



**Report on Audit of Financial Statements
and Supplementary Information**
for the year ended June 30, 2023

HOPKINS COUNTY SCHOOL DISTRICT
Table of Contents
for the year ended June 30, 2023

	<u>Pages</u>
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds.....	16
Statement of Fiduciary Net Position – Fiduciary Fund	17
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	18
Notes to the Basic Financial Statements	19-53
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	54
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund.....	55
Summary of Significant Accounting Policies for Budgetary Process	56

Continued

**HOPKINS COUNTY SCHOOL DISTRICT
Table of Contents, continued
for the year ended June 30, 2023**

Pension and Other Postemployment Benefits Schedules:

Teachers' Retirement System of the State of Kentucky	57-62
County Employees' Retirement System of the State of Kentucky	63-67

Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	68
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	69
Combining Schedule of Receipts, Disbursements and Amounts Due to Student Groups – School Activity Funds	70
Schedule of Receipts, Disbursements and Amounts Due To Student Groups – Hopkins County Central High School Activity Funds	71
Schedule of Receipts, Disbursements and Amounts Due To Student Groups – Madisonville North Hopkins High School Activity Funds	72
Schedule of Expenditures of Federal Awards	73-74
Board Members and Administrative Personnel	75
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	76-77
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	78-79
Schedule of Findings and Questioned Costs	80-81
Summary Schedule of Prior Audit Findings	82
Management Letter	83-88

INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on 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 Hopkins County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Hopkins County School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 Hopkins County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Hopkins County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post employment benefit schedules on pages 3 through 7 and pages 54 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Alford, Nance, Jones, & Oakley LLP
 Madisonville, Kentucky
 November 13, 2023



Amy Smith, Superintendent
MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

- In 2022-2023 the Hopkins County Board of Education continued construction of the new Hanson Elementary School and began projects at both Madisonville North Hopkins High School and Hopkins County Central High School to build auxiliary gymnasiums that will also serve as community storm shelters. The Board finalized the acquisition of property for future renovation to become a new Central Office, and closed Earlington Elementary School. The Board began the buildings and grounds process to add an addition to the current Southside Elementary School to become a preschool through eighth grade facility called South Hopkins School.
- The General Fund had \$70.7 million in revenue, which primarily consisted of SEEK (State Funding), property and motor vehicle taxes, and on-behalf revenue reported for payments made from the state in the name of the school district. There were \$66.8 million in General Fund expenditures.
- On September 6, 2022, the Board of Education approved to keep the property tax rate the same as the previous three years at 68.2 cents per \$100 of assessed value for real property and 68.2 cents for personal property for fiscal year 2023. The rate generated an increase of \$403,049 in tax revenue compared to fiscal year 2022. General real estate property tax revenue increased \$669,148 contributing to the largest percentage of change and Public Service Commission property tax revenue decreased \$351,669.
- In October 2022, the Board approved a resolution authorizing the refunding and redemption of a portion of the Revenue Bond Series of 2012 for the purpose of paying the costs of refunding and refinancing bonds issued in 2004 and defeasance of Revenue Bond Series 2017A to pay the cost of refunding and refinancing bond anticipation notes issued in 2014 for the Career and Technology Center. The total cash contribution from the district for both transactions totaled \$1.9 million and impacted the school system by reducing debt and increased bonding capacity.
- In September 2022, the Board of Education approved the purchase of four new school buses and in March 2023, twenty-two older buses were declared as surplus property and authorized to be sold through the pooled used bus sale conducted by the Kentucky Interlocal School Transportation Association (KISTA).

OVERVIEW OF FINANCIAL STATEMENTS

This analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad review of the District's finances, in a manner similar to private-sector business. Government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities) such as fixed assets and related debt. Governmental activities of the District include instruction, support services, operation and maintenance of facilities, student transportation and operation of non-instructional services.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

2. Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the Tyler Technology Enterprise ERP MUNIS accounting software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the districts may be divided into three categories:

Fiduciary funds - trust funds established by benefactors to aid in student education, welfare and teacher support.

Proprietary funds - child care and food service operations are the District's only proprietary funds.

Governmental funds - all other activities in the District are included in the governmental funds.

3. Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,484,057 as of June 30, 2023. This is an improvement of \$8,734,048 compared to 2022.

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

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Included in the financials for June 30, 2023, is the district's liability for the net pension obligation and the liability for other postemployment benefits.

NET POSITION FOR THE PERIOD ENDING JUNE 30, 2023

The following is a comparison of condensed statement of net position for the current and prior years.

	2022-2023FY	2021-2022FY
Current Assets	\$ 30,441,014	\$ 29,363,684
Restricted Assets	5,442,070	13,768,326
Capital Assets, net of accumulated depreciation	72,166,710	62,523,669
TOTAL ASSETS	\$ 108,049,794	\$ 105,655,679
TOTAL DEFERRED OUTFLOWS	\$ 18,846,468	\$ 11,697,481
Current Liabilities	\$ 10,237,631	\$ 11,461,483
Noncurrent Liabilities	79,060,350	74,821,715
TOTAL LIABILITIES	\$ 89,297,981	\$ 86,283,198
TOTAL DEFERRED INFLOWS	\$ 14,114,224	\$ 16,319,953
Net Position		
Investment in Capital Assets (Net of Debt)	\$ 36,480,380	\$ 21,846,625
Restricted for:		
Capital Projects	\$ 1,444,491	\$ 9,787,215
Debt Service	1,701,724	1,930,286
Other purposes	1,198,912	1,154,278
Unrestricted Fund Balance	(17,341,450)	(19,968,395)
Total Net Position	\$ 23,484,057	\$ 14,750,009

COMMENTS ON BUDGET COMPARISONS

The difference between the original and final budget figures occurred due to:

1. Staffing adjustments were made based off Board policy and student enrollment.
2. The budget for instructional staff support and district administrative support services was increased due to step up in years of service and included a historical salary increase for all Hopkins County School employees in tiers of percentage increases ranging from three to five percent based off years of service.
3. The budget for district employee benefits was adjusted based on the change in employer portion of benefits, including retirement.
4. Due to an uncertainty of revenue adjustments from the State related to grant funds and past pension concerns, the District adopts a very conservative approach to budgeting revenues.
5. Board policy requires a working budget that includes a minimum reserve of 2%. The 2022-2023 working budget had a general fund contingency set at 12%. This is defined as budgeted amounts that are not to be spent for a specific purpose, but are reserved for unforeseen expenditures in the future. This \$10 million reserve provides the financial stability needed to approach unanticipated expenses that may arise in the future.

The following presents a summary of revenue and expenditures for the fiscal year ended June 30, 2023.

	<u>2022-2023FY</u>	<u>2021-2022FY</u>
GENERAL REVENUES		
Property Taxes	\$ 19,391,285	\$ 18,988,236
Motor Vehicle Taxes	2,578,886	2,340,085
Unmined Mineral Taxes	49,092	13,297
Other Taxes	153,627	222,344
Investment Earnings	1,040,446	102,952
Tuition	-	11,458
Other Local Revenue	132,742	92,886
Gain (Loss) on Disposal of Fixed Assets	65,293	288,558
State and Federal Grants	50,857,450	45,121,294
PROGRAM REVENUES		
Charges for Services	294,367	210,017
Operations Grants and Contributions	15,900,085	21,175,227
Capital Grants and Contributions	3,014,085	2,792,431
TOTAL REVENUES	\$ 93,477,358	\$ 91,358,785
EXPENSES		
Instruction	47,139,934	45,665,624
Student Support	3,064,455	2,800,193
Instruction Staff Support	2,635,194	2,202,914
District Administrative Support	1,189,768	854,095
School Administrative Support	4,832,096	4,307,543
Business Support	3,305,952	3,084,584
Plant Operations and Maintenance	10,606,477	1,536,548
Student Transportation	5,587,806	4,507,729
Facilities Acquisition and Construction	-	8,162,971
Community Services Activities	820,856	674,801
Food Service Operation	-	165,873
Child Care Operation	149,068	125,789
Interest on Long-Term Debt	1,095,022	1,166,550
Debt Issuance Cost	-	-
Amortization of Bond Premium/Discounts, Net	-	-
Food Services	4,421,927	4,328,738
Child Care	(105,245)	(30,320)
TOTAL EXPENSES	\$ 84,743,310	\$ 79,553,632
Changes in Net Position	\$ 8,734,048	\$ 11,805,153
Net Position, Beginning	\$ 14,750,009	\$ 2,944,856
Net Position, Ending	\$ 23,484,057	\$ 14,750,009

