

FLEMING COUNTY SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis of 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 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 opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 13, 2023

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

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$20,083,005 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$9,686,261. The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities of for postemployment benefits of \$17,744,469 which caused the deficit balance in the unrestricted net position.

The District's total net position increased by \$14,283,241.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

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

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets				
Current assets	\$ 20,631,479	\$ 9,004,563	\$ 1,241,014	\$ 947,722
Non-current assets	43,815,994	43,910,129	180,719	126,392
Total assets	64,447,473	52,914,692	1,421,733	1,074,114
Deferred outflows	5,068,231	3,020,451	337,475	382,819
Liabilities				
Current liabilities	665,829	1,181,402	-	-
Non-current liabilities	45,201,345	43,758,002	1,798,629	1,562,916
Total liabilities	45,867,174	44,939,404	1,798,629	1,562,916
Deferred inflows	3,312,335	2,113,691	213,769	534,762
Net position				
Net investment in capital assets	13,267,994	2,118,716	180,719	126,392
Restricted	16,754,462	474,731	(433,909.00)	(767,137)
Unrestricted	(9,686,261)	6,288,601	-	-
Total net position	\$ 20,336,195	\$ 8,882,048	\$ (253,190)	\$ (640,745)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Revenues:				
Local revenue	\$ 6,552,015	\$ 3,473,680	\$ 171,878	\$ 175,048
State revenue	30,348,100	7,436,289	13,002	131,606
Federal revenue	7,262,275	2,979,351	2,311,651	274,805
Total revenues	44,162,390	13,889,320	2,496,531	581,459
Expenses:				
Instruction	19,164,883	6,746,921	-	-
Student support	786,581	1,163,325	-	-
Instruction staff	1,028,775	611,337	-	-
District administrative	1,823,048	536,621	-	-
School administrative	1,420,369	779,637	-	-
Business support	127,802	551,777	-	-
Plant operations and maintenance	3,069,876	1,393,662	-	-
Student transportation	1,582,965	172,422	-	-
Other instructional	133,350	(1,462)	-	-
Non-instructional	172,848	38,257	-	-
Food service	-	-	2,023,592	2,018,923
Community services	231,500	181,864	-	-
Land/site acquisition	181,138	436,484	-	-
Interest on long-term debt	628,953	157,932	-	-
Total expenditures	30,352,088	12,768,777	2,023,592	2,018,923
Transfers	85,384	84,547	(85,384)	(84,547)
Change in net position	\$ 13,895,686	\$ 1,205,090	\$ 387,555	\$ (1,522,011)

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

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

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$19,947,869, an increase of \$12,033,370 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,901,950. The total general fund balance increased \$1,466,106.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$43,996,713 in capital assets net of depreciation. Net capital assets decreased \$39,808.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Land	\$ 1,104,745	\$ 564,745	\$ -	\$ -
Land improvements	161,322	185,800	-	-
Buildings and improvements	41,232,519	42,652,662	-	-
Technology equipment	581,770	223,430	-	-
Vehicles	712,395	279,149	-	-
General equipment	23,243	4,343	180,719	126,392
Total capital assets	\$ 43,815,994	\$ 43,910,129	\$ 180,719	\$ 126,392

Long-Term Obligations

At the end of the fiscal year, the District had \$46,930,206 in long-term liabilities. Long-term liabilities increased \$1,710,556.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Bonds payable	\$ 30,548,000	\$ 32,233,000	\$ -	\$ -
Financed purchases	1,293,985	1,440,589	-	-
Operating leases	67,768	101,268	-	-
Compensated absences	343,752	211,185	-	-
Net OPEB liability	6,922,169	4,647,392	385,669	360,857
Net pension liability	6,023,671	5,124,568	1,412,960	1,202,059
Total long-term liabilities	\$ 45,199,345	\$ 43,758,002	\$ 1,798,629	\$ 1,562,916

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 11%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenue for the District decreased for the upcoming fiscal year primarily due to lower expected on-behalf revenue. Budgeted general fund expenditures decreased for the upcoming fiscal year primarily due to lower expected on-behalf expenditures. The budgeted contingency is 14%.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Andy Plank, 211 W. Water St., Flemingsburg, KY 41041.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,070,894	\$ 1,168,097	\$ 9,238,991
Investments	8,912,329	46,042	8,958,371
Receivables	3,578,488	-	3,578,488
Inventory	-	26,875	26,875
Right-of-use lease assets - operating	69,768	-	69,768
Capital assets, net	43,815,994	180,719	43,996,713
Total assets	64,447,473	1,421,733	65,869,206
Deferred outflows of resources			
Advance refunding	167,512	-	167,512
OPEB related	4,059,871	142,729	4,202,600
Pension related	840,848	194,746	1,035,594
Total deferred outflows of resources	5,068,231	337,475	5,405,706
Liabilities			
Accounts payable	64,122	-	64,122
Unearned revenue	549,720	-	549,720
Accrued interest payable	51,987	-	51,987
Due within one year:			
Financed purchases	134,144	-	134,144
Operating leases	33,704	-	33,704
Bonds payable	1,715,000	-	1,715,000
Due in more than one year:			
Compensated absences	343,752	-	343,752
Financed purchases	1,159,841	-	1,159,841
Operating leases	36,064	-	36,064
Bonds payable	28,833,000	-	28,833,000
Net OPEB liability	6,922,169	385,669	7,307,838
Net pension liability	6,023,671	1,412,960	7,436,631
Total liabilities	45,867,174	1,798,629	47,665,803
Deferred inflows of resources			
OPEB related	3,136,384	172,497	3,308,881
Pension related	175,951	41,272	217,223
Total deferred inflows of resources	3,312,335	213,769	3,526,104
Net position			
Net investment in capital assets	13,267,994	180,719	13,448,713
Restricted (deficit)	16,754,462	(433,909)	16,320,553
Unrestricted (deficit)	(9,686,261)	-	(9,686,261)
Total net position (deficit)	\$ 20,336,195	\$ (253,190)	\$ 20,083,005

See accompanying notes to financial statements.

Fleming County School District
Statement of Activities - Continued
Year Ended June 30, 2023

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expenses)</u>
Governmental Activities					
Instruction	\$ 19,164,883	\$ -	\$ 12,958,827	\$ -	\$ (6,206,056)
Support services:					
Student	786,581	-	868,258	-	81,677
Instructional staff	1,028,775	-	142,689	-	(886,086)
District administration	1,823,048	-	67,040	-	(1,756,008)
School administration	1,420,369	-	529,018	-	(891,351)
Business	127,802	-	-	-	(127,802)
Plant operation	3,069,876	-	55,724	-	(3,014,152)
Student transportation	1,582,965	-	114,203	-	(1,468,762)
Other instructional	133,350	-	-	-	(133,350)
Non-instructional	172,848	-	-	-	(172,848)
Community service	231,500	-	231,500	-	-
Land/site acquisition	181,138	-	-	-	(181,138)
Interest on long-term debt	628,953	-	-	1,223,644	594,691
Total governmental activities	30,352,088	-	14,967,259	1,223,644	(14,161,185)
Business-Type Activities					
Food service	2,023,592	170,894	2,324,653	-	471,955
Total business-type activities	2,023,592	170,894	2,324,653	-	471,955
Total school district	\$ 32,375,680	\$ 170,894	\$ 17,291,912	\$ 1,223,644	(13,689,230)
			Governmental Activities	Business-Type Activities	Total
Net revenue (expenses)			\$ (14,161,185)	\$ 471,955	\$ (13,689,230)
General Revenues					
Property taxes			3,391,636	-	3,391,636
Motor vehicle taxes			847,016	-	847,016
Utilities tax			863,747	-	863,747
State aid			21,236,963	-	21,236,963
Investment earnings			104,530	984	105,514
Other			1,527,595	-	1,527,595
Transfers			85,384	(85,384)	-
Total general revenues			28,056,871	(84,400)	27,972,471
Change in net position			13,895,686	387,555	14,283,241
Net position (deficit) - beginning of year (restated)			6,440,509	(640,745)	5,799,764
Net position (deficit) - end of year			\$ 20,336,195	\$ (253,190)	\$ 20,083,005

See accompanying notes to financial statements.

