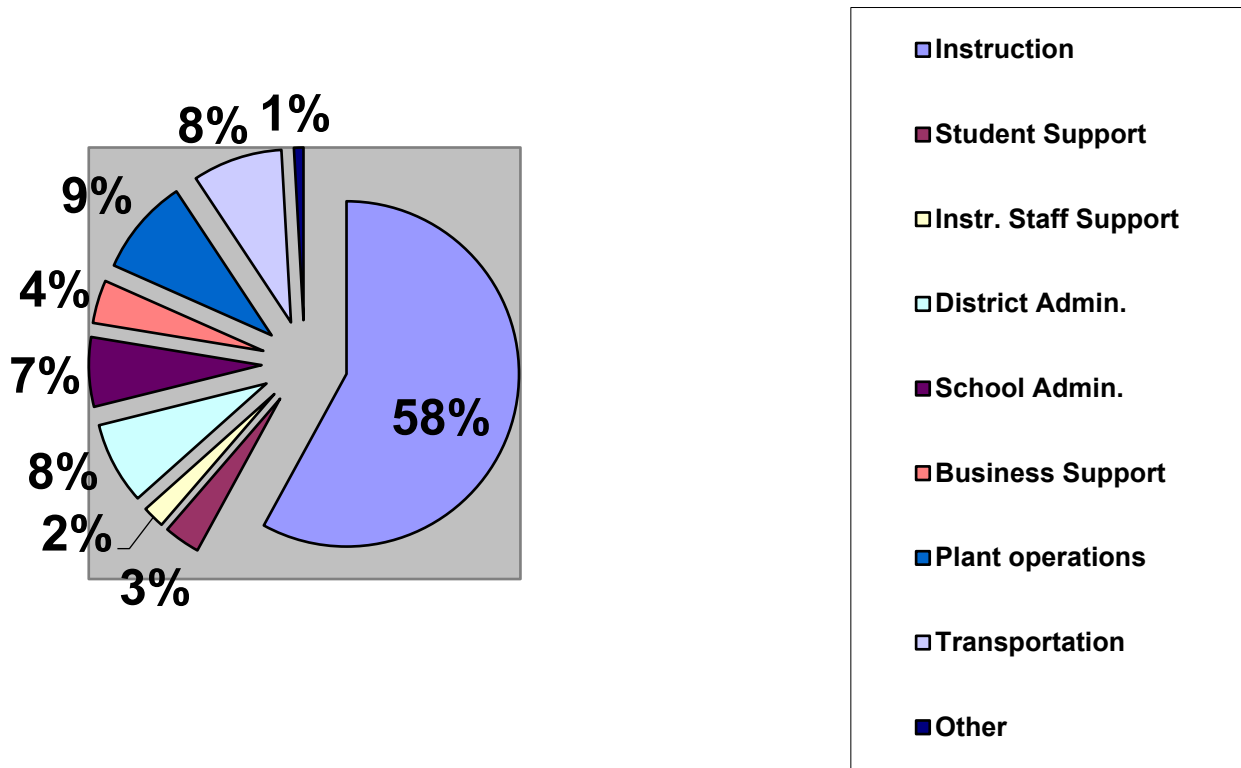
Overview of Fund Activities and Budgets

General Fund

By statute, the District's general fund budget is a three-stage process. The draft budget is prepared in January for the next fiscal year. It is further revised in May as a tentative budget and finalized in September as the working budget. The budget consists of management's best efforts to predict revenues and expenditures for the year. The District's two major sources of revenue come from the state's SEEK program and local tax dollars. The SEEK amounts are set by the Kentucky Legislature based on a per pupil amount. Tax rates are set by the Board of Education in September. Below is an illustration of actual revenues for the period ending June 30, 2023. Total general fund revenues for 2022-2023 are \$7,961,829.



The primary expenditure category for the District is instruction. This is made up of teachers' salaries and benefits, as well as monies allocated to the site-based councils for instructional supplies. All other general fund expenditures fall into the support services category. These include student support, instructional staff support, district administration, school administration, business support, plant operations and maintenance, and transportation. Total general fund expenditures for 2022-2023 are \$7,728,832. Below is an illustration of the distribution of general fund expenditures.



Comments on Budget Comparison

Excluding on-behalf payments of \$2,530,378, and beginning balances, the general fund budget compared to actual revenue varied slightly with the ending balance being 6% or \$321,407 more than budgeted.

General fund expenditures, compared to budgeted expenditures, net of on-behalf payments of 2,530,378 and contingency allotments of \$903,073 were \$165,404 less than budgeted.

RESTRICTED FUNDS

The Special Revenue Fund is made up of state and federal grants. These grants are for specific purposes, such as the various Title programs, Extended School Services, Family Resource and Youth Services Center, Safe Schools, Gifted and Talented, and others. The ending balance in this fund will always be zero.

The District Activity Fund accounts for proceeds of specific revenue sources, such as donations, grants, and non-student fundraisers that are restricted by the individual schools.

The Capital Outlay Fund is a state appropriation given for the purpose of new construction and site improvements, as well as debt service payments, and may not be used for the general operating expenses of the District. Due to increased flexibility granted by the General Assembly, districts were given the authorization to use capital outlay funds to offset various General Fund expenditures following approval from the Department of Education, utilizing a capital funds request transfer. During the 2022-2023 year, \$38,346 of capital outlay funds was transferred to the General Fund.

The Facility Support Program of Kentucky (FSPK), or Building Fund, is funded through a percentage of local property taxes as well as monies appropriated by the state. The primary expense of this fund is to pay bond principal and interest on long-term debt. FSPK Funds may also be used for new construction and site improvements. During the 2022-2023 school year, \$503,516 was paid out for debt retirement. The remaining \$172,472 in the Building Fund was transferred to the General Fund by means of a capital funds request transfer.

The Food Service fund is a proprietary fund that is self-sufficient. Its revenues consist of state reimbursements and receipts from the sale of breakfast and lunch.

CAPITAL ASSETS AND DEBT ADMINISTRATION

As of June 30, 2023, the District's capital assets has a book value of \$18,139,184, net of accumulated depreciation.

During the 2022-2023 school year, total depreciable capital asset additions consisting of land improvements, building improvements, technology equipment, general equipment and food service equipment totaled \$202,680. Construction in progress related to the GESC project during the year totaled \$351,453. Asset retirements consisting of buildings and building improvements totaled \$162,428.

Principal and interest debt payments for 2022-2023 totaled \$503,515, excluding payments made by the School Facility Construction Commission (SFCC). There are currently six outstanding bond issues, one of which is totally funded by SFCC payments, and three capital leases as of June 30, 2023. The total principal to be paid by the School District, exclusive of payments made by the SFCC and earnings on prefunded escrows for the Qualified Zone Academy Bonds is as follows:

<u>Project</u>	<u>Amount</u>	<u>Maturity</u>
2023 – GESC Project	\$1,443,000	2043
2020 – Refinancing of 2009 Issue	84,776	2029
2011 - Qualified Zone Academy Bond (Cafeteria)	634,014	2029
2014 - Middle School Gymnasium Renovation	3,133	2034
2016 - Refinancing of 2008 Issue	988,264	2028
2017 - New Elementary School	3,722,554	2036
2015 KISTA - Bus Lease	17,839	2025
2017 KISTA - Bus Lease	37,879	2027
2019 KISTA - Bus Lease	123,553	2029

See Notes 2C and 2E on pages 32 through 37 for additional detail.

FUTURE BUDGETARY IMPLICATIONS

The fiscal year for all public schools in Kentucky is July 1 - June 30. Many of the grant programs operate on a different calendar, but are reflected in the District's overall budget.

As state funding to public schools has decreased, the District's general fund budget, as well as many grant programs, have become much tighter. Increased maintenance costs due to the aging of our facilities, coupled with rising salary and benefits costs have forced the District to make difficult decisions concerning the most efficient ways of doing business. A renovation to the middle school gymnasium and conversion of the old cafeteria to new classroom space was completed in January of 2016. Construction was completed in 2018 on a new elementary school with the help of additional funding granted by the General Assembly. The demolition of the old elementary school was completed in fiscal year 2021. All of these projects should help to extend the useful life of our current campus. However, the addition of the bond payments for the new elementary school will cause less capital funds to be available to transfer to the general fund for operations. This will cause the general fund budget to become even tighter. The district received 3 phases of CARES ACT funding which will be available for use through September of 2024. These funds will first and foremost be used to attempt to recover from the educational learning loss sustained throughout the COVID-19 pandemic. It will also allow us flexibility in the use of our general fund monies and will provide some opportunities for upgrades to our HVAC systems for better air quality control.

The district has recently begun a Guaranteed Energy Savings Contract which will provide upgrades to lighting, HVAC, building envelope and add solar panels for energy efficient operations. The energy cost Savings from the project will offset the cost of the bond payments.

We continue to strive to find the most cost-effective ways to spend our resources, while still offering the highest quality of education possible to the students of this District.

Any questions concerning this report can be directed to Superintendent Casey Henderson (270-628-3800) or Finance Officer Rachel Bowles (270-628-3800 ext. 7006).

BASIC FINANCIAL STATEMENTS

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,856,926	\$ 494,860	\$ 3,351,786
Receivables			
Accounts	48,342	-	48,342
Intergovernmental - Federal	70,766	1,781	72,547
Investments	2,529	-	2,529
Investments with fiscal agents	2,273,695	-	2,273,695
Inventories	-	19,343	19,343
Capital assets not being depreciated			
Land	10,500	-	10,500
Construction in progress	351,453	-	351,453
Capital assets, net of accumulated depreciation			
Land improvements	686,829	-	686,829
Buildings and improvements	16,572,876	-	16,572,876
Technology equipment	46,754	906	47,660
Vehicles	187,739	-	187,739
General equipment	215,410	66,717	282,127
Total assets	<u>23,323,819</u>	<u>583,607</u>	<u>23,907,426</u>
Deferred Outflows of Resources			
Pension related	260,296	42,647	302,943
OPEB related	999,444	35,138	1,034,582
Deferred amount on refunding	26,572	-	26,572
Total deferred outflows of resources	<u>1,286,312</u>	<u>77,785</u>	<u>1,364,097</u>
Liabilities			
Accounts payable	27,492	3,736	31,228
Unearned revenue	71,551	-	71,551
Accrued interest	140,129	-	140,129
Long-term liabilities			
Portion due or payable within one year			
Bonds and capital leases	859,878	-	859,878
Accrued sick leave	26,150	-	26,150
Portion due or payable after one year			
Net pension liability	2,005,586	328,662	2,334,248
Net OPEB liability	2,267,489	89,719	2,357,208
Bonds and capital leases	16,462,393	-	16,462,393
Less unamortized bond discount	(190,713)	-	(190,713)
Accrued sick leave	46,429	-	46,429
Total liabilities	<u>21,716,384</u>	<u>422,117</u>	<u>22,138,501</u>
Deferred Inflows of Resources			
Pension related	85,099	13,946	99,045
OPEB related	882,864	39,307	922,171
Total deferred inflows of resources	<u>967,963</u>	<u>53,253</u>	<u>1,021,216</u>
Net Position			
Net investment in capital assets	941,641	67,623	1,009,264
Restricted for			
Debt service	2,274,810	-	2,274,810
Sick leave	14,610	-	14,610
Future construction contracts	1,188,463	-	1,188,463
Capital outlay	-	-	-
Student activities	291,009	-	291,009
Unrestricted	(2,784,749)	118,399	(2,666,350)
Total net position	<u>\$ 1,925,784</u>	<u>\$ 186,022</u>	<u>\$ 2,111,806</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