GENERAL FUND REVENUE

Total General Fund revenues are \$70,656,860. The majority of revenue was derived from State Funding of \$49,086,707 or 69%, Local Funding makes up \$21,475,098 or 31%, and other revenues of \$95,055 are less than 1%. Compared to prior year, Local Funding had a significant increase by \$1,298,531. SEEK (Support Education Excellence in Kentucky) funding increased by \$1,210,611 compared to 2022. This increase is partially attributed to state legislature funding SEEK guaranteed base by an additional \$100 per pupil.

GENERAL FUND EXPENDITURES

Expenditures for general fund totaled \$66,814,806. Approximately 79% of the expenditures were for instruction and administration, some of which was directed by the Site Based Decision Making Councils. Plant operation and maintenance make up 12% of General Fund expenditures and transportation is the remaining 9%.

SCHOOL ALLOCATION

Regular instruction accounts for approximately 74% of the school level expenditures. School level expenditures include instruction, student support, instruction support staff, district administration, and school administration. Total instructional expenses are \$49,616,936.

DISTRICT SUPPORT SERVICES ALLOCATION

The central support services expenditures include Transportation \$5,739,210, Maintenance and Operation \$8,176,776, and District Administrative and Business Functions \$3,238,935.

FUND BALANCE

Beginning fund balance was \$19,879,056, Revenues equaled \$70,656,860, Expenditures were \$66,814,806, and other funding sources (uses) of \$(2,791,643) totaled to a net change in fund balance of \$1,050,411. This reflects an ending fund balance for Fiscal Year 2022-2023 of \$20,929,467.

BUSINESS TYPE ACTIVITIES

Food Services ended the year with Total Assets and Deferred Outflows of \$3,946,766 and Total Liabilities and Deferred Inflows of \$4,823,603, which left them with Total Net Position of \$(876,837). This negative Net Position is from the recognition of net pension liability of \$2,931,981 required under GASB 68 and OPEB liability of \$800,293 required by GASB 75. The Food Service Fund had Total Operating Revenues of \$99,586. This lower operating revenue is related to participation in the Community Eligibility Program for all Hopkins County School children. The offsetting increase in revenue is found under Total Non-operating Revenues, which includes Federal and State Grants amounting to \$5,270,511.

OTHER FUNDS

The Special Revenue Grant Fund contains all of the state and federal grants. There was a decrease in revenue for the Special Revenue Fund of \$5,589,480 compared to prior year due to the Elementary and Secondary School Emergency Relief Fund (ESSER) grant monies received in prior year. FSPK Fund and Capital Outlay Fund are the restricted building funds and serve as the cash source for bond payments and major building renovations. Construction Fund serves as the accounting record that contains and manages all building and improvement projects. Debt Service fund accumulates and records the bond payments of principal and interest for the fiscal year. Child Care is the fund that manages our daycare and after school operations. One elementary school operates a child care program, and one operates an afterschool program. They are self-supporting and any profits are used at the child care center to fund instructional supplies and personnel.

BUDGETARY IMPLICATIONS

Kentucky public schools' fiscal year is July 1-June 30. Some federal programs operate on a different fiscal calendar, but are reflected in the district overall budget. Significant issues that will change the future of Hopkins County Schools include pensions, postemployment benefits, and potential State legislation changes and funding cuts. Questions regarding this report should be directed to Amy Smith, Superintendent or Eydie L. Tate, Chief Financial Officer (270) 825-6000 or by mail at 320 South Seminary Street, Madisonville, KY 42431.