Fleming County School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Construction Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (deficit)	\$ 3,827,422	\$ (2,729,083)	\$ 550,733	\$ 6,249,004	\$ 172,818	\$ 8,070,894
Investments	-	-	8,912,329	-	-	8,912,329
Accounts receivable	122,539	3,186,847	-	-	269,102	3,578,488
Total assets	\$ 3,949,961	\$ 457,764	\$ 9,463,062	\$ 6,249,004	\$ 441,920	\$ 20,561,711
Liabilities						
Accounts payable	\$ 48,011	\$ 16,111	\$ -	\$ -	\$ -	\$ 64,122
Unearned revenue	-	549,720	-	-	-	549,720
Total liabilities	48,011	565,831	-	-	-	613,842
Fund balances						
Restricted	-	566	9,463,062	6,249,004	441,920	16,154,552
Committed	-	-	-	-	-	-
Assigned	(1,800)	-	-	-	-	(1,800)
Unassigned	3,903,750	(108,633)	-	-	-	3,795,117
Total fund balances	3,901,950	(108,067)	9,463,062	6,249,004	441,920	19,947,869
Total liabilities and fund balances	\$ 3,949,961	\$ 457,764	\$ 9,463,062	\$ 6,249,004	\$ 441,920	\$ 20,561,711

See accompanying notes to financial statements.

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

Total fund balances - governmental funds \$ 19,947,869

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

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds. 43,815,994

Deferred outflow and inflow of resources are applicable to future
 periods and, therefore, are not reported in the funds.

Deferred outflows - advance refundings	167,512
Deferred outflows - OPEB	4,059,871
Deferred outflows - pensions	840,848
Deferred inflows - OPEB	(3,136,384)
Deferred inflows - pension	(175,951)

Long-term liabilities are not due and payable in the current period
 and, therefore, are not reported in the funds.

Accrued interest payable	(51,987)
Bonds payable	(30,548,000)
Financed purchases	(1,293,985)
Compensated absences	(343,752)
Net OPEB liability	(6,922,169)
Net pension liability	(6,023,671)

Net position of governmental activities	\$ 20,336,195
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See accompanying notes to financial statements.

Fleming County School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
June 30, 2023

	General Fund	Special Revenue	Construction Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ 2,490,250	\$ -	\$ -	\$ -	\$ 901,386	\$ 3,391,636
Motor vehicle taxes	847,016	-	-	-	-	847,016
Utility taxes	863,747	-	-	-	-	863,747
Earnings on investments	1,559	-	-	102,971	-	104,530
Other local revenue	149,286	231,414	-	-	963,974	1,344,674
Intergovernmental - state SEEK	10,253,280	-	9,569,200	1,222,770	-	21,045,250
Intergovernmental - state on-behalf	6,994,815	-	-	-	1,414,483	8,409,298
Intergovernmental - state other	-	893,552	-	-	-	893,552
Intergovernmental - federal	183,383	7,078,892	-	-	-	7,262,275
Total revenues	21,783,336	8,203,858	9,569,200	1,325,741	3,279,843	44,161,978

Fleming County School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds - Continued
June 30, 2023

	General	Special	Construction	Debt	Other	Total
	Fund	Revenue	Fund	Service	Governmental	Governmental
Expenditures					Funds	Funds
Instruction	12,715,641	6,958,035	-	-	589,995	20,263,671
Support services:						
Student	287,080	519,743	-	-	-	806,823
Instruction staff	991,620	57,095	-	-	-	1,048,715
District administrative	1,844,200	-	-	-	-	1,844,200
School administrative	1,440,487	-	-	-	-	1,440,487
Business support	127,802	-	-	-	-	127,802
Plant operation	2,017,906	-	-	-	-	2,017,906
Student transportation	1,525,833	-	-	-	-	1,525,833
Other instructional	-	-	-	-	133,350	133,350
Non instructional	-	-	-	-	172,848	172,848
Community services	-	231,500	-	-	-	231,500
Land/site acquisitions	75,000	-	106,138	-	-	181,138
Debt service	89,777	-	-	2,312,959	17,395	2,420,131
Total expenditures	21,115,346	7,766,373	106,138	2,312,959	913,588	32,214,404
Excess of revenues over (under) expenditures	667,990	437,485	9,463,062	(987,218)	2,366,255	11,947,574
Other financing sources (uses)						
Transfers in	821,282	43,578	-	1,579,971	-	2,444,831
Transfers out	(43,578)	-	-	-	(2,315,869)	(2,359,447)
Sale of assets	412	-	-	-	-	412
Bond issue costs	-	-	-	-	-	0
Bond premium	-	-	-	-	0	0
Bond proceeds	-	-	-	-	0	0
Total other financing sources (uses)	778,116	43,578	-	1,579,971	(2,315,869)	85,796
Net change in fund balances	1,446,106	481,063	9,463,062	592,753	50,386	12,033,370
Fund balances - beginning	2,455,844	(589,130)	-	5,656,251	391,534	7,914,499
Fund balances - end of year	\$ 3,901,950	\$ (108,067)	\$ 9,463,062	\$ 6,249,004	\$ 441,920	\$ 19,947,869

Fleming County School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 June 30, 2023

Net change in fund balances - total governmental funds \$ 12,033,370

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

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those asset is
 allocated over their estimated useful lives and reported as depreciation
 expense. (94,135)

Repayments of long-term debt are expenditures in the governmental
 funds, but the repayment reduces long-term liabilities in the statement
 of net position. 1,831,604

Some expenses reported in the statement of activities do not require
 current financial resources and, therefore, are not reported as
 expenditures in the funds.

Amortization of bond premium	(42,498)
Change in accrued interest payable	2,072
Change in compensated absences	(132,567)
Change in OPEB liabilities and deferred amounts	32,316
Change in pension liabilities and deferred amounts	265,524

Change in net position of governmental activities	\$ 13,895,686
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See accompanying notes to financial statements.

Fleming County School District
Statement of Net Position – Proprietary Fund
June 30, 2023

	Food Service
Assets	
Current assets	
Cash and cash equivalents	\$ 1,214,139
Inventories for consumption	26,875
Total current assets	1,241,014
Noncurrent assets	
Capital assets, net	180,719
Total noncurrent assets	180,719
Total assets	1,421,733
Deferred outflows	
OPEB related	142,729
Pension related	194,746
Total deferred outflows	337,475
Liabilities	
Current liabilities	
Accounts payable	\$ -
Total current liabilities	-
Long-term liabilities	
Net OPEB liability	385,669
Net pension liability	1,412,960
Total long-term liabilities	1,798,629
Total liabilities	1,798,629
Deferred outflows	
OPEB related	172,497
Pension related	41,272
Total deferred outflows	213,769
Net position	
Net investment in capital assets	180,719
Restricted	(433,909)
Total net position (deficit)	\$ (253,190)

See accompanying notes to financial statements.