<u>Functions / Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Change in Net Position</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>
Governmental Activities							
Instruction	\$ 6,931,091	\$ -	\$ 1,983,233	\$ -	\$ (4,947,858)	\$ -	\$ (4,947,858)
Support services							
Student	352,908	-	-	-	(352,908)	-	(352,908)
Instructional staff	199,709	-	-	-	(199,709)	-	(199,709)
District administration	613,634	-	-	-	(613,634)	-	(613,634)
School administration	511,288	-	-	-	(511,288)	-	(511,288)
Business	317,335	-	-	-	(317,335)	-	(317,335)
Plant operations and management	972,081	-	-	-	(972,081)	-	(972,081)
Student transportation	669,411	-	-	-	(669,411)	-	(669,411)
Non-instructional services	85,093	-	-	-	(85,093)	-	(85,093)
Facilities acquisition and construction	414	-	-	-	(414)	-	(414)
Interest and issuance costs on long-term debt	570,799	-	-	173,946	(396,853)	-	(396,853)
Total governmental activities	<u>11,223,763</u>	<u>-</u>	<u>1,983,233</u>	<u>173,946</u>	<u>(9,066,584)</u>	<u>-</u>	<u>(9,066,584)</u>
Business-Type Activities							
Food service	697,859	51,328	738,540	-	-	92,009	92,009
Total business-type activities	<u>697,859</u>	<u>51,328</u>	<u>738,540</u>	<u>-</u>	<u>-</u>	<u>92,009</u>	<u>92,009</u>
Total primary government	<u>\$ 11,921,622</u>	<u>\$ 51,328</u>	<u>\$ 2,721,773</u>	<u>\$ 173,946</u>	<u>(9,066,584)</u>	<u>92,009</u>	<u>(8,974,575)</u>
General Revenues:							
Taxes							
Property					1,577,348	-	1,577,348
Motor vehicle					364,296	-	364,296
Utilities					291,418	-	291,418
In lieu					49,042	-	49,042
Investment earnings					98,010	6,077	104,087
Other local revenue					373,281	-	373,281
Indirect cost reimbursements					28,366	-	28,366
State aid - formula grants					6,842,099	-	6,842,099
Gain (loss) on disposal of assets					(95,341)	-	(95,341)
Total general revenues and transfers					<u>9,528,519</u>	<u>6,077</u>	<u>9,534,596</u>
Change in net position					461,935	98,086	560,021
Net position, beginning of year					<u>1,463,849</u>	<u>87,936</u>	<u>1,551,785</u>
Net position, end of year					<u>\$ 1,925,784</u>	<u>\$ 186,022</u>	<u>\$ 2,111,806</u>

The accompanying notes are an integral part of these financial statements.

**CARLISLE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ 1,355,477	\$ 23,052	\$ 1,115	\$ 1,188,463	\$ 288,819	\$ 2,856,926
Receivables						
Accounts	48,342	-	-	-	-	48,342
Intergovernmental - Federal	-	70,766	-	-	-	70,766
Interest receivable	-	-	-	-	-	-
Investments	-	-	-	-	2,529	2,529
Investment with fiscal agents	-	-	2,273,695	-	-	2,273,695
Due from other funds	-	-	-	-	-	-
Total assets	<u>\$ 1,403,819</u>	<u>\$ 93,818</u>	<u>\$ 2,274,810</u>	<u>\$ 1,188,463</u>	<u>\$ 291,348</u>	<u>\$ 5,252,258</u>
Liabilities						
Accounts payable	\$ 4,886	\$ 22,267	\$ -	\$ -	\$ 339	\$ 27,492
Due to other funds	-	-	-	-	-	-
Unearned revenue	-	71,551	-	-	-	71,551
Total liabilities	<u>4,886</u>	<u>93,818</u>	<u>-</u>	<u>-</u>	<u>339</u>	<u>99,043</u>
Fund Balances						
Restricted	14,610	-	2,274,810	1,188,463	291,009	3,768,892
Assigned	43,488	-	-	-	-	43,488
Unassigned	1,340,835	-	-	-	-	1,340,835
Total fund balances	<u>1,398,933</u>	<u>-</u>	<u>2,274,810</u>	<u>1,188,463</u>	<u>291,009</u>	<u>5,153,215</u>
Total liabilities and fund balances	<u>\$ 1,403,819</u>	<u>\$ 93,818</u>	<u>\$ 2,274,810</u>	<u>\$ 1,188,463</u>	<u>\$ 291,348</u>	<u>\$ 5,252,258</u>

The accompanying notes are an integral part of these financial statements.

**CARLISLE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

June 30, 2023

Total fund balances - governmental funds	\$ 5,153,215
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$29,468,310 and the accumulated depreciation is \$11,396,749.</p>	18,071,561
<p>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.</p>	26,572
<p>Deferred outflows of resources related to pensions and other post employment benefits are not reported in the governmental fund because the consumption of net position will occur in future periods.</p>	1,259,740
<p>Deferred inflows of resources related to pensions and other post employment benefits are not reported in the governmental fund because the acquisition of net position will occur in future periods.</p>	(967,963)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>	
Bonds and capital leases payable	(17,131,558)
Accrued interest on the bonds	(140,129)
Accrued sick leave payable	(72,579)
Net pension liability	(2,005,586)
Net OPEB liability	<u>(2,267,489)</u>
	(21,617,341)
Total net position - governmental activities	<u>\$ 1,925,784</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
From local sources						
Taxes						
Property	\$ 1,229,688	\$ -	\$ -	\$ -	\$ 347,660	\$ 1,577,348
Motor vehicle	364,296	-	-	-	-	364,296
Utilities	291,418	-	-	-	-	291,418
Other	49,042	-	-	-	-	49,042
Earnings on investments	32,214	-	60,105	5,247	444	98,010
Other local revenues	35,381	22,259	-	-	495,929	553,569
Intergovernmental - State	5,646,866	600,757	800,371	-	394,862	7,442,856
Intergovernmental - Indirect Federal	-	1,202,188	173,946	-	-	1,376,134
Total revenues	<u>7,648,905</u>	<u>1,825,204</u>	<u>1,034,422</u>	<u>5,247</u>	<u>1,238,895</u>	<u>11,752,673</u>
Expenditures						
Current						
Instruction	4,478,375	1,443,089	-	-	473,529	6,394,993
Support Services						
Student	261,600	87,774	-	-	-	349,374
Instructional staff	160,453	34,324	-	-	-	194,777
District administration	595,145	-	-	-	-	595,145
School administration	501,885	-	-	-	-	501,885
Business	312,848	-	-	-	-	312,848
Plant operation and management	699,887	113,481	-	-	-	813,368
Student transportation	650,156	-	-	-	2,763	652,919
Non-instructional services	-	86,940	-	-	-	86,940
Facilities acquisition and construction	-	-	-	351,867	-	351,867
Capital outlay	-	-	-	-	60,600	60,600
Debt Service						
Principal	-	-	1,269,996	-	-	1,269,996
Interest and issuance cost	54,511	-	529,682	-	-	584,193
Total expenditures	<u>7,714,860</u>	<u>1,765,608</u>	<u>1,799,678</u>	<u>351,867</u>	<u>536,892</u>	<u>12,168,905</u>
Excess (deficit) of revenues over expenditures	<u>(65,955)</u>	<u>59,596</u>	<u>(765,256)</u>	<u>(346,620)</u>	<u>702,003</u>	<u>(416,232)</u>
Other Financing Sources (Uses)						
Bond proceeds	-	-	-	1,443,000	-	1,443,000
Payments for bond discounts	-	-	-	(55,142)	-	(55,142)
Compensation for loss of assets	171	-	-	-	-	171
Transfers in	210,818	13,973	503,516	-	-	728,307
Transfers out	(13,973)	-	-	-	(714,334)	(728,307)
Indirect cost reimbursements	101,935	-	-	-	-	101,935
Indirect cost transfers	-	(73,569)	-	-	-	(73,569)
Total other financing sources (uses)	<u>298,951</u>	<u>(59,596)</u>	<u>503,516</u>	<u>1,387,858</u>	<u>(714,334)</u>	<u>1,416,395</u>
Net change in fund balances	232,996	-	(261,740)	1,041,238	(12,331)	1,000,163
Fund balances, beginning of year	<u>1,165,937</u>	<u>-</u>	<u>2,536,550</u>	<u>147,225</u>	<u>303,340</u>	<u>4,153,052</u>
Fund balances, end of year	<u>\$ 1,398,933</u>	<u>\$ -</u>	<u>\$ 2,274,810</u>	<u>\$ 1,188,463</u>	<u>\$ 291,009</u>	<u>\$ 5,153,215</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds	\$	1,000,163
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$516,249) exceed depreciation expense (\$692,764) in the period.		(176,515)
In the statement of activities, only the gain or loss on the sale of assets is reported. This is the amount by which the costs of retired assets exceed their accumulated depreciation. Proceeds from other miscellaneous sales in the amount of \$892 are also included in this account.		(95,512)
Interest and other costs of long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest, premiums, discounts, and similar items are expensed when debt is first issued, and thus require the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and bond premiums and discounts are amortized over the term of the related bond issue, regardless when due. This amount is the net effect of these differences in the treatment of long-term debt and related items.		20,387
Issuance of a bond (\$1,443,000) is an other financing source in the governmental funds, but the bonds increase long-term liabilities in the statement of net position.		(1,443,000)
Repayment of long-term liabilities such as bond principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,318,145
In the statement of activities, accumulated sick leave is recognized when it is incurred during the year. In the governmental funds, however, expenditures for this item are limited to only those that use current financial resources.		(11,825)
The actuarially determined KTRS pension and OPEB expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as expenses in the statement of activities.		(204,924)
Some expenses related to CERS pension and OPEB reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in the governmental funds.		55,016
Change in net position of governmental activities	\$	<u>461,935</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2022

	<u>Food Service Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 494,860
Accounts receivable - intergovernmental - federal	1,781
Inventories	<u>19,343</u>
Total current assets	<u>515,984</u>
Noncurrent Assets	
Technology equipment	12,829
General equipment	248,219
Accumulated depreciation	<u>(193,425)</u>
Total noncurrent assets	<u>67,623</u>
Total assets	<u>583,607</u>
Deferred Outflows of Resources	
Pension related	42,647
OPEB related	<u>35,138</u>
Total deferred outflows of resources	<u>77,785</u>
Liabilities	
Current Liabilities	
Accounts payable	<u>3,736</u>
Long-Term Liabilities	
Net pension liability	328,662
Net OPEB liability	<u>89,719</u>
Total long-term liabilities	<u>418,381</u>
Total liabilities	<u>422,117</u>
Deferred Inflows of Resources	
Pension related	13,946
OPEB related	<u>39,307</u>
Total deferred inflows of resources	<u>53,253</u>
Net Position	
Investment in capital assets	67,623
Unrestricted	<u>118,399</u>
Total net position	<u>\$ 186,022</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Food Service Fund
Operating Revenues	
Lunchroom sales	\$ 51,328
Total operating revenues	<u>51,328</u>
Operating Expenses	
Salaries, wages and benefits	231,965
Contract services	8,311
Materials and supplies	339,635
Property	85,402
Depreciation	4,180
Total operating expenses	<u>669,493</u>
 Operating loss	 <u>(618,165)</u>
Non-Operating Revenues (Expenses)	
Interest income	6,077
Miscellaneous revenue	1,300
Grants - child nutrition program	609,824
Donated commodities	41,894
State funding - on-behalf payments	81,239
State matching	4,283
Transfers out only - indirect costs	<u>(28,366)</u>
Total non-operating revenues (expenses)	<u>716,251</u>
 Change in net position	 98,086
Total net position, beginning of year	<u>87,936</u>
Total net position, end of year	<u>\$ 186,022</u>

The accompanying notes are an integral part of these financial statements.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	<u>Food Service Fund</u>
Cash Flows from Operating Activities	
Cash received from:	
Lunchroom sales	\$ 51,328
Cash paid for:	
Salaries, wages and benefits	(205,401)
Contract services	(8,311)
Materials and supplies	(301,726)
Indirect cost transfers	(28,366)
Property	(85,402)
Net cash used by operating activities	<u>(577,878)</u>
Cash Flows from Noncapital Financing Activities	
Nonoperating federal grants received	646,453
Nonoperating state grants received	4,283
Miscellaneous revenue	1,300
Net cash provided by noncapital financing activities	<u>652,036</u>
Cash Flows from Investing Activities	
Purchases of equipment	(37,884)
Interest income	6,077
Net cash used by investing activities	<u>(31,807)</u>
Net increase in cash and cash equivalents	42,351
Cash and cash equivalents, beginning of year	<u>452,509</u>
Cash and cash equivalents, end of year	<u>\$ 494,860</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (618,165)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	4,180
Commodities used	41,894
Salaries, wages and benefits (on-behalf payments)	81,239
Transfers out only - indirect costs	(28,366)
Changes in assets and liabilities	
Inventories	(7,290)
Accounts payable	3,305
Pension related - changes in deferred outflows/inflows and net pension liability	(51,569)
Other post-employment benefits related - changes in deferred outflows/inflows and net other post employment benefits liability	(3,106)
Net cash used by operating activities	<u>\$ (577,878)</u>
Noncash Noncapital Financing Activities	
Donated food commodities received from the federal government	<u>\$ 41,894</u>
State funding - on-behalf payments	<u>\$ 81,239</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Carlisle County School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school districts.

A. Reporting Entity

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

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

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 following organization, a blended component unit, are included in the accompanying financial statements.

Carlisle County School District Finance Corporation – In 1988, the Carlisle County School District resolved to authorize the establishment of the Carlisle County School Board Finance Corporation (a nonprofit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Carlisle County School District also comprise the Corporation's Board of Directors. The financial transactions of this entity are included in the financial statements as the construction fund. There are no separate audited financial statements issued for this component unit.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

B. Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental and business-type activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid for goods or services offered by the program and grants and contributions that are restricted to meeting the financial requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or is subsidized by the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements - Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three primary categories: governmental, business-type (proprietary), and fiduciary. An emphasis is placed on major funds within the governmental and business-type categories, and a fund is considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 5 percent of the corresponding total for all governmental and business-type funds combined.

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

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenditures, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- a. The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- b. 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.
 1. The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than agency funds or major capital projects) that are legally restricted to disbursements for specified purposes. They include federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
 2. The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Redbook requirement. Project accounting is employed to maintain integrity for the various sources of funds.
 3. The Special Revenue Student Activity Fund accounts for activities of student groups such as donations and student fundraisers. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds. Project accounting is employed to maintain integrity for the various sources of funds.
- c. 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).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky Building Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

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

II. Proprietary Fund Type (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program and School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). This is a major fund of the District.

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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

III. Fiduciary Fund Type (includes agency and trust funds)

The District currently has no fiduciary funds.

C. Basis of Accounting

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

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Property taxes levied to finance fiscal year 2023 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. 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 year when use is first permitted, and, matching requirements, in which the District must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

Expenses/Expenditures – On both the accrual basis and modified accrual basis of accounting, expenses and expenditures are recognized at the time a liability is incurred.

However, in governmental funds, long-term liabilities are recognized when due, not when incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The fair value of donated commodities received, and payments made by the State on-behalf of the District during the year are reported as revenue and expenses in the financial statements of the proprietary fund.

D. Budgetary Process

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

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).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

E. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are re-appropriated in the next year. Accordingly, no differences related to encumbrances exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

F. Cash, Cash Equivalents and Investments

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

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.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

G. Investments

The general, district activity and food service funds record certificates of deposit as investments at their cost which represents fair market value. The debt service fund records investments at their quoted market prices in the balance sheet for governmental funds. Realized gains and losses on the debt service fund are recorded in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

H. Inventories

Inventories are stated at average cost using the first-in, first-out method for both the governmental fund types and proprietary funds. Inventories are expensed when used in the government-wide financial statements and recorded as expenditures in the governmental fund types when purchased.

Nonmonetary assistance is reported in the proprietary fund at the market value of the commodities received/used.

I. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the dates received. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Technology assets acquired through E-rate are capitalized at full cost with the portion paid by E-rate being treated as donated assets.

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

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

J. 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.

K. Interfund Activity

Interfund transactions are reflect as loans or transfers. Loans are reported as receivables and payables, as appropriate, and are referred to as either “due to/from other funds”. These loans are subject to elimination up on consideration. Any residual balances outstanding between governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

All other interfund transactions are treated as transfers. Transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District also has deferred outflows related to pensions and other post-employment benefits.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has items related to pensions and other post-employment benefits that qualify for reporting in this category.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

M. Long-Term Liabilities

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

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

N. Pensions

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

O. Other Post-Employment Benefits (OPEB)

For purposes of measuring the other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee's Retirement System Non-Hazardous (CERS) and Teachers' Retirement System (KTRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Fund Balances

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. There are no committed fund balances at June 30, 2023.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted, nor committed. The Board of Education allows the District's Superintendent, or his designee, to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted, nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Q. Net Position

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

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide 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.

R. Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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S. Property Taxes

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending thirty days after the tax bill mailing. For the government-wide financial statements, property taxes collected are recorded as revenues in the fund for which they are levied.

The property tax rates assessed for the year ended June 30, 2023, to finance operations were \$0.578 per \$100 valuation for real property, \$0.578 per \$100 valuation for business personal property, and \$0.478 per \$100 valuation for motor vehicles.

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

T. Effect of New Accounting Standard

In May of 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96 related to Subscription-Based Information Technology Arrangements. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model of SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription-based asset. This implementation resulted in no impact on the current year financial statements.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits

The District maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institutions should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

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 \$3,351,786 and the bank balance was \$3,611,664. All bank balances were insured or collateralized as of June 30, 2023

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

The District's deposits at year end consisted of the following:

Unrestricted cash – statement of net position	<u>\$ 3,351,786</u>
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These amounts are reported in the financial statements as follows:

Governmental activities	\$ 2,856,926
Business-type activities	<u>494,860</u>
	<u>\$ 3,351,786</u>

B. Investments

Investments consist of United States agency obligations reported as investments with fiscal agents held in escrow agent accounts at two financial institutions and two certificates of deposit held at another financial institution. These investments are reported in the governmental activities and proprietary funds. These obligations have various interest rates and maturity dates greater than 90 days. The United States agency obligations are stated at fair value as of June 30, 2023. The certificate of deposit are valued at cost which represents the fair market value. These investments are covered by federal depository insurance or by collateral held by the pledging bank's agent, not in the District's name. As of June 30, 2023, the District had the following investments:

Fund Type	Investment Type	Fair Value	Moody's Rating	Weight Average Maturity in Years
Governmental	U.S. Treasury Obligations	\$2,273,695	Aaa	13.00
Governmental	Certificates of Deposit	2,529	N/A	1.00

GASB No. 40, *Deposits and Investment Risk Disclosures*, requires the District to address the following risk related to its investments:

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In an effort to minimize the likelihood that an issuer will default, Kentucky Revised Statutes authorize the District to investment in the following:

1. Obligations of the United States of its agencies, national corporations, and instrumentalities, including repurchase agreements.
2. Certificates of deposit issued by banks or savings and loan institutions.
3. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities.
4. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, but only if fully decreased by direct obligations of or guaranteed by the United States of America.
5. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investment held by the District are insured or collateralized with securities held by the pledging bank’s agent, not in the District’s name.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District has no formal policy regarding interest rate risk.

Concentration of Credit Risk – The District’s investment policy places no limit on the amount the District may invest in any one issue; however, all holdings must be collateralized.

Fair Value Measurement – The District’s investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk. Securities classified in Level 1 of the fair value hierarchy are value directly from a predetermined primary external pricing vendor.