Fleming County School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
June 30, 2023

	Food Service Fund
Operating revenues	
Food service	\$ 167,812
Other operating revenue	3,082
Total operating revenues	170,894
Operating expenses	
Salaries and wages	524,007
Employee benefits	137,584
Purchased services	24,022
Materials and supplies	1,267,847
Other operating expenses	51,793
Depreciation	18,339
Total operating expenses	2,023,592
Operating loss	(1,852,698)
Non operating revenues	
Operating grants - state	13,002
Operating grants - state on-behalf	-
Operating grants - federal	2,168,333
Donated commodities	143,318
Transfers in	-
Transfers out	(85,384)
Interest income	984
Total other financing sources (uses)	2,240,253
Net change in fund balances	387,555
Fund balances - beginning of year	(640,745)
Fund balances - end of year	\$ (253,190)

See accompanying notes to financial statements.

Fleming County School District
Statement of Net Position – Fiduciary Fund
June 30, 2023

	<u>Food Service</u>
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 167,812
From other activities	3,082
Cash paid:	
To employees	(558,209)
To suppliers	(1,302,939)
For operating expenses	(51,793)
<u>Net cash used in operating activities</u>	<u>(1,742,047)</u>
Cash flows from noncapital financing activities	
Non operating grants	2,095,951
<u>Net cash provided by noncapital financing activities</u>	<u>2,095,951</u>
Cash flows from investing activities	
Purchases of equipment	(73,666)
Interest on investments	984
<u>Net cash provided by investing activities</u>	<u>(72,682)</u>
Net increase in cash	281,222
Cash - beginning of year	931,917
<u>Cash - end of year</u>	<u>\$ 1,213,139</u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (1,852,698)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	18,339
Commodities received	143,318
Changes in:	
Inventory	(11,070)
Deferred outflows	45,344
Deferred inflows	(320,993)
Net OPEB liability	24,812
Net pension liability	210,901
<u>Net cash used in operating activities</u>	<u>\$ (1,742,047)</u>
Noncash activities	
Commodities received from federal	<u>\$ 143,318</u>
On-behalf payments received state	<u>\$ -</u>

See accompanying notes to financial statements.

Fleming County School District
Statement of Net Position – Fiduciary Fund
June 30, 2023

	Trust Funds
Assets	
Cash	\$ 230,005
Total assets	\$ 230,005
Net position	
Restricted	\$ 230,005

See accompanying notes to financial statements.

Fleming County School District
Statement of Changes in Net Position – Fiduciary Fund
June 30, 2023

	Trust Funds
Additions	
Contributions	\$ 32,241
<u>Total additions</u>	<u>32,241</u>
Deductions	
Community services	49,500
<u>Total deductions</u>	<u>49,500</u>
Change in net position	(17,259)
Net position - beginning of year	247,264
<u>Net position - end of year</u>	<u>\$ 230,005</u>

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Fleming County Board of Education Finance Corporation – The Board authorized the establishment of the Fleming County Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

Government-Wide 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.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

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

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

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

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

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that 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 in both 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

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

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net 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 Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by District Council ordinance.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by District Council.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

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

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

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

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through November 13, 2023, the date the financial statements were available to be issued.

NOTE 2: CASH AND INVESTMENTS

Custodial credit risk. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

At year end, the District’s bank balance was \$11,115,758 and the carrying amount was \$9,136,021. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Governmental Activities				
Land	\$ 564,745	\$ 540,000	\$ -	\$ 1,104,745
Land improvements	1,277,878	-	-	1,277,878
Buildings and improvements	61,421,608	41,267	-	61,462,875
Technology equipmenmt	1,337,603	455,048	145,033	1,647,618
Vehicles	1,970,303	499,836	-	2,470,139
General equipment	290,995	19,467	-	310,462
Total at historical cost	66,863,132	1,555,618	145,033	68,273,717
Less Accumulated Depreciation				
Land improvements	1,092,078	24,478	-	1,116,556
Buildings and improvements	18,768,946	1,461,410	-	20,230,356
Technology equipmenmt	1,114,173	96,708	145,033	1,065,848
Vehicles	1,691,154	66,590	-	1,757,744
General equipment	286,652	567	-	287,219
Total accumulated depreciation	22,953,003	1,649,753	145,033	24,457,723
Capital assets - net	\$ 43,910,129	\$ (94,135)	\$ -	\$ 43,815,994

NOTE 3: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Business-type Activities				
General equipment	\$ 626,242	\$ 72,666	\$ -	\$ 698,908
Total at historical cost	626,242	72,666	-	698,908
Less Accumulated Depreciation				
General equipment	499,850	18,339	-	518,189
Total accumulated depreciation	499,850	18,339	-	518,189
Capital assets - net	\$ 126,392	\$ 54,327	\$ -	\$ 180,719

Depreciation was charged to following government functions:

	Governmental	Business-type
Instruction	\$ 481,586	\$ -
School administration	-	-
Plant operations	1,070,018	-
Student transportation	98,149	-
Food service	-	18,339
	<u>\$ 1,649,753</u>	<u>\$ 18,339</u>

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Governmental Activities	Balance			Balance June 30, 2023	Due Within One Year	Long- Term
	July 1, 2022	Additions	Reductions			
Bonds payable	\$ 32,233,000	\$ -	\$ 1,685,000	\$ 30,548,000	\$ 1,715,000	\$ 28,833,000
Financed purchases	1,440,589	-	146,604	1,293,985	134,144	1,159,841
Operating leases	101,268	-	31,500	69,768	33,704	36,064
Compensated absences	211,185	132,567	-	343,752	-	343,752
Net OPEB liability	4,647,392	2,274,777	-	6,922,169	-	6,922,169
Net pension liability	5,124,568	899,103	-	6,023,671	-	6,023,671
Total long-term liabilities	\$ 43,758,002	\$ 3,306,447	\$ 1,863,104	\$ 45,201,345	\$ 1,882,848	\$ 43,318,497

Business-type Activities	Balance			Balance June 30, 2023	Amount Due Within One Year	Long- Term
	July 1, 2022	Additions	Reductions			
Net OPEB liability	\$ 360,857	\$ 24,812	\$ -	\$ 385,669	\$ -	\$ 385,669
Net pension liability	1,202,059	210,901	-	1,412,960	-	1,412,960
Total long-term liabilities	\$ 1,562,916	\$ 235,713	\$ -	\$ 1,798,629	\$ -	\$ 1,798,629

Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue Date	Proceeds	Rates	Balance June 30, 2023
2011QSCB	\$ 11,918,000	4.65%	\$ 11,918,000
2012	\$ 2,820,000	0.500% - 2.400%	690,000
2013	\$ 4,520,000	1.400% - 3.000%	3,585,000
2016	\$ 14,890,000	2.000% - 3.000%	10,770,000
2016R	\$ 960,000	2.000% - 2.250%	385,000
2017	\$ 1,815,000	2.000% - 3.000%	1,220,000
2020	\$ 2,415,000	1.000% - 1.850%	1,980,000
			<u>\$ 30,548,000</u>

NOTE 4: LONG-TERM LIABILITIES - CONTINUED

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2023	Amount	
	July 1, 2022	Additions	Reductions		Due Within One Year	Long- Term
Series 2011QSCB	\$ 11,918,000	\$ -	\$ -	\$ 11,918,000	\$ -	\$ 11,918,000
Series 2012	1,055,000		365,000	690,000	370,000	320,000
Series 2013	3,745,000		160,000	3,585,000	160,000	3,425,000
Series 2016	11,445,000		675,000	10,770,000	685,000	10,085,000
Series 2016R	480,000		95,000	385,000	100,000	285,000
Series 2017	1,410,000		190,000	1,220,000	195,000	1,025,000
Series 2020	2,180,000		200,000	1,980,000	205,000	1,775,000
Bonds payable	\$ 32,233,000	\$ -	\$ 1,685,000	\$ 30,548,000	\$ 1,715,000	\$ 28,833,000

Debt service requirements for the District's general obligation bonds are as follows:

Year End June 30	Fleming County School District		School Facility Construction Commission		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2024	\$ 868,258	\$ 205,631	\$ 846,742	\$ 258,389	\$ 1,715,000	\$ 464,020	\$ 2,179,020
2025	887,653	188,025	802,347	240,973	1,690,000	428,998	2,118,998
2026	820,574	173,319	819,426	223,892	1,640,000	397,211	2,037,211
2027	837,108	156,427	802,892	206,640	1,640,000	363,067	2,003,067
2028	857,376	138,316	737,624	188,680	1,595,000	326,996	1,921,996
2029	875,578	119,212	729,422	170,212	1,605,000	289,424	1,894,424
2030	771,815	100,030	683,185	151,744	1,455,000	251,774	1,706,774
2031	12,729,321	79,970	703,679	131,248	13,433,000	211,218	13,644,218
2032	760,211	58,338	724,789	110,138	1,485,000	168,476	1,653,476
2033	618,466	40,306	746,534	88,394	1,365,000	128,700	1,493,700
2034	233,236	21,750	711,764	66,000	945,000	87,750	1,032,750
2035	241,882	14,754	733,118	44,646	975,000	59,400	1,034,400
2036	249,889	7,496	755,111	22,654	1,005,000	30,150	1,035,150
	\$ 20,751,367	\$ 1,303,574	\$ 9,796,633	\$ 1,903,610	\$ 30,548,000	\$ 3,207,184	\$ 33,755,184

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Financed Purchases

The District financed the purchase of technology equipment. The financed purchase is a direct obligation and pledges the full faith and credit of the District. Financed purchases activity s summarized below:

Finance Date	Balance			Balance June 30, 2023	Amount	
	July 1, 2022	Addtions	Reductions		Due Within One Year	Long- Term
2012	\$ 800,000	\$ -	\$ 45,000	\$ 755,000	\$ 45,000	\$ 710,000
2013	270,000	-	20,000	250,000	20,000	230,000
2013	14,288	-	14,288	-	-	-
2014	118,414	-	38,252	80,162	39,442	40,720
2020	237,887	-	29,064	208,823	29,702	179,121
Financed Purchases	\$ 1,440,589	\$ -	\$ 146,604	\$ 1,293,985	\$ 134,144	\$ 1,159,841

Debt service requirements for the District’s financed purchases are as follows:

Year End June 30	Principal	Interest	Total
2024	\$ 134,144	\$ 37,797	\$ 846,742
2025	135,968	33,995	802,347
2026	130,886	30,308	819,426
2027	131,524	26,629	802,892
2028	137,162	22,811	737,624
2029	131,877	18,821	729,422
2030	137,424	14,811	683,185
2031	110,000	10,594	703,679
2032	120,000	6,844	724,789
2033	125,000	2,691	746,534
	<u>\$ 1,293,985</u>	<u>\$ 205,301</u>	<u>\$ 7,596,640</u>

Operating Leases

Leases in which the District has entered into as leasee are classified as operating leases – Type B. Following is a summary of property under right-of-use leases:

Right-of-use equipment	\$ 158,218
Accmulated amorization	<u>88,450</u>
	<u>\$ 69,768</u>

NOTE 4: LONG-TERM LIABILITIES – CONTINUED

Remaining future payments under the lease contracts are as follows:

2024	\$	38,588
2025		<u>38,588</u>
Total remaining payments		77,176
Less interest component		<u>7,408</u>
	\$	<u><u>69,768</u></u>

A summary of lease costs and other lease information is as follows:

Operating lease cost	\$	38,588
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Cash paid for amounts included in the measurement of lease liabilities:

Operating leases	\$	38,588
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Weighted-average remaining lease term
2 years

Weighted-average discount rate
7.00%

Compensated absences

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Compensated absence activity for the year is summarized below:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Amount Due Within One Year	Long- Term
Governmental activities	\$ 211,185	\$ 132,567	\$ -	\$ 343,752	\$ -	\$ 343,752
Business-type activities	-	-	-	-	-	-
	<u>\$ 211,185</u>	<u>\$ 132,567</u>	<u>\$ -</u>	<u>\$ 343,752</u>	<u>\$ -</u>	<u>\$ 343,752</u>

Pension

The net pension liability associated with the County Employees Retirement System (CERS) at year end is \$7,436,631. See Note 5.

OPEB

The net OPEB liability associated with the County Employees Retirement System (CERS) and the State Teachers Retirement System (TRS) at year end is \$2,029,838 and \$5,278,000, respectively. See Note 6.

NOTE 5: PENSION PLANS

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

General Information about the CERS Pension Plan

Plan Description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. Retirement benefits maybe extended to beneficiaries under certain circumstances. Employees are vested in the plan after five years of service.

For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal At least 10 years service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	On or after January 1, 2014 At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) 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. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 5: PENSION PLANS – CONTINUED

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 23.40%. The District made all required contributions for fiscal year in the amount of \$651,271.

General Information about the TRS Pension Plan

Plan Description

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

Benefits Provided

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon

retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

NOTE 5: PENSION PLANS – CONTINUED

Benefits Provided - Continued

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

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

CERS

At June 30, 2023, the District reported a liability of \$7,436,631 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.102872% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$322,575 related to CERS

NOTE 5: PENSION PLANS – CONTINUED

TRS

The District did not report a liability for the District’s proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State’s proportionate share of the TRS net pension liability associated with the district is \$49,916,708.

For the year ended June 30, 2023, the District recognized pension expense of \$4,653,704 related to TRS. The District also recognized revenue of \$4,653,704 for TRS support provided by the Commonwealth.