Investments by Fair Value Level

	June 30, 2023	Quoted Prices in Markets for Identical Assets - Level 1	Significant other Observable Inputs - Level 2	Significant Unobservable Inputs - Level 3
U.S. Treasury Obligations	\$ 2,273,695	\$ 2,273,695	\$ -	\$ -
Certificates of Deposit	2,529	2,529	-	-
TOTALS	\$ 2,276,224	\$ 2,276,224	\$ -	\$ -

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

C. Capital Assets

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

<u>Governmental Activities</u>	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Non-depreciable				
Land	\$ 10,500	\$ -	\$ -	\$ 10,500
Construction in progress	-	351,453	-	351,453
Totals	<u>10,500</u>	<u>351,453</u>	<u>-</u>	<u>361,953</u>
Depreciable				
Land improvements	861,929	60,600	-	922,529
Buildings and improvements	24,249,191	26,000	(162,428)	24,112,763
Technology equipment	792,470	14,600	-	807,070
Vehicles	1,342,114	-	-	1,342,114
General equipment	1,858,285	63,596	-	1,921,881
Totals	<u>29,103,989</u>	<u>164,796</u>	<u>(162,428)</u>	<u>29,106,357</u>
Less: Accumulated depreciation				
Land improvements	(198,807)	(36,893)	-	(235,700)
Buildings and improvements	(7,049,700)	(557,103)	66,916	(7,539,887)
Technology equipment	(746,671)	(13,645)	-	(760,316)
Vehicles	(1,101,346)	(53,029)	-	(1,154,375)
General equipment	(1,674,377)	(32,094)	-	(1,706,471)
Totals	<u>(10,770,901)</u>	<u>(692,764)</u>	<u>66,916</u>	<u>(11,396,749)</u>
Net Book Value	<u>18,333,088</u>	<u>(527,968)</u>	<u>(95,512)</u>	<u>17,709,608</u>
Governmental activities capital assets - net	<u>\$ 18,343,588</u>	<u>\$ (176,515)</u>	<u>\$ (95,512)</u>	<u>\$ 18,071,561</u>
 <u>Business-Type Activities</u>				
Depreciable				
Technology equipment	12,829	-	-	12,829
General equipment	210,335	37,884	-	248,219
Totals	<u>223,164</u>	<u>37,884</u>	<u>-</u>	<u>261,048</u>
Less: Accumulated depreciation				
Technology equipment	(11,923)	-	-	(11,923)
General equipment	(177,322)	(4,180)	-	(181,502)
Totals	<u>(189,245)</u>	<u>(4,180)</u>	<u>-</u>	<u>(193,425)</u>
Business-type activities capital assets - net	<u>\$ 33,919</u>	<u>\$ 33,704</u>	<u>\$ -</u>	<u>\$ 67,623</u>

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Depreciation was charged to governmental functions as follows:

Instruction	\$ 392,178
Support services:	
Student	2,522
District administration	10,682
School administration	4,356
Plant operations and management	228,552
Student transportation	<u>54,474</u>
 TOTAL	 <u>\$ 692,764</u>

Construction in Progress

The addition to Construction in Progress is part of the Guaranteed Energy Savings Project which will include upgrades to HVAC, Lighting and Building Envelope and the addition of Solar PV to significantly reduce utility costs. The energy cost savings will then be used to make the related bond payments moving forward. The total expected project cost is \$1,590,000 with an expected completion date of July 2024. As of June 30, 2023 the District had incurred \$351,453 towards the project.

D. Accumulated Sick Leave

Certified and classified employees of the District are entitled to payment of 30% of the value of accumulated sick and personal days upon retirement. Kentucky Revised Statutes allow the District to restrict up to 50% of accumulated benefits for all employees eligible to retire as of September 15, 2022. The total amount of accumulated benefits for all employees eligible to retire at June 30, 2023, is \$72,579. A balance of \$14,610 is restricted in the General Fund at the balance sheet date. The District recognizes the expense of these benefits when payment is made by the governmental fund to a retiring employee. Accrued sick leave benefits are estimated by the vesting method. This entire future obligation is reported in the government-wide financial statements.

E. Long-Term Liabilities

The amount shown in the accompanying government-wide financial statements as bond and lease obligations represents the District's future obligations to make payments relating to the bonds and leases issued by the Fiscal Court of Carlisle County and the Carlisle County School Board Finance Corporation (the Finance Corporation) on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements. The District does not have any notes from direct borrowings or direct placement.

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make bond and lease payments. The agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court and the Carlisle County School Board Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security for the holders of the bonds.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Issue	Original Amount	Interest Rates	Maturity Date	Balance June 30, 2023
2007	\$ 565,000	3.70% - 4.125%	2028	\$ 180,000
2011 QZAB	4,010,000	4.60%	2030	4,010,000
2014	1,090,000	2.00% - 4.00%	2035	715,000
2015	11,185,000	2.00% - 3.125%	2036	8,850,000
2016	2,100,000	2.00%	2028	1,295,000
2019	400,000	3.050%	2039	340,000
2020	490,000	2.00%	2029	310,000
2023	1,143,000	3.50% - 4.125%	2043	1,443,000
				<u>\$ 17,143,000</u>

The October 2011 bond issue is a \$4,010,000 Qualified Zone Academy Revenue Bond which is a tax credit bond. The District received \$4,010,000, less the issuance cost of \$64,700, to deposit into its construction fund. The District and the Kentucky School Facility Construction Commission are required to make equal annual sinking fund payments to The Bank of New York Mellon Trust Company, an escrow agent, in the amount of \$105,669 and \$72,485, respectively, commencing October 1, 2012 and such amounts shall be held and invested by the escrow agent for payment of principal of \$4,010,000 at the bonds' maturity on October 1, 2029. Sinking fund payments of \$178,154 were made in fiscal year ending June 30, 2022. One hundred percent of the interest subsidy is eligible to be paid by the United States Treasury directly to the issuer, or its designee paying agent, and applied only to the payment of interest due on the bonds or reimbursement to the issuer for such payment.

In October 2016, the District issued bonds to partially advance refund its outstanding May 1, 2008 revenue bonds. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2017, \$1,955,000 of bonds outstanding was considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$94,270. This amount is treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The discount associated with the issuance of the October 2016 advance refunding bonds was \$14,847 and is treated as deferred inflows of resources and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce future total debt service payments by \$126,091 with a resulting net savings of \$110,936.

In April 2020, the District issued bonds to advance refund its outstanding June 1, 2009 revenue bonds. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2020, \$465,000 of bonds outstanding is considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by \$7,129. This amount is treated as deferred outflows of resources and amortized over the remaining life of the refunded debt. The amortization for the year was \$1,220 and is included as a component of interest expense. The discount associated with the issuance of the April 2020 advance refunding bonds was \$4,900 and is treated as deferred inflows of resources and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce future total debt service payments by \$33,856.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

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In October 2010, the District issued bonds to redeem its outstanding November 1, 2001 revenue bonds. The liability for the defeased bond is not included in the District's financial statements. On June 30, 2012, \$1,525,000 of bonds outstanding was considered defeased. In the statement of net position, the net discounts associated with the early debt retirement of the issue are treated as deferred outflows of resources and amortized over the remaining life of the defeased debt. The total deferred discounts were \$17,775.

The September 2007 bond issue is a \$500,000 Qualified Zone Academy Revenue Bond which is a tax credit bond. The District received \$500,000, less the issuance costs of \$15,435, to deposit into its construction fund. The District was required to make a one-time payment of \$272,000 into an escrow account to be held by the purchaser of the bonds. The purchaser of the bonds receives a tax credit for purchasing them and guarantees the \$272,000 in escrow plus the compounded interest earned on it over the life of the bonds will equal exactly \$500,000 at September 5, 2022, which is the maturity date. This bond was paid in full on the maturity date.

In March 2023, the District issued bonds with a principal balance of \$1,443,000 to finance the Guaranteed Energy Savings Project. The discount and issuance costs associated with the issuance of the bonds was \$55,142 and is treated as a decrease from the long-term bond liability balance on the statement of net position and amortized over the remaining life of the refunded debt.

The District's outstanding bonds are secured with statutory mortgage liens upon the school projects financed from the proceeds of the bonds and pledges of revenues derived from the rental of the school property under lease on a year to year basis. The school property consists of various school buildings constructed with bond proceeds. The liens and pledges securing the 2011 QZAB and 2014 issues are inferior and subordinate to similar liens and pledges securing the outstanding School Building Revenue Bonds. The 2007 QZAB, October 2010, April 2020 and March 2023 issues are not subject to optional redemption prior to maturity. All other bond issues are subject to optional redemption in whole or part prior to their stated maturity date with 30 days' notice prior to the date of redemption. The optional redemptions dates are as follows:

<u>Issue Date</u>	<u>Bonds Maturing on or After</u>	<u>Redeemable on or After</u>
August 1, 2007	All maturities	August 1, 2017
October 1, 2011 QZAB	All maturities	October 1, 2021
July 1, 2014*	August 1, 2025	August 1, 2024
April 1, 2016	April 1, 2027	April 1, 2026
October 1, 2016	May 1, 2027	May 1, 2026
June 5, 2019*	May 1, 2027	May 1, 2026

*These bond issues are subject to mandatory sinking fund redemption prior to maturity at 100% of the principal plus interest in specified years.

For the July 2014, April 2016, October 2016, June 2019 and April 2020 issues, the bonds can be called, upon 30 days' notice, in whole or part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the project and apply casualty insurance proceeds to such purpose. If the District defaults

**CARLISLE COUNTY SCHOOL DISTRICT
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June 30, 2023

in its obligations under the leases with the Carlisle County School Board Finance Corporation or fails to renew the leases, the Corporation and the Kentucky School Facilities Commission has the right to notify and request the Kentucky Department of Education to withhold a sufficient portion of any undisbursed funds then held, set aside, or allocated to the District and to request those funds be transferred to the paying agent for the payment of rentals under the lease agreement. This is for all bond issues beginning with the October 2010 issue through the June 2019 issue.

On the April 2020 issue, the registered owners of the bonds have the right to have a receiver appointed to administer the project upon default of the District. Should the US Treasury at any time cease to remit the interest cost subsidy on the 2011 QZAB bonds, the District has the right to redeem upon 30 days' notice all or any part of the principal outstanding by payment of the face amount plus accrued interest without redemption premium.

In 2007, 2014, 2016, 2019 and 2020, the District entered into "participation agreements" with the Kentucky School Facilities Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table 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 amounts remains with the District, and as such, the total principal outstanding has been recorded in the financial statements. In the government-wide financial statements, bond discounts are deferred and amortized over the life of the bonds using the effective interest method as a component of interest expense.

As of June 30, 2023, estimated future debt service on these obligations, including amounts to be paid by the Commission, are as follows:

Year	Carlisle County School District		US Treasury	Kentucky School Facilities Construction Commission		General Fund		Total
	Principal	Interest	Interest Subsidy	Principal	Interest	Principal	Interest	
2024	257,979	317,722	(173,023)	532,021	195,407	30,000	54,961	1,215,067
2025	261,223	312,592	(173,023)	543,777	183,191	28,000	56,804	1,212,564
2026	268,425	307,124	(173,023)	561,575	169,940	31,000	55,824	1,220,865
2027	274,665	301,282	(173,023)	575,335	155,568	35,000	54,739	1,223,566
2028	284,055	294,982	(173,022)	580,945	140,563	39,000	53,514	1,220,037
2029-2033	5,980,277	695,656	(259,538)	2,464,723	482,482	266,000	240,570	9,870,170
2034-2038	1,482,073	92,951	-	1,607,927	105,057	411,000	176,410	3,875,418
2039-2043	-	-	-	25,000	762	603,000	78,293.00	707,055
	<u>\$ 8,808,697</u>	<u>\$ 2,322,309</u>	<u>\$ (1,124,652)</u>	<u>\$ 6,891,303</u>	<u>\$ 1,432,970</u>	<u>\$ 1,443,000</u>	<u>\$ 771,115</u>	<u>\$ 20,544,742</u>

The KISTA school bus acquisition bonds provide for the title of the equipment (buses) to vest in the District subject to a first lien, and if nonrenewal or default occurs, the title will revert to KISTA. The District leases and rents the equipment from KISTA on an annual basis and has an exclusive option to renew this lease from year to year for the period of time of the pooled bond issue (approximately 10 years). The District has the option to terminate the lease by electing to not renew and surrendering the equipment to KISTA. The semi-annual bond interest and principal payments constitute the lease payments. The District is also obligated to keep the equipment in good repair and provide insurance coverage.