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

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

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 7,951	\$ 66,226	
Change of assumptions	-	-	
Change in investment experience	190,649	-	
Change in proportionate share of contributions	185,723	150,997	
	<u>384,323</u>	<u>\$ 217,223</u>	<u>\$ 167,100</u>
Subsequent contributions	651,271		
Total	<u>\$ 1,035,594</u>		

The contributions subsequent to the measurement date of \$651,271 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net deferral of \$167,100 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ (59,711)
2025	78,044
2026	(62,493)
2027	211,260
	<u>\$ 167,100</u>

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

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

The actuarial assumptions are:

CERS

Employer fiscal year end	2023
Plan year end	2022
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions - Continued

TRS

Employer fiscal year end	2023
Plan year end	2022

Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Investment return	7.10%
Municipal bond index rate:	
Prior measurement date	2.13%
Measurement date	3.37%
Year FNP is expected to be depleted	NA
Single equivalent interest rate:	
Prior measurement date	7.10%
Measurement date	7.10%
Post-retirement benefit increases	1.50% annually
Mortality	Rates based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Long-term expected rate of return

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

NOTE 5: PENSION PLAN (CONTINUED)

Long-term expected rate of return – continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
<u>Expected real return</u>	<u>100.00%</u>	<u>4.28%</u>
<u>Long-term inflation assumption</u>		<u>2.30%</u>

TRS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	37.40%	4.20%
Small Cap US 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%
Additional categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	-0.30%
<u>Expected real return</u>	<u>100.00%</u>	<u>7.10%</u>
<u>Long-term inflation assumption</u>		<u>2.50%</u>

NOTE 5: PENSION PLAN (CONTINUED)

Discount rate

A single discount rate of 6.25% and 7.10% was used to measure the total pension liability for CERS and TRS, respectively, for the fiscal year ending June 30, 2022. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate	7.25%
	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
District's proportionate share of the CERS net pension liability	\$ 994,866	\$ 7,436,631	\$ 5,899,716

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

NOTE 6: OPEB PLAN

General Information about the CERS Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

NOTE 6: OPEB PLAN (CONTINUED)

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 3.39%. The District made all required contributions for the fiscal year in the amount of \$94,349.

NOTE 6: OPEB PLAN (CONTINUED)

General Information about the TRS Plan

Plan Description

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

Benefits Provided

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District made all required contributions for the fiscal year in the amount of \$283,856.

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

CERS

At June 30, 2023, the District reported a liability of \$2,029,838 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan 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 that date.

The District's proportion of the net OPEB liability was based on the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District's proportionate share was 0.102854%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$219,040 related to CERS.

NOTE 6: OPEB PLAN (CONTINUED)

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

TRS

At June 30, 2023, the District reported a liability of \$5,278,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan 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 that date.

The District’s proportion of the net OPEB liability was based on the District’s share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District’s proportionate share was 0.212594%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$150,085 related to TRS.

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

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 204,320	\$ 465,489	
Change of assumptions	321,033	264,529	
Change in investment experience	82,386	-	
Change in proportionate share of contributions	50,656	177,863	
	658,395	<u>\$ 907,881</u>	<u>\$ (249,486)</u>
Subsequent contributions	94,349		
Total	<u>\$ 752,744</u>		

NOTE 6: OPEB PLAN (CONTINUED)

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

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 2,219,000	
Change of assumptions	1,072,000	-	
Change in investment experience	281,000	-	
Change in proportionate share of contributions	1,813,000	182,000	
	<u>3,166,000</u>	<u>\$ 2,401,000</u>	<u>\$ 765,000</u>
Subsequent contributions	283,856		
Total	<u>\$ 3,449,856</u>		

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 204,320	\$ 2,684,489	
Change of assumptions	1,393,033	264,529	
Change in investment experience	363,386	-	
Change in proportionate share of contributions	1,863,656	359,863	
	<u>3,824,395</u>	<u>\$ 3,308,881</u>	<u>\$ 515,514</u>
Subsequent contributions	378,205		
Total	<u>\$ 4,202,600</u>		

The contributions subsequent to the measurement date of \$378,205 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The net deferral of \$515,514 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ (105,261)
2025	(89,810)
2026	(128,006)
2027	370,591
2028	328,000
Thereafter	<u>140,000</u>
	<u>\$ 515,514</u>

NOTE 6: OPEB PLAN (CONTINUED)

Implicit Subsidy

The fully-insured premiums paid for the Kentucky Employees' Health plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

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NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2022, using generally accepted actuarial principles

There were no other material assumption changes.

CERS:

Employer fiscal year end	2023
Plan year end	2022

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions – continued

TRS

Employer fiscal year end	2023
Plan year end	2022
Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including inflation	3.00% - 7.50%
Investment return	
Health trust	7.10%
Life trust	7.10%
Municipal bond index rate:	3.37%
Year FNP is expected to be depleted	
Health trust	NA
Life trust	NA
Single equivalent interest rate:	
Health trust	7.10%
Life trust	7.10%
Health trust health care cost trends	
Under age 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2035
Medicare Part B premiums	6.97% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2034

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% and 2.50% per annum for CERS and TRS, respectively.

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
<u>Expected real return</u>	<u>100.00%</u>	<u>4.28%</u>
<u>Long-term inflation assumption</u>		<u>2.30%</u>

TRS - MIF

Asset Class	Target Allocation	Long-term Expected Nominal 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%
High Yield	8.00%	1.70%
Other categories	9.00%	2.20%
Cash (LIBOR)	1.00%	-0.30%
<u>Expected real return</u>	<u>100.00%</u>	<u>7.10%</u>
<u>Long-term inflation assumption</u>		<u>2.50%</u>

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

TRS - LIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Discount rate

Single discount rates of 6.25% and 7.10% for CERS and TRS respectively were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan’s fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

NOTE 6: OPEB PLAN (CONTINUED)

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.70% nonhazardous and 5.61% hazardous as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>4.70%</u>	<u>Current</u> <u>Discount Rate</u> <u>5.70%</u>	<u>1% Increase</u> <u>6.70%</u>
District's proportionate share of the CERS net OPEB liability	\$ 713,569	\$ 2,029,838	\$ 1,464,619
	<u>1% Decrease</u> <u>6.10%</u>	<u>Current</u> <u>Discount Rate</u> <u>7.10%</u>	<u>1% Increase</u> <u>8.10%</u>
District's proportionate share of the TRS net OPEB liability	\$ 6,622,000	\$ 5,278,000	\$ 4,165,000
Total	\$ 7,335,569	\$ 7,307,838	\$ 5,629,619

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability	\$ 1,509,139	\$ 2,029,838	\$ 2,655,098
District's proportionate share of the TRS net OPEB liability	3,957,000	5,278,000	6,921,000
Total	\$ 5,466,139	\$ 7,307,838	\$ 9,576,098

OPEB plan fiduciary net position

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

NOTE 7: ON-BEHALF

For the year ended June 30, 2023, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 6,994,815
Debt service	<u>1,222,770</u>
	<u>\$ 8,217,585</u>

Type	
Retirement	\$ 4,653,704
Health insurance less federal reimbursement	2,096,998
Life insurance	3,605
Administrative fee	28,808
HRA/Dental/Vision insurance	110,863
Technology	100,837
Debt service	<u>1,222,770</u>
	<u>\$ 8,217,585</u>

NOTE 8: FUND TRANSFERS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
General fund	Special Revenue	Technology Match	\$ 43,578
Capital outlay	General fund	Capital projects	207,515
Building fund	General fund	Debt service	528,383
Building fund	Debt service	Debt service	1,579,971
Food service	General fund	Indirect costs	<u>85,384</u>
			<u>\$ 2,444,831</u>

Transfers are summarized as follows:

	Transfers In	Transfers Out	Net Transfer
Governmental funds	\$ 2,444,831	\$ 2,359,447	\$ 85,384
Proprietary fund		<u>85,384</u>	<u>(85,384)</u>
	<u>\$ 2,444,831</u>	<u>\$ 2,444,831</u>	<u>\$ -</u>

NOTE 9: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District’s grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2023, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 11: CORRECTION OF AN ERROR

During the year ended June 30,2023, amounts were corrected for interest payable that was overstated in the prior year. The effect on net position is shown below. The change did not affect fund balances.

<u>Governmental Activities</u>	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Interest payable	\$ 192,606	\$ (138,547)	\$ 54,059
Net position - July 1, 2022	\$ 6,301,962	\$ 138,547	\$ 6,440,509

NOTE 12: GASB 96

The District adopted *GASB 96, Subscription-Based Information Technology Arrangements (SBITA)*. The District did not identify any contracts that would require reporting under GASB 96.

REQUIRED SUPPLEMENTARY INFORMATION

Fleming County School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 3,915,500	\$ 3,915,500	\$ 4,351,858	\$ 436,358
State sources	13,539,500	13,539,500	17,248,095	3,708,595
Federal sources	115,000	115,000	183,383	68,383
Total revenues	17,570,000	17,570,000	21,783,336	4,213,336
Expenditures				
Instruction	10,328,116	10,328,116	12,715,641	(2,387,525)
Support services:				
Student	835,093	835,093	287,080	548,013
Instruction staff	324,123	324,123	991,620	(667,497)
District administrative	1,414,250	1,414,250	1,844,200	(429,950)
School administrative	1,335,629	1,335,629	1,440,487	(104,858)
Business support	151,100	151,100	127,802	23,298
Plant operation	1,941,452	1,941,452	2,017,906	(76,454)
Building improvements	1,481,437	1,481,437	-	1,481,437
Student transportation	-	-	1,525,833	(1,525,833)
Land/site acquisitions	-	-	75,000	(75,000)
Debt service	98,000	98,000	89,777	8,223
Contingency	2,165,000	2,165,000	-	2,165,000
Total expenditures	20,074,200	20,074,200	21,115,346	(1,041,146)
Excess (deficiency) of revenues over expenditures	(2,504,200)	(2,504,200)	667,990	3,172,190
Other financing sources (uses)				
Transfers in	393,000	393,000	821,282	428,282
Transfers out	(187,000)	(187,000)	(43,578)	143,422
Sale of assets	-	-	412	412
Bond proceeds	-	-	-	-
Total other financing sources (uses)	206,000	206,000	778,116	572,116
Net change in fund balances	(2,298,200)	(2,298,200)	1,446,106	3,744,306
Fund balances - beginning of year	2,300,000	2,300,000	2,455,844	155,844
Fund balances - end of year	\$ 1,800	\$ 1,800	\$ 3,901,950	\$ 3,900,150

Fleming County School District
 Budgetary Comparison Schedule – Special Revenue Fund
 June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 136,304	\$ 136,304	\$ 231,414	\$ 95,110
State sources	1,444,506	1,444,506	893,552	(550,954)
Federal sources	3,866,971	3,866,971	7,078,892	3,211,921
Total revenues	5,447,781	5,447,781	8,203,858	2,756,077
Expenditures				
Instruction	5,079,150	5,079,150	6,958,035	(1,878,885)
Support services:				
Student	159,235	159,235	519,743	(360,508)
Instruction staff	136	136	57,095	(56,959)
School administrative	11,000	11,000	-	11,000
Community services	231,500	231,500	231,500	-
Total expenditures	5,481,021	5,481,021	7,766,373	(2,285,352)
Excess (deficiency) of revenues over expenditures	(33,240)	(33,240)	437,485	470,725
Other financing sources (uses)				
Transfers in	50,669	50,669	43,578	(7,091)
Total other financing sources (uses)	50,669	50,669	43,578	(7,091)
Net change in fund balances	17,429	17,429	481,063	463,634
Fund balances - beginning of year	-	-	(589,130)	(589,130)
Fund balances - end of year	\$ 17,429	\$ 17,429	\$ (108,067)	\$ (125,496)

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 accounting method and GAAP are:

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

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

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

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

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

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

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

The Board has the ability to amend the working budget.

Fleming County School District
Schedule of District's Share of Net Pension Liability and Contributions – CERS
June 30, 2023

Schedule of District's Proportionate Share of the Net Pension Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.1029%	\$ 7,436,631	\$ 2,717,288	273.68%	52.42%
2022	2021	0.0992%	\$ 6,326,627	\$ 2,687,377	235.42%	55.95%
2021	2020	0.1050%	\$ 8,056,941	\$ 2,807,305	287.00%	47.81%
2020	2019	0.1113%	\$ 7,824,614	\$ 2,952,952	264.98%	50.45%
2019	2018	0.1997%	\$ 7,306,234	\$ 3,055,283	239.13%	53.54%
2018	2017	0.1200%	\$ 7,023,793	\$ 2,950,016	238.09%	53.32%
2017	2016	0.1150%	\$ 5,659,482	\$ 2,749,346	205.85%	55.50%
2016	2015	0.1186%	\$ 5,097,567	\$ 2,762,066	184.56%	59.97%
2015	2014	0.1210%	\$ 3,931,000	\$ 2,779,719	141.42%	66.80%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 651,271	\$ 651,271	\$ -	\$ 2,783,209	23.40%
2022	\$ 575,250	\$ 575,250	\$ -	\$ 2,717,288	21.17%
2021	\$ 519,313	\$ 519,313	\$ -	\$ 2,687,377	19.32%
2020	\$ 455,184	\$ 455,184	\$ -	\$ 2,807,305	16.21%
2019	\$ 430,536	\$ 430,536	\$ -	\$ 2,952,952	14.58%
2018	\$ 442,405	\$ 442,405	\$ -	\$ 3,055,283	14.48%
2017	\$ 411,644	\$ 411,644	\$ -	\$ 2,950,016	13.95%
2016	\$ 341,460	\$ 341,460	\$ -	\$ 2,749,346	12.42%
2015	\$ 352,182	\$ 352,182	\$ -	\$ 2,762,066	12.75%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Fleming County School District
 Schedule of District's Share of Net Pension Liability and Contributions - TRS
 June 30, 2023

Schedule of District's Proportionate Share of the Net Pension Liability - TRS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0000%	\$ -	\$ 49,916,708	\$ 9,402,833	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 35,375,439	\$ 9,317,600	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 38,420,781	\$ 9,914,577	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 39,223,666	\$ 9,848,088	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 38,050,808	\$ 9,624,161	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 77,414,842	\$ 9,438,832	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 81,042,991	\$ 9,340,475	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 66,127,682	\$ 9,618,989	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 63,007,387	\$ 11,466,263	0.00%	45.59%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 9,461,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,402,833	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,317,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 9,914,577	0.00%
2019	\$ -	\$ -	\$ -	\$ 9,848,088	0.00%
2018	\$ -	\$ -	\$ -	\$ 9,624,161	0.00%
2017	\$ -	\$ -	\$ -	\$ 9,438,832	0.00%
2016	\$ -	\$ -	\$ -	\$ 9,340,475	0.00%
2015	\$ -	\$ -	\$ -	\$ 9,618,989	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions - CERS
 June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.1029%	\$ 2,029,838	\$ 2,717,288	74.70%	60.95%
2022	2021	0.0992%	\$ 1,899,249	\$ 2,687,377	70.67%	58.41%
2021	2020	0.1310%	\$ 3,163,710	\$ 2,807,305	112.70%	51.67%
2020	2019	0.1334%	\$ 2,243,358	\$ 2,952,952	75.97%	60.44%
2019	2018	0.1325%	\$ 2,351,677	\$ 3,055,283	76.97%	57.62%
2018	2017	0.1293%	\$ 2,598,870	\$ 180,915	1436.51%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 94,349	\$ 94,349	\$ -	\$ 2,783,156	3.39%
2022	\$ 157,060	\$ 157,060	\$ -	\$ 2,717,288	5.78%
2021	\$ 128,079	\$ 128,079	\$ -	\$ 2,687,377	4.77%
2020	\$ 180,145	\$ 180,145	\$ -	\$ 2,807,305	6.42%
2019	\$ 165,165	\$ 165,165	\$ -	\$ 2,952,952	5.59%
2018	\$ 143,562	\$ 143,562	\$ -	\$ 3,055,283	4.70%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

The discount rate to calculate the total OPEB liability and OPEB expense increased from 5.0% to 5.70%. There were no other material plan provision changes.