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For GASB 87 purposes, the District's capitalization threshold is \$5,000 and the lease must be longer than one year including possible extension(s). The buses have a historical cost and accumulated amortization of \$715,119 and \$543,852, respectively, under the capital lease agreements. These amounts are included in the Vehicles line item amounts in Note 2C. Amortization is included in depreciation expense. Future minimum lease payments at June 30, 2023, are as follows:

Fiscal Year	Principal	Interest	Total
2023-24	39,878	5,119	44,997
2024-25	40,980	4,022	45,002
2025-26	31,223	2,872	34,095
2026-27	32,140	1,975	34,115
2027-28	17,274	1,052	18,326
2029-2031	17,776	533	18,309
	<u>\$ 179,271</u>	<u>\$ 15,573</u>	<u>\$ 194,844</u>

Changes in long-term liabilities during the year are summarized below:

	Balance at July 1, 2022	Increases	Decreases	Balance at June 30, 2023	Due in One Year
Bonds:					
2007	\$ 215,000	\$ -	\$ 35,000	\$ 180,000	\$ 35,000
2007 QZAB	500,000	-	500,000	-	-
2011 QZAB	4,010,000	-	-	4,010,000	-
2014	765,000	-	50,000	715,000	50,000
2015	9,230,000	-	380,000	8,850,000	395,000
2016	1,535,000	-	240,000	1,295,000	245,000
2019	355,000	-	15,000	340,000	15,000
2020	360,000	-	50,000	310,000	50,000
2023	-	1,443,000	-	1,443,000	30,000
Capital leases	<u>227,416</u>	<u>-</u>	<u>48,145</u>	<u>179,271</u>	<u>39,878</u>
	17,197,416	1,443,000	1,318,145	17,322,271	859,878
Accrued sick leave	<u>60,754</u>	<u>11,825</u>	<u>-</u>	<u>72,579</u>	<u>26,150</u>
	<u>\$ 17,258,170</u>	<u>\$ 1,454,825</u>	<u>\$ 1,318,145</u>	<u>\$ 17,394,850</u>	<u>\$ 886,028</u>

As explained in Note 1, payments on the District's bonds other than the March 2023 issue are made by the Debt Service Fund. The March 2023 issue will be paid from the General Fund. The compensated absences will be liquidated by the General Fund. In the past, these liabilities have been paid each year by the General Fund.

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F. Amortized Bond Discounts

Amortized bond discounts totaling \$387,154 consist of bond discounts incurred in securing multiple bonds issued by the District. The bond discounts are amortized over the life of the bond and, for financial statement purposes, are netted against the related bond amount. Estimated future amortization for the succeeding five years is as follows:

<u>Year ended June 30:</u>	
2024	\$ 21,616
2025	20,921
2026	19,979
2027	18,969
2028	17,891
Thereafter	<u>91,337</u>
Total	<u>\$ 190,713</u>

G. Fund Balances

Amounts for specific purposes by fund and fund balance classifications for the year ended June 30, 2023 are as follows:

	General Fund	Special Revenue Fund	Debt Service Fund	District Activity Fund	Student Activity Fund	Construction Fund	Capital Outlay Fund	Building Fund
Restricted for:								
Sick leave	\$ 14,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	2,274,810	-	-	-	-	-
Student activities	-	-	-	185,800	105,209	-	-	-
Future construction	-	-	-	-	-	1,188,463	-	-
Capital outlay	-	-	-	-	-	-	-	-
	<u>14,610</u>	<u>-</u>	<u>2,274,810</u>	<u>185,800</u>	<u>105,209</u>	<u>1,188,463</u>	<u>-</u>	<u>-</u>
Assigned for:								
Site base carryforward	<u>43,488</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>1,340,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,398,933</u>	<u>\$ -</u>	<u>\$ 2,274,810</u>	<u>\$ 185,800</u>	<u>\$ 105,209</u>	<u>\$ 1,188,463</u>	<u>\$ -</u>	<u>\$ -</u>

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H. Interfund Transactions

Transfers

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	KETS	\$ 13,973
Capital Outlay	General	Capital expenditures	38,346
Building Fund	General	Capital expenditures	172,472
Building Fund	Debt Service	Debt service	<u>503,516</u>
	Total governmental fund transfers		728,307
	Governmental fund transfer eliminations		<u>(728,307)</u>
	Net transfers reported on Statement of Activities		<u>\$ -</u>

Indirect cost transfers included in the District's annual financial reports are reported in these financial statements as other financing sources and uses. The following indirect costs were paid during the year:

Food Service	General	Indirect costs	\$ 28,366
Special Revenue	General	Indirect costs	<u>73,569</u>
			<u>\$ 101,935</u>

I. 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:

Contributions to Kentucky Teachers' Retirement System	\$ 1,516,132
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	1,015,491
Technology	79,994
Debt Service	<u>800,371</u>
	<u>\$ 3,411,988</u>

The District includes on-behalf payments in their budgets. The total of these payments has been included in revenues and the applicable expenditure functions in these financial statements as follows:

Governmental funds	
General Fund	\$ 2,530,378
Debt Service Fund	800,371
Proprietary fund	<u>81,239</u>
	<u>\$ 3,411,988</u>

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NOTE 3 – OTHER INFORMATION

A. Teachers' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

Plan description: Teaching-certified employees of the District are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit 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://ktrs.ky.gov>.

Benefits provided: For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, member become vested when they

complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to 2 percent (service prior to July 1, 1983) and 2.5 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 receive monthly benefits equal to 2 percent of the final average salary for each year of service if, upon retirement, their total service is less than 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 2.5 percent to 3.0 percent to be used in their benefit calculation.

Final average salary is defined as the member's five highest annual 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 highest annual salaries to compute their final average salary. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all member is \$440 multiplied by credited service.

For members who established an account on or after July 1, 2008, and before January 1, 2022, members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

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

Final average salary is defined as the member's five highest annual 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 highest annual salaries to compute their final average salary. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For members who established an account on or after January 1, 2022, to qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 57 and complete 10 years of Kentucky service, or
2. Attain age 65 and complete 5 years of Kentucky service.

The annual foundational benefit is equal to service times a multiplier time final average salary. The multiplier ranges from 1.70% to 2.40%, depending on age and years of service. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

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

Cost of living increases are 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). Members are required to contribute 12.855 percent of their salaries to TRS. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 13.105 percent of salary for those who joined before July 1, 2008 and 14.105 percent 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 the salaries to the system. The Commonwealth of Kentucky, as a non-employer contributing entity, contributes 10.75% of salary.

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

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

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

District's proportionate share of the net Pension liability	\$ -
State's proportionate share of the net Pension Liability associated with the District	<u>16,262,231</u>
Total	<u>\$ 16,262,231</u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. 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. At June 30, 2022, the District's proportion was 0 percent, which was unchanged from the prior year.

For the year ended June 30, 2023, the District recognized pension expense of \$1,483,785 and revenue of \$1,483,785 for support provided by the State.

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

Inflation	2.50 percent
Salary increases, including inflation	3.00– 7.50 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10 percent
Municipal Bond Index Rate:	
Prior Measurement Date	2.13 percent
Measurement Date	3.37 percent
Year FNP is projected to be depleted	n/a
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation:	
Prior Measurement Date	7.10 percent
Measurement Date	7.10 percent
Post-Retirement Benefit Increases	1.50 percent annually

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return

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(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 rate of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	(0.10)%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	(0.30)%
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that member contributions will be made at the current contribution rates and that employer contributions will be made at the actuarially determined contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

General Information about the OPEB Plan

Plan description: Teaching-certified employees of the District are provided other postemployment benefits (OPEB) through the Teachers' Retirement System of the Commonwealth of Kentucky (TRS), a cost-sharing multiple-employer defined benefit 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://ktrs.ky.gov>.

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

Medical Insurance Plan

Plan description: In addition to the pension benefits describe above, Kentucky Revised Statute 161.175 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Medical Insurance Plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes 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, 7.50 percent of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and 0.75 percent from State appropriation and 3.00 percent 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, premiums collected from retirees as described in the plan description and investment interest help to meet the medical expenses of the plan. The District’s contributions to TRS for the year ended June 30, 2023 were \$97,023.

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

At June 30, 2023, the District reported a liability of \$1,720,000 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using standard actuarial techniques. The District’s proportion of the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was 0.069288 percent, which was an decrease of 0.01672 percent from its proportion measured as of June 30, 2021.

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

District’s proportionate share of the net OPEB liability	\$ 1,720,000
State’s proportionate share of the net Pension	
Liability associated with the District	<u>565,000</u>
Total	<u>\$ 2,285,000</u>

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For the year ended June 30, 2023, the District recognized OPEB expense of \$46,347 and revenue of \$32,347 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual Experience	\$ -	\$ 544,000
Changes of assumptions	263,000	-
Net Difference between projected and actual earnings on plan investments	68,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	357,000	99,000
District contributions subsequent to the measurement date	<u>97,023</u>	<u>-</u>
	<u>\$ 785,023</u>	<u>\$ 643,000</u>

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

<u>Year ended June 30</u>	
2024	\$ (108,260)
2025	(102,520)
2026	(92,360)
2027	20,215
2028	1,019
Thereafter	326,906

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

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Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation
Health Care Trend Rates	
Pre-65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Post-65	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

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

The long-term expected rate of return on OPEB plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 asset class, as provided by TRS's investment consultant, are summarized in the following table:

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

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	6.10%	7.10%	8.10%
	\$ 2,158,000	\$ 1,720,000	\$ 1,357,000

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 1,289,000	\$ 1,720,000	\$ 2,256,000

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OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky 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 plan is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided: TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability if hired prior to January 1, 2022, and ten-thousand dollars is hired on or after January 1, 2022. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members if hired prior to January 1, 2022, and five-thousand dollars if hired on or after January 1, 2022. The life insurance benefit is payable upon 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 (0.03%) of the gross annual payroll of members is contributed by the State.

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

At June 30, 2023, the District reported a liability of \$0 for the District's proportionate share of the collective net OPEB liability because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District.