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Medical Insurance Plan
 June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.2126%	\$ 5,278,000	\$ 1,734,000	\$ 9,402,833	56.13%	47.75%
2022	2021	0.1449%	\$ 3,109,000	\$ 2,525,000	\$ 9,317,600	33.37%	51.47%
2021	2020	0.1992%	\$ 3,670,000	\$ 2,940,000	\$ 9,780,192	37.52%	32.58%
2020	2019	0.2004%	\$ 4,487,000	\$ 3,624,000	\$ 9,914,577	45.26%	32.58%
2019	2018	0.1966%	\$ 5,206,000	\$ 4,487,000	\$ 8,909,500	58.43%	25.54%
2018	2017	0.1990%	\$ 5,398,000	\$ 4,409,000	\$ 8,644,667	62.44%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 283,856	\$ 283,856	\$ -	\$ 9,461,867	3.00%
2022	\$ 282,085	\$ 282,085	\$ -	\$ 9,402,833	3.00%
2021	\$ 256,793	\$ 256,793	\$ -	\$ 9,317,600	2.76%
2020	\$ 266,972	\$ 266,972	\$ -	\$ 9,780,192	2.73%
2019	\$ 266,972	\$ 266,972	\$ -	\$ 9,914,577	2.69%
2018	\$ 267,285	\$ 267,285	\$ -	\$ 8,909,500	3.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

Fleming County School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
 June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.0000%	\$ -	\$ 86,000	\$ 9,402,833	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 34,000	\$ 9,317,600	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 89,000	\$ 9,780,192	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 84,000	\$ 9,914,577	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 77,000	\$ 8,909,500	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 59,000	\$ 4,670,750	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 9,461,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 9,402,833	0.00%
2021	\$ -	\$ -	\$ -	\$ 9,317,600	0.00%
2020	\$ -	\$ -	\$ -	\$ 9,780,192	0.00%
2019	\$ -	\$ -	\$ -	\$ 9,914,577	0.00%
2018	\$ -	\$ -	\$ -	\$ 8,909,500	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

SUPPLEMENTARY INFORMATION

Fleming County School District
 Combining Balance Sheet – Nonmajor Funds
 June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents (deficit)	\$ 16,643	\$ 405,022	\$ 1,656	\$ (250,503)	\$ 172,818
Accounts receivable	-	-	-	269,102	269,102
Total assets	<u>\$ 16,643</u>	<u>\$ 405,022</u>	<u>\$ 1,656</u>	<u>\$ 18,599</u>	<u>\$ 441,920</u>
Fund balances					
Restricted	\$ 16,643	\$ 405,022	\$ 1,656	\$ 18,599	\$ 441,920
Unassigned	-	-	-	-	-
Total fund balances	<u>16,643</u>	<u>405,022</u>	<u>1,656</u>	<u>18,599</u>	<u>441,920</u>
Total liabilities and fund balances	<u>\$ 16,643</u>	<u>\$ 405,022</u>	<u>\$ 1,656</u>	<u>\$ 18,599</u>	<u>\$ 441,920</u>

Fleming County School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
June 30, 2023

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
Revenues					
From local sources:					
Property taxes	\$ -	\$ -	\$ -	\$ 901,386	\$ 901,386
Other local revenue	1,699	962,275	-	-	963,974
Intergovernmental - state on-behalf	-	-	207,515	1,206,968	1,414,483
Total revenues	1,699	962,275	207,515	2,108,354	3,279,843
Expenditures					
Instruction	400	589,595	-	-	589,995
Support services:					
Other instructional	-	133,350	-	-	133,350
Non-instructional	-	172,848	-	-	172,848
Debt service	-	-	-	17,395	17,395
Total expenditures	400	895,793	-	17,395	913,588
Excess of revenues over (under) expenditures	1,299	66,482	207,515	2,090,959	2,366,255
Other financing sources (uses)					
Transfers out	-	-	(207,515)	(2,108,354)	(2,315,869)
Total other financing sources (uses)	-	-	(207,515)	(2,108,354)	(2,315,869)
Net change in fund balances	1,299	66,482	-	(17,395)	50,386
Fund balances - beginning	15,344	338,540	1,656	35,994	391,534
Fund balances - end of year	\$ 16,643	\$ 405,022	\$ 1,656	\$ 18,599	\$ 441,920

Fleming County School District
Combining Statement of School Activity Funds
June 30, 2023

	Cash Balance July 1, 2022	Receipts	Expenditure	Cash Balance June 30, 2023
Fleming County High School	\$ 172,430	\$ 673,996	\$ 589,593	\$ 256,833
Simons Middle School	70,073	120,886	133,351	57,608
E.T. Ward Elementary	23,632	27,490	51,122	-
Hillsboro Elementary	17,382	53,054	34,344	36,092
Ewing Elementary	20,752	24,650	26,543	18,859
Flemingsburg Elementary	34,271	62,199	60,840	35,630
	<u>\$ 338,540</u>	<u>\$ 962,275</u>	<u>\$ 895,793</u>	<u>\$ 405,022</u>

Fleming County School District
Statement of School Activity Funds
Fleming County High School
June 30, 2023

Fund Name	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Expenditure	Transfers	June 30, 2023
Pizza Club	\$ 0				\$ 0
General Office	2,617	7,029	7,390	(285)	1,971
Lost Lock	55	-	-	-	55
Interest	76	6,061	550		5,587
Staff	23	-	-	732	755
CBI-FMD	394	2,149	2,598	219	164
JR/SR Prom	3,827	6,240	7,027	(119)	2,921
FC Virtual Academy	275	-	-	-	275
Summer Acceleration	4,936	150	-	-	5,086
ACT Bootcamp donation	148	-	-	-	148
Math	12	-	-	-	12
English-Staggs	726	-	300	(426)	-
Winter Formal	-	2,670	988	(1,682)	-
Youth Service Center	6	-	-	-	6
AP Testing	2,163	1,490	1,738		1,915
Certification Test	188	-	-	-	188
Auto Mechanics	280	14,305	14,582		3
Bass Fishing	371	2,468	2,485		354
Eductors Rising	-	1,275	1,170	50	155
Academic Team	2,082	5,022	4,643		2,461
Archery	6,364	18,429	15,143	2,032	11,682
Welding Projects	4,907	18,838	9,368	(100)	14,277
Panther Bullying	1	-	-	-	1
Culinary	3,456	7,665	6,584	7	4,544
Gearup	296	-	444	219	71
Justice- Special Ed	100	-	-	-	100
Sources of Strength	333	-	-	-	333
Cap and Gowns	54	-	-	-	54
Soar	2,000	300	825		1,475
Chesney- English	1	-	-	146	147
Ball- English	62	-	-	(62)	-
Fry- English	-	-	-	146	146
Puzzle Club	25	-	-	-	25
Freshman	-	331		(331)	-
Sophomore	-	285		(285)	-
Juniors	-	198		(198)	-

Fleming County School District
Statement of School Activity Funds
Fleming County High School - Continued
June 30, 2023

	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Expenditure	Transfers	June 30, 2023
Seniors	-	112		(112)	-
Library	50	-	-	-	50
Pepsi-Faculty	233	4,900	4,371		762
Picture Fund	100	659	696	(7)	56
National Art Honor Society	693	95	81	173	880
Game Club	147	-	-	-	147
Swim Team	866	1,540	2,041	400	765
Bowling	2,999	4,538	3,160	1,237	5,614
Regional Bowling	-	8,108	6,562	(1,546)	-
Regional Archery	-	2,923	383	(2,540)	-
Girls Soccer	897	8,587	4,303	784	5,965
Boys Soccer	1,719	6,235	4,644	266	3,576
Baseball	12,160	23,505	17,242	-	18,423
Boys Basketball	3,030	33,691	16,249	(647)	19,825
JR Pro Basketball	512	5,870	6,586	466	262
Cheerleading	7,408	35,725	21,182	946	22,897
Intermural Cheerleading	736	5,500	5,714	-	522
Cross Country	-	1,374	803	-	571
Track	-	3,386	3,109	144	421
Football	6,473	26,878	26,286	487	7,552
Intermural Football	1,627	13,901	13,206	(1,135)	1,187
Girls Basketball	1,985	23,010	16,112	3,512	12,395
Intermural Girls Basketball	3,844	3,486	2,209	-	5,121
Boys Golf	89	8,319	6,755	-	1,653
Girls Golf	639	2,390	2,612	-	417
Girls Softball	7,711	5,179	10,052		2,838
SMS Softball	-	2,316	438	(1,878)	-
Athletics Special Fund	-	570	-	-	570
Startup for Athletics	5	2,000	-	-	2,005
Athletics	10,957	54,253	68,284	8,543	5,469
Concessions	-	42,814	31,233	(5,499)	6,082
District Games	-	20,866	12,376	(8,490)	-
Volleyball	516	23,419	18,594	(1,139)	4,202
Science- Vice CJ	138	50	86	(102)	-
Brandi trent- English	500	-	105		395
Yearbook Sales	19,865	3,416	825		22,456

Fleming County School District
Statement of School Activity Funds
Fleming County High School - Continued
June 30, 2023

	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Expenditure	Transfers	June 30, 2023
English- b Howard	58	-	32	(26)	-
English- Halsey	1,598	-	737	219	1,080
FCA	265	-	-	-	265
FFA	14,298	30,216	34,664	-	9,850
Barn Account	783	6,170	4,338	-	2,615
FBLA	3,557	31,738	37,912	2,626	9
FCCLA Boosters	1,489	-	-	(1,489)	-
FCCLA	1,143	96	194	1,489	2,534
Ag-Floral Design	6,256	14,150	14,614	230	6,022
Harvest Box	-	8,200	-	-	8,200
HOSA	3,120	2,420	2,545	(100)	2,895
Skills USA	321	-	105	-	216
Pep Club	65	-	-	-	65
Guidance Office	84	26	93		17
Science	152	-	-	102	254
Senior Class	2,515	54,108	59,813	3,600	410
Beta Club	2,774	6,785	6,887	(50)	2,622
Yellow House	100	-	-	(100)	-
Spanish Club	982	-	-	-	982
Student Council	1,286	3,339	5,421	1,026	230
Kentucky Student Council	3,323	11,673	14,996	-	-
STLP	306	-	-	-	306
TSA	673	270	811	239	371
Choir	521	4,093	1,469		3,145
Boys Volleyball Club	-	200	200	-	-
Drama Club	-	1,190	239	850	1,801
Band	4,354	3,620	4,496	-	3,478
Panther Parent Program	134	-	552	552	134
Panther Stop and Shop	596	21,182	17,291	(3,094)	1,393
	<u>\$ 172,430</u>	<u>\$ 673,996</u>	<u>\$ 589,543</u>	<u>\$ -</u>	<u>\$ 256,883</u>

Fleming County School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures for FYE 6/30/2023</u>
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster (IDEA)			
<i>Special Education Grants to States (IDEA, Part B)</i>	84.027	3810002	\$ 873,675
	84.027	4910002	50,070
<i>Special Education Preschool Grants (IDEA, Preschool)</i>	84.173	3800002	<u>30,612</u>
Total Special Education Cluster			\$ 954,357
Title I Grants to Local Educational Agencies	84.010	3100002	1,272,637
Student Support and Academic Enrichment	84.424	3240002	200
Rural Education	84.358	3140002	105,574
Supporting Effective Instruction State Grants	84.367	3230002	78,989
Perkins Vocational Education	84.048	3710002	53,809
Education Stabilization Fund			
Elementary and Secondary School Emergency Relief Fu	84.425D	4200002	907,974
ARP Elementary and Secondary School Emergency Reli	84.425U	4300002	3,376,677
Elementary and Secondary School Emergency Relief Fu	84.425W	4300002	<u>45,385</u>
Total Education Stablization Fund			4,330,036
Total U.S Department of Education			<u><u>6,795,602</u></u>

Fleming County School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditure for FYE 6/30/2023</u>
U.S. Department of Agriculture			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
<i>School Breakfast Program</i>	10.553	7760005	716,500
<i>National School Lunch Program</i>	10.555	7750002	1,361,301
	10.555	9980000	85,157
<i>Commodities</i>	10.555	Commodities	<u>143,318</u>
Total Child Nutrition Cluster			2,306,276
State Administrative Expenses for Child Nutrition	10 560	7990000	2,240
State Pandemic EBT Adminstrative Costs Grant	10.649	9990000	<u>3,135</u>
Total U.S. Department of Agriculture			<u>2,311,651</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,107,253</u></u>

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, 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

The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2023.

NOTE 5: COMMODITIES

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

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 7,262,275
Federal grants reported on the Statement or Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	2,168,333
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	143,318
Total federal awards	<u>9,573,926</u>
Less Medicaid reimbursement	<u>(466,673)</u>
Schedule of expenditures of federal awards	<u><u>\$ 9,107,253</u></u>



Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, 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 and each major fund of the Fleming County School District (District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated November 13, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated November 13, 2023.

Purpose of this Report

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 13, 2023

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities of those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 13, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the 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 programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Type of report the auditor issued on compliance with major programs:

Unmodified

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

 Yes X None reported

Identification of Major Programs

ALN	Name of Federal Program or Cluster
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425U	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425W	COVID-19 American Rescue Plan (ARP) ESSER

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

\$ 750,000

Auditee qualified as low-risk auditee

 Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

Fleming County School District
Management Letter
June 30, 2023

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Flemingsburg, Kentucky

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

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 13, 2023 contains our report on the District's internal control. This letter does not affect our report dated November 13, 2023 on the financial statements of the District.

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

Maddox & Associates CPAs Inc.
November 13, 2023

2023.01 Several student organization accounts with balances at year-end had no activity during the year and are considered inactive. Accounting Procedures for Kentucky School Activity Funds (Redbook) require these accounts to be closed and transferred to the organization designated by the inactive account sponsor or transferred to the general activity fund if no designation is made.

Redbook procedures will be reviewed with the appropriate staff.

All prior year comments have been corrected.