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

District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB	
Liability associated with the District	<u>28,000</u>
Total	<u>\$ 28,000</u>

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 and rolled-forward using standard roll actuarial techniques. The District's proportion of the net OPEB 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. At June 30, 2022, the District's proportion was 0 percent, which was unchanged from the prior year.

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

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Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases	3.00% - 7.50%, including wage inflation
Long-term Investment Rate of Return	7.10%, net of investment expense, including inflation

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most recent actuarial experience studies of the System, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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 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 asset class, as provided by TRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
U.S. Equity	40%	4.4%
International Equity	23%	5.6%
Fixed Income	18%	(.10)%
Real Estate	6%	4.0%
Private Equity	5%	6.9%
Other Additional Categories	6%	2.1%
Cash (LIBOR)	<u>2%</u>	(0.3)%
Total	<u>100%</u>	

Discount rate: The discount rate used to measure the total OPEB liability as of the measurement date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Teachers' Retirement System of the Commonwealth of Kentucky financial report.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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B. Pension Plan

County Employees' Retirement System of the Commonwealth of Kentucky

General Information about the Pension Plan

Plan description: All eligible District employees participate in the County Employees' Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the CERS Board of Trustees. CERS consists of two plans – Non-Hazardous and Hazardous. District employees participate in the Non-Hazardous plan only. Kentucky Public Pension Authority issues a publicly available financial report that includes financial statements and supplementary information for CERS. That report can be obtained at <https://kyret.ky.gov>.

Benefits provided: CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Kentucky Revised Statute 61.645 assigns the authority to establish and amend benefit provisions to the CERS Board of Trustees.

Cost of Living Adjustment (COLA): Prior to July 1, 2009, COLAs were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were limited to 1.50%. No COLA has been granted since July 1, 2011.

Contributions: Tier 1 plan members, who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% of their annual creditable compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 25 USC Section 401(h) in the Pension Fund. These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer

CARLISLE COUNTY SCHOOL DISTRICT
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contribution rate is set annually by the Kentucky Retirement System Board of Trustees based on an actuarial valuation. The employer contributes a set percentage of the members' salary. Each month, when employer contributions are received, an employer pay credit is deposited to the members' account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Interest is paid into the Tier 3 members' account. The account currently earns 4% interest credit on the member's account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the system's five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the system's GANIR for the previous five years exceeds 4%, then the members' account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). The Upside Sharing Interest is credited to both the member contribution balance and Employer Pay Credit Balance.

The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 23.40% (non-hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to CERS from the District were \$235,427 for non-hazardous employees for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$2,334,248 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.032290% for non-hazardous employee pensions, a decrease of 0.001615% from its proportion measured as of June 30, 2021.

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NOTES TO FINANCIAL STATEMENTS
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For the year ended June 30, 2023, the District recognized pension expense of \$99,575 for non-hazardous employee pensions. The net pension expense in aggregate for all plans was \$1,583,360, with revenue of \$1,483,785 for support provided by the State, for the year ended June 30, 2023. 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	\$ 2,496	\$ 20,787
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	59,841	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,179	78,258
District contributions subsequent to the measurement date	<u>235,427</u>	<u>-</u>
	<u>\$ 302,943</u>	<u>\$ 99,045</u>

Of the total amount reported as deferred outflows of resources related to pensions, \$235,427 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the District's pension expense as follows:

Year ended June 30:	
2024	\$ (44,795)
2025	(33,429)
2026	(19,616)
2027	66,311

Actuarial assumptions: There have been no actuarial assumption or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 201. The total pension liability as of June 30, 2021 was determined using the following updated assumptions:

Inflation	2.30%	
Payroll Growth Rate	2.00%	
Salary Increases	3.30% to 10.30%	varies by service for non-hazardous
Investment Rate of Return	6.25%	

**CARLISLE COUNTY SCHOOL DISTRICT
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The mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

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

Discount rate: The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018). The discount rate determination does not use a municipal bond rate.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the District's proportionate share of the collective net pension liability to changes in the discount rate: The following presents the District's proportionate share of the collective net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 2,917,521	\$ 2,334,248	\$ 1,851,834

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority financial report.

C. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Plan description: In addition to the pension benefits described in Note 3(B), Kentucky Public Pensions Authority provides postemployment healthcare benefits through the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), a cost-sharing, multiple-employer defined benefit plan. The Insurance Fund was established by KRS 61.701 to provide hospital and medical insurance for those receiving benefits from the Kentucky Employees' Retirement System (KERS), the County Employees' Retirement System (CERS), and the State Police Retirement System (SPRS). Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The responsibility for the general administration and operation of the Insurance Fund is vested with the KRS and CERS Boards of Trustees.

Benefits Provided: The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2022 (the date of the latest available information), insurance premiums withheld from benefit payments for members of CERS were \$24.0 million and \$3.7 million for non-hazardous and hazardous employees, respectively. For the fiscal year ended June 30, 2021, insurance premiums withheld from benefit payments for members of CERS were \$24.3 million and \$3.3 million for non-hazardous and hazardous employees, respectively. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous employees killed in the line of duty.

The amount of contributions paid by the Insurance Fund is based on years of service. For employees participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are shown below:

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<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or more	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for those who began participating on or after July 1, 2003. Once employees reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692, and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Contributions: The District is required to contribute at an actuarially determined rate. As of June 30, 2023, the District's required contribution rate was 3.39% (non-hazardous) and 6.78% (hazardous) of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the CERS Board of Trustees. Contributions to the Insurance Fund from the District were \$34,094 (not including implicit subsidies reported in the amount of \$22,974) for non-hazardous employees for the year ended June 30, 2023. As described in Note 3(B), Tier 2 and Tier 3 employees contribute 1% of their annual creditable compensation to the Insurance Fund; Tier 1 employees are not required to contribute.

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

At June 30, 2023, the District reported a liability of \$637,208 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of June 30, 2021 and rolled-forward using generally accepted actuarial principles. The District's proportion of the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.032288% for non-hazardous employee OPEB, a decrease of 0.001609% from its proportion measured as of June 30, 2021.

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For the year ended June 30, 2023, the District recognized OPEB expense of \$79,515 for non-hazardous employee OPEB. The net OPEB expense in aggregate for all plans was \$125,862, with revenue of \$32,347 for support provided by the State, for the year ended June 30, 2023. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual		
Experience	\$ 64,140	\$146,127
Changes of assumptions	100,779	83,041
Net Difference between projected and actual earnings on plan investments	25,863	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,709	50,003
District contributions subsequent to the measurement date	34,094	-
Implicit subsidy	<u>22,974</u>	<u>-</u>
	<u>\$ 249,559</u>	<u>\$ 279,171</u>

Of the total amount reported as deferred outflows of resources related to OPEB, the implicit subsidy and \$34,094 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2024	\$ (18,289)
2025	(20,179)
2026	(45,406)
2027	(2,806)

Actuarial assumptions: The total OPEB liability as of June 30, 2022, was determined using the following updated assumptions:

CARLISLE COUNTY SCHOOL DISTRICT
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Inflation	2.30%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service for non-hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The single discount rates used to calculate the total OPEB liability within each plan changed since the prior year. The assumed increase in future healthcare costs, or trend assumption, was reviewed during the June 30, 2021, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs. There were no other material assumption changes.

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 2090 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.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of 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 or arithmetic real rate of return for each major asset class are summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

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

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

Discount rate: Single discount rates of 5.70% were used to measure the total OPEB liability as of June 30, 2022. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. However, the cost associated with the implicit employer subsidy was not included in the calculation of the system's actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

**CARLISLE COUNTY SCHOOL DISTRICT
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	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 851,846	\$ 637,208	\$ 459,774

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	\$ 473,750	\$ 637,208	\$ 833,490

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 financial report.

D. Contingencies and Commitments

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 cash advances, 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.

E. Insurance and Related Activities

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

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries 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.

CARLISLE COUNTY SCHOOL DISTRICT
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F. COBRA

All terminated employees have been notified of available continuing insurance coverage as mandated under COBRA.

G. COVID-19 Grants:

During fiscal years 2021 and 2022, the District was awarded a COVID-19 grant through the CARES Act Education Stabilization Fund of the U.S. Department of Education, passed through the Kentucky Department of Education. This awards consisted of the Elementary and Secondary School Emergency Relief Fund Award (ESSER) in the total amount of \$2,641,560. Of this amount, \$7,200 must be spent or encumbered by June 30, 2022; \$113,500 must be spent or encumbered by September 30, 2022; \$831,312 must be spent or encumbered by September 30, 2023; and \$1,689,548 must be spent or encumbered by September 30, 2024. As of June 30, 2023, a total of \$1,372,883 of these funds had been spent. The District estimates the remainder of these grants will be spent by the respective deadlines to fulfill the needs of the District.

REQUIRED SUPPLEMENTARY INFORMATION

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Taxes				
Property	\$ 1,120,000	\$ 1,176,000	\$ 1,229,688	\$ 53,688
Motor vehicle	320,000	340,000	364,296	24,296
Utilities	255,000	275,000	291,418	16,418
Other	53,000	53,000	49,042	(3,958)
Earnings on investments	7,500	10,000	32,214	22,214
Other local revenues	15,000	15,000	35,381	20,381
Intergovernmental - State	5,206,053	5,108,051	5,646,866	538,815
Intergovernmental - Indirect Federal	-	-	-	-
Total revenues	<u>6,976,553</u>	<u>6,977,051</u>	<u>7,648,905</u>	<u>671,854</u>
Expenditures				
Current				
Instruction	4,255,248	4,343,171	4,478,375	(135,204)
Support Services				
Student	301,954	268,380	261,600	6,780
Instructional staff	128,165	161,351	160,453	898
District administration	631,152	629,941	595,145	34,796
School administration	468,565	473,279	501,885	(28,606)
Business	212,945	224,632	312,848	(88,216)
Plant operations and management	618,738	643,184	699,887	(56,703)
Student transportation	559,500	585,603	650,156	(64,553)
Interest and issuance cost	54,512	54,512	54,511	1
Contingency	739,892	903,073	-	903,073
Total expenditures	<u>7,970,671</u>	<u>8,287,126</u>	<u>7,714,860</u>	<u>572,266</u>
Excess (deficit) of revenues over expenditures	<u>(994,118)</u>	<u>(1,310,075)</u>	<u>(65,955)</u>	<u>1,244,120</u>
Other Financing Sources (Uses)				
Compensation for loss of assets	-	-	171	171
Transfers in	151,118	142,188	210,818	68,630
Transfers out	(14,000)	(14,000)	(13,973)	27
Indirect cost transfers	25,000	25,000	101,935	76,935
Total other financing sources (uses)	<u>162,118</u>	<u>153,188</u>	<u>298,951</u>	<u>145,763</u>
Net change in fund balance	(832,000)	(1,156,887)	232,996	1,389,883
Fund balance, beginning of year	<u>832,000</u>	<u>1,156,887</u>	<u>1,165,937</u>	<u>9,050</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,398,933</u>	<u>\$ 1,398,933</u>

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF BUDGETARY COMPARISON - SPECIAL REVENUE FUND
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
From local sources				
Other local revenue	\$ 27,495	\$ 27,495	\$ 22,259	\$ (5,236)
Intergovernmental - State	582,214	481,046	600,757	119,711
Intergovernmental - Indirect Federal	645,426	677,361	1,202,188	524,827
Total revenues	<u>1,255,135</u>	<u>1,185,902</u>	<u>1,825,204</u>	<u>639,302</u>
Expenditures				
Current				
Instruction	1,059,659	1,040,413	1,443,089	(402,676)
Support Services				
Student	43,095	43,095	87,774	(44,679)
Instructional staff	78,418	28,088	34,324	(6,236)
District administration	-	-	-	-
Business	-	-	-	-
Plant operation and management	-	-	113,481	(113,481)
Student transportation	-	-	-	-
Non-instructional services	76,118	76,118	86,940	(10,822)
Total expenditures	<u>1,257,290</u>	<u>1,187,714</u>	<u>1,765,608</u>	<u>(577,894)</u>
Excess (deficit) of revenues over expenditures	<u>(2,155)</u>	<u>(1,812)</u>	<u>59,596</u>	<u>61,408</u>
Other Financing Sources (Uses)				
Transfers in	14,000	14,000	13,973	(27)
Transfers out	(11,845)	(12,188)	-	12,188
Indirect cost transfers	-	-	(73,569)	(73,569)
Total other financing sources (uses)	<u>2,155</u>	<u>1,812</u>	<u>(59,596)</u>	<u>(61,408)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.032290%	0.033905%	0.033793%	0.036650%	0.036722%	0.036047%	0.0389320%	0.0385820%	0.0388600%
District's proportionate share of the net pension liability (asset)	<u>\$ 2,334,248</u>	<u>\$ 2,161,710</u>	<u>\$ 2,591,895</u>	<u>\$ 2,577,611</u>	<u>\$ 2,236,483</u>	<u>\$ 2,109,942</u>	<u>\$ 1,916,867</u>	<u>\$ 1,658,837</u>	<u>\$ 1,260,700</u>
District's covered-employee payroll	<u>\$ 903,977</u>	<u>\$ 877,764</u>	<u>\$ 876,323</u>	<u>\$ 935,239</u>	<u>\$ 920,746</u>	<u>\$ 888,998</u>	<u>\$ 871,094</u>	<u>\$ 896,754</u>	<u>\$ 891,570</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	258.22%	246.27%	295.77%	275.61%	242.90%	237.34%	220.05%	184.98%	141.40%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	50.45%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,

	<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>	<u>2014</u>
Contractually required contribution	\$ 235,427	\$ 191,358	\$ 169,416	\$ 163,131	\$ 151,696	\$ 133,324	\$ 124,015	\$ 108,190	\$ 114,336	\$ 122,502
Contributions in relation to the contractually required contribution	<u>(235,427)</u>	<u>(191,358)</u>	<u>(169,416)</u>	<u>(163,131)</u>	<u>(151,696)</u>	<u>(133,324)</u>	<u>(124,015)</u>	<u>(108,190)</u>	<u>(115,192)</u>	<u>(122,502)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (856)	\$ -
District's covered employee payroll	<u>\$ 1,006,383</u>	<u>\$ 903,977</u>	<u>\$ 877,764</u>	<u>\$ 876,323</u>	<u>\$ 935,239</u>	<u>\$ 920,746</u>	<u>\$ 888,998</u>	<u>\$ 871,094</u>	<u>\$ 896,754</u>	<u>\$ 891,570</u>
Contributions as a percentage of covered-employee payroll	23.40%	21.17%	19.30%	18.62%	16.22%	14.48%	13.95%	12.42%	12.75%	13.74%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
County Employee's Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.032288%	0.033897%	0.033783%	0.036640%	0.036720%	0.036047%
District's proportionate share of the net OPEB liability (asset)	<u>\$ 637,208</u>	<u>\$ 648,941</u>	<u>\$ 815,757</u>	<u>\$ 616,268</u>	<u>\$ 651,956</u>	<u>\$ 724,668</u>
District's covered-employee payroll	<u>\$ 903,977</u>	<u>\$ 877,764</u>	<u>\$ 876,323</u>	<u>\$ 935,239</u>	<u>\$ 920,746</u>	<u>\$ 888,998</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	70.49%	73.93%	93.09%	65.89%	70.81%	81.52%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

**CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
County Employee's Retirement System
Fiscal Years Ending June 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 34,094	\$ 52,255	\$ 41,773	\$ 41,713	\$ 49,194	\$ 43,275	\$ 42,050
Contributions in relation to the contractually required contribution	<u>(34,094)</u>	<u>(52,255)</u>	<u>(41,773)</u>	<u>(41,713)</u>	<u>(49,194)</u>	<u>(43,275)</u>	<u>(42,050)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	<u>\$ 1,006,383</u>	<u>\$ 903,977</u>	<u>\$ 877,764</u>	<u>\$ 876,323</u>	<u>\$ 935,239</u>	<u>\$ 920,746</u>	<u>\$ 888,998</u>
Contributions as a percentage of covered-employee payroll	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>16,262,231</u>	<u>12,846,429</u>	<u>14,428,113</u>	<u>14,931,323</u>	<u>14,214,352</u>	<u>28,994,847</u>	<u>31,705,831</u>	<u>25,378,824</u>	<u>25,583,795</u>
Total proportionate share of the net pension liability (asset)	<u>\$ 16,262,231</u>	<u>\$ 12,846,429</u>	<u>\$ 14,428,113</u>	<u>\$ 14,931,323</u>	<u>\$ 14,214,352</u>	<u>\$ 28,994,847</u>	<u>\$ 31,705,831</u>	<u>\$ 25,378,824</u>	<u>\$ 25,583,795</u>
District's covered-employee payroll	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 4,436,395</u>	<u>\$ 4,632,285</u>	<u>\$ 4,554,549</u>	<u>\$ 4,434,905</u>	<u>\$ 4,500,667</u>	<u>\$ 4,440,551</u>	<u>\$ 4,612,034</u>
District's proportionate share of the net pension liability (asset) 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 the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<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>	<u>2014</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>	<u>\$ -</u>
Board's covered employee payroll	<u>\$ 3,234,100</u>	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 4,436,395</u>	<u>\$ 4,632,285</u>	<u>\$ 4,554,549</u>	<u>\$ 4,434,905</u>	<u>\$ 4,500,667</u>	<u>\$ 4,440,551</u>	<u>\$ 4,612,034</u>
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%	0.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - MEDICAL INSURANCE FUND
SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.069288%	0.052568%	0.054364%	0.058478%	0.055996%	0.056587%
District's proportionate share of the net OPEB liability (asset)	\$ 1,720,000	\$ 1,128,000	\$ 1,372,011	\$ 1,712,000	\$ 1,943,000	\$ 2,018,000
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>565,000</u>	<u>916,000</u>	<u>1,099,000</u>	<u>1,414,000</u>	<u>1,674,000</u>	<u>1,648,000</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 2,285,000</u>	<u>\$ 2,044,000</u>	<u>\$ 2,471,011</u>	<u>\$ 3,126,000</u>	<u>\$ 3,617,000</u>	<u>\$ 3,666,000</u>
District's covered-employee payroll	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 3,200,296</u>	<u>\$ 3,394,224</u>	<u>\$ 3,324,912</u>	<u>\$ 3,231,668</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	56.12%	36.27%	42.87%	50.44%	58.44%	62.44%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - MEDICAL INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 97,023	\$ 91,947	\$ 93,309	\$ 96,013	\$ 101,827	\$ 99,747	\$ 96,950
Contributions in relation to the contractually required contribution	<u>(97,023)</u>	<u>(91,947)</u>	<u>(93,309)</u>	<u>(96,013)</u>	<u>(101,827)</u>	<u>(99,747)</u>	<u>(96,950)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	<u>\$ 3,234,100</u>	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 3,200,296</u>	<u>\$ 3,394,224</u>	<u>\$ 3,324,912</u>	<u>\$ 3,231,668</u>
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE COMMONWEALTH OF KENTUCKY'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY - LIFE INSURANCE FUND - SPECIAL FUNDING SITUATION
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability (asset)	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%
District's proportionate share of the net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>28,000</u>	<u>12,000</u>	<u>33,000</u>	<u>32,000</u>	<u>29,000</u>	<u>22,000</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 28,000</u>	<u>\$ 12,000</u>	<u>\$ 33,000</u>	<u>\$ 32,000</u>	<u>\$ 29,000</u>	<u>\$ 22,000</u>
District's covered-employee payroll	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 3,200,296</u>	<u>\$ 3,394,224</u>	<u>\$ 3,324,912</u>	<u>\$ 3,231,668</u>
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%

The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS - LIFE INSURANCE FUND
Kentucky Teachers' Retirement System
Fiscal Years Ending June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</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>
Board's covered employee payroll	<u>\$ 3,234,100</u>	<u>\$ 3,064,875</u>	<u>\$ 3,110,272</u>	<u>\$ 3,200,296</u>	<u>\$ 3,394,224</u>	<u>\$ 3,324,912</u>	<u>\$ 3,231,668</u>
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in the future until 10 years of information is available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Kentucky Teachers' Retirement System

Pension Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

Changes of assumptions:

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In the 2016 valuation, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience and the assumed salary scale, price inflation, and wage inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.
- In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%.
- In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.5 percent to 7.10 percent.

Medical Insurance Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

The following changes were made by the General Assembly and reflected in the valuation performed as of June 30, 2016:

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

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

Changes of assumptions:

- In 2022, health care cost trend rates were updated to reflect future anticipated experience.
- In the 2020 experience study, rates of withdrawal, retirement disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Life Insurance Plan

Changes of benefit terms: In 2022, a new benefit tier was added for members joining the System on or after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Note 3 of this report.

Changes of 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 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Pension Plan

Changes of benefit terms: 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 pay rate 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 member’s final pay to 50% of average pay for one child, 65% over average pay for two children, of 75% of average pay for three children. The Total Pension Liability beginning June 30, 2018 is determined using these updated benefit provisions.

See independent auditor’s report.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2023

Changes of assumptions: In the June 30, 2019, 2017 and 2015 actuarial valuations, the following changes in actuarial assumptions were made:

	<u>June 30, 2019</u>	<u>June 30, 2017</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Inflation	2.30%	2.30%	3.25%	3.50%
Payroll Growth	2.00%	0.75%	0.75%	1.00%
Salary Increases	3.30% to 10.30%	3.05%	4.00%	4.50%
Investment Rate of Return	6.25%	6.25%	7.50%	7.75%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2015 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

For periods prior to the June 30, 2015 actuarial valuation, the rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years was used for the period after disability retirement.

Other Postemployment Benefits Plan

Changes of benefit terms: 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 2090 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. The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions.

Changes of assumptions: In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made:

See independent auditor's report.

**CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2023

	<u>June 30, 2019</u>	<u>June 30, 2017</u>
Inflation	2.30%	2.30%
Payroll Growth	2.00%	0.75%
Salary Increases	3.30% to 10.30%	3.05%
Investment Rate of Return	6.25%	6.25%

In the June 30, 2019 actuarial valuation, the mortality table used for active members was a PUB-2010 General Mortality table, for the Non-Hazardous System, and PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

Beginning with the June 30, 2017 actuarial valuation, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**CARLISLE COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023**

	<u>District Activity Fund</u>	<u>Student Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 183,610	\$ 105,209	\$ -	\$ -	\$ 288,819
Investments	2,529	-	-	-	2,529
Total assets	<u>\$ 186,139</u>	<u>\$ 105,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,348</u>
Liabilities					
Accounts payable	\$ 339	\$ -	\$ -	\$ -	\$ 339
Fund Balances					
Restricted	185,800	105,209	-	-	291,009
Total fund balances	185,800	105,209	-	-	291,009
Total liabilities and fund balances	<u>\$ 186,139</u>	<u>\$ 105,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,348</u>

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	<u>District Activity Fund</u>	<u>Student Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues					
From local sources					
Taxes					
Property	\$ -	\$ -	\$ -	\$ 347,660	\$ 347,660
Earnings on investments	6	438	-	-	444
Other local revenues	214,862	281,067	-	-	495,929
Intergovernmental - State	-	-	66,534	328,328	394,862
Total revenues	<u>214,868</u>	<u>281,505</u>	<u>66,534</u>	<u>675,988</u>	<u>1,238,895</u>
Expenditures					
Current					
Instruction	184,573	288,956	-	-	473,529
Student transportation	-	2,763	-	-	2,763
Capital outlay	-	-	60,600	-	60,600
Total expenditures	<u>184,573</u>	<u>291,719</u>	<u>60,600</u>	<u>-</u>	<u>536,892</u>
Excess (deficit) of revenues over expenditures	<u>30,295</u>	<u>(10,214)</u>	<u>5,934</u>	<u>675,988</u>	<u>702,003</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(38,346)	(675,988)	(714,334)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(38,346)</u>	<u>(675,988)</u>	<u>(714,334)</u>
Net change in fund balances	30,295	(10,214)	(32,412)	-	(12,331)
Fund balances, beginning of year	<u>155,505</u>	<u>115,423</u>	<u>32,412</u>	<u>-</u>	<u>303,340</u>
Fund balances, end of year	<u>\$ 185,800</u>	<u>\$ 105,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,009</u>

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES, AND CHANGES IN FUND BALANCE
- NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2023

<u>Fund</u>	<u>July 1, 2022</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>June 30, 2023</u>
Student Activity Funds				
Carlisle County High School:				
General	\$ 3,471	\$ 2,306	\$ 1,328	\$ 4,449
Teacher Vending	151	175	173	153
Student Vending	10	538	464	84
Flower Fund	150	-	111	39
Yearbook	-	1,075	1,075	-
General Athletics	35,248	42,577	41,116	36,709
Boys Basketball	5,487	12,180	10,231	7,436
Girls Basketball	5,212	10,249	10,236	5,225
Volleyball	382	6,462	4,251	2,593
Golf	-	2,995	2,926	69
Baseball	-	20,841	14,650	6,191
Softball	2,450	17,846	17,848	2,448
Cross Country	20	-	20	-
Cheerleading	1,732	7,424	7,660	1,496
District Tournament	-	8,987	8,987	-
FBLA	2,835	9,118	8,534	3,419
FFA	10,263	34,109	40,370	4,002
FCC	301	50	-	351
Student Council	889	-	-	889
Stars	603	-	603	-
Pep Club	297	340	360	277
Arts Guild	245	420	452	213
Beta	418	1,143	1,561	-
Prom	3,282	13,015	12,241	4,056
FCCLA	211	64	275	-
Music	-	40	20	20
Start up Change	-	5,250	5,250	-
Student Events	-	1,508	100	1,408
Art	-	84	84	-
	<u>73,657</u>	<u>198,796</u>	<u>190,926</u>	<u>81,527</u>
Less: inter-fund transfers	<u>-</u>	<u>10,091</u>	<u>10,091</u>	<u>-</u>
Total Carlisle County High School	73,657	188,705	180,835	81,527
Carlisle County Middle School	18,803	39,593	37,967	20,429
Carlisle County Elementary School	22,963	53,207	72,917	3,253
Total student activity funds	<u>\$ 115,423</u>	<u>\$ 281,505</u>	<u>\$ 291,719</u>	<u>\$ 105,209</u>

See independent auditor's report.

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	Pass- through Number	Program or Award Amount	Expenditures
U.S. Department of Education				
Passed Through Kentucky Department of Education				
Title I Grants to Local Educational Agencies	84.010	3100002-22	\$ 268,622	\$ 202,597
Title I Grants to Local Educational Agencies	84.010	3100002-21	231,764	39,974
			<u>500,386</u>	<u>242,571</u>
Special Education Cluster (IDEA):				
Special Education, IDEA, Part B	84.027X	4910002-21	41,404	41,107
Special Education, IDEA, Part B	84.027A	3810002-22	166,570	166,570
Special Education, IDEA, Part B	84.027A	3810002-21	606,538	10,554
			<u>814,512</u>	<u>218,231</u>
Special Education, IDEA Preschool				
Special Education, IDEA Preschool	84.173X	4900002-21	5,743	1,089
Special Education, IDEA Preschool	84.173A	3800002-22	15,797	15,797
			<u>21,540</u>	<u>16,886</u>
Total Special Education Cluster (IDEA)			<u>836,052</u>	<u>235,117</u>
Career and Technical Education Basic Grants to States				
Career and Technical Education Basic Grants to States	84.048	3710002-22	9,488	9,361
Career and Technical Education Basic Grants to States	84.048	3710002-22	3,062	1,322
			<u>12,550</u>	<u>10,683</u>
Rural and Low Income Education				
Rural and Low Income Education	84.358B	3140002-21	15,804	12,405
Rural and Low Income Education	84.358B	3140002-22	19,071	663
			<u>34,875</u>	<u>13,068</u>
Supporting Effective Instruction (formerly Improving Teacher Quality)				
Supporting Effective Instruction (formerly Improving Teacher Quality)	84.367A	3230002-22	38,392	38,392
Student Support and Academic Enrichment Program				
Student Support and Academic Enrichment Program	84.424	3420002-22	17,803	13,367
Student Support and Academic Enrichment Program	84.424	3420002-21	17,222	6,055
			<u>35,025</u>	<u>19,422</u>
Education Stabilization Fund:				
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-22	32,249	8,835
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300002-21	1,689,548	413,278
			<u>1,721,797</u>	<u>422,113</u>
Total U.S. Department of Education			<u>3,179,077</u>	<u>981,366</u>
U.S. Department of Agriculture				
Passed Through State Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	7760005	204,020	204,020
National School Lunch Program - Donated Commodities	10.555	9980000	41,894	41,894
National School Lunch Program	10.555	7750002	405,442	405,442
Total Child Nutrition Cluster			<u>651,356</u>	<u>651,356</u>
PEBT Administrative Funds				
PEBT Administrative Funds	10.649	9990000	628	628
State Administrative Expenses for Child Nutrition	10.560	7700001-19	990	990
Total U.S. Department of Agriculture			<u>652,974</u>	<u>652,974</u>

*See independent auditor's report.
The accompanying notes are an integral part of this schedule.*

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/CFDA Program Title	Federal CFDA Number	Pass- through Number	Program or Award Amount	Expenditures
U.S. Department of Health and Human Resources				
Passed Through Murray Board of Education				
Head Start	93.600	04CH011242-01	215,329	215,329
Head Start	93.600	04CH011242-01	5,493	5,493
			<u>220,822</u>	<u>220,822</u>
Total U.S. Department of Health and Human Resources			<u>220,822</u>	<u>220,822</u>
Total federal awards			<u>\$ 4,052,873</u>	<u>\$ 1,855,162</u>
Reconciliation of Expenditures of Federal Awards to Special Revenue Total Expenditures				
Total expenditures of federal awards				\$ 1,855,162
Total expenditures of state and local awards				636,989
Expenditure of federal awards in the food service func				<u>(652,974)</u>
Total expenditures as reported in the special revenue fund on the statement of revenues expenditures and changes in fund balance - governmental funds				<u>\$ 1,839,177</u>

CARLISLE COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2023

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

Carlisle County School District has elected to use the 10-percent de minimis indirect rate allowed under the Uniform Guidance.

NOTE 4 – FOOD DISTRIBUTION

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

INTERNAL CONTROL AND COMPLIANCE SECTION



**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits
Members of the Carlisle County Board of Education
Bardwell, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carlisle County School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Carlisle County School District’s basic financial statements and have issued our report thereon dated November 14, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carlisle County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Carlisle County School District in a separate letter dated November 14, 2023, as required by the auditor's contract with the Kentucky Department of Education.

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.

ATA CPAs + Advisors PLLC

Murray, Kentucky
November 14, 2023



Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the *Uniform Guidance*

Kentucky State Committee for School District Audits
Members of the Carlisle County Board of Education
Bardwell, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 Carlisle County School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Carlisle County School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Carlisle County School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Carlisle County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Carlisle County School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

ATA CPAs + Advisors PLLC

Murray, Kentucky
November 14, 2023

CARLISLE COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Noncompliance material to financial statements noted?

 yes x no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

 yes x no

Significant deficiency(ies) identified?

 yes x none reported

Type of auditor's report issued on compliance for major federal programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes x no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes no

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CARLISLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2023

FINANCIAL STATEMENT FINDINGS

None reported

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

CARLISLE COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR MANAGEMENT LETTER POINTS
June 30, 2023

MANAGEMENT LETTER POINTS

- I. **Condition:** During our testing of activity funds, we noted that the Board has not historically approved activity fund budgets.

Criteria: The KDE Redbook states that school activity fund budgets should be submitted to the local board for approval by the end of May.

Cause: The Board was unaware of this requirement.

Effect: The District is not in compliance with the KDE Redbook.

Current Status: Based on our testing procedures for activity funds during the current audit, this issue has been resolved.

- II. **Condition:** During our internal control procedures, we noted that all board office employees have access to the key in the AP Secretary's office where the District's credit cards are stored.

Criteria: The District's internal control environment should include physical controls that mitigate the risk of credit card usage by unauthorized individuals.

Cause: The key to the AP secretary's office is stored in a safe at the board office for which each board office employee has the combination.

Effect: There is an increased risk of theft and fraudulent credit card purchases.

Current Status: During our internal control procedures during the current audit, we noted that this issue has been resolved.