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

Assets	Governmental Activities	Business- Type Activities	Total
Current Assets:			
Cash and cash equivalents	\$25,493,396	\$2,835,473	\$28,328,869
Receivables:			
Taxes	535,479		535,479
Accounts receivable	66,542		66,542
Intergovernmental – State	105,436		105,436
Intergovernmental – Indirect federal	1,079,515	7,590	1,087,105
Inventories	226,326	86,788	313,114
Prepaid expenses	4,469		4,469
Restricted cash	5,442,070		5,442,070
Total Current Assets	<u>32,953,233</u>	<u>2,929,851</u>	<u>35,883,084</u>
Noncurrent Assets:			
Capital assets, net of accumulated depreciation	72,042,545	124,165	72,166,710
Total Noncurrent Assets	<u>72,042,545</u>	<u>124,165</u>	<u>72,166,710</u>
Total Assets	<u>104,995,778</u>	<u>3,054,016</u>	<u>108,049,794</u>
Deferred Outflows of Resources			
Deferred outflows on refunding bonds	344,288		344,288
Deferred outflows from pension contributions	5,004,432	701,861	5,706,293
Deferred outflows from OPEB contributions	12,367,720	428,167	12,795,887
Total Deferred Outflows	<u>17,716,440</u>	<u>1,130,028</u>	<u>18,846,468</u>
Liabilities			
Current Liabilities:			
Accounts payable	220,769	22,438	243,207
Accrued payroll and related expenses	4,042,072	181,306	4,223,378
Retainage payable	946,913		946,913
Accrued interest payable	344,862		344,862
Unearned revenue	1,750,319	12,350	1,762,669
Current portion of bond obligations, net	2,425,000		2,425,000
Current portion of capital lease obligation	39,148		39,148
Current portion of accrued sick leave	246,804	5,650	252,454
Total Current Liabilities	<u>10,015,887</u>	<u>221,744</u>	<u>10,237,631</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations, net	32,269,423		32,269,423
Noncurrent portion of capital lease obligation	110,708		110,708
Noncurrent portion of accrued sick leave	463,045	18,223	481,268
Net pension liability	21,629,523	2,950,310	24,579,833
Net OPEB liability	20,813,828	805,290	21,619,118
Total Noncurrent Liabilities	<u>75,286,527</u>	<u>3,773,823</u>	<u>79,060,350</u>
Total Liabilities	<u>85,302,414</u>	<u>3,995,567</u>	<u>89,297,981</u>
Deferred Inflows of Resources			
Deferred inflows from pension contributions	2,905,552	396,328	3,301,880
Deferred inflows from OPEB contributions	10,211,991	460,353	10,672,344
Unavailable revenues - property taxes	140,000	-	140,000
Total Deferred Inflows	<u>13,257,543</u>	<u>856,681</u>	<u>14,114,224</u>
Net Position			
Net investment in capital assets	36,356,215	124,165	36,480,380
Restricted for:			
Capital projects	1,444,491	-	1,444,491
Debt service	1,701,724	-	1,701,724
Other purposes	1,198,912	-	1,198,912
Unrestricted (deficit)	(16,549,081)	(792,369)	(17,341,450)
Total Net Position (deficit)	<u>\$24,152,261</u>	<u>(\$668,204)</u>	<u>\$23,484,057</u>

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

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$47,139,934	\$95,055	\$8,432,790		(\$38,612,089)		(\$38,612,089)
Support services:							
Student	3,064,455		325,790		(2,738,665)		(2,738,665)
Instruction staff	2,635,194		25,270		(2,509,924)		(2,509,924)
District administrative	1,189,768		36,670		(1,153,098)		(1,153,098)
School administrative	4,832,096		30,265		(4,801,831)		(4,801,831)
Business	3,305,952		16,194		(3,289,758)		(3,289,758)
Plant operation and maintenance	10,606,477		704,042		(9,902,435)		(9,902,435)
Student transportation	5,587,806		145,638		(5,442,168)		(5,442,168)
Facilities acquisition and construction	-			\$2,738,706	2,738,706		2,738,706
Community service activities	820,856		815,184		(5,672)		(5,672)
Food service operation	0		0		-		-
Child care operation	149,068		147,908		(1,160)		(1,160)
Interest on long-term debt	1,095,022			275,379	(819,643)		(819,643)
Total governmental activities	80,426,628	95,055	10,679,751	3,014,085	(66,637,737)	-	(66,637,737)
Business-Type Activities:							
Food service	4,421,927	99,586	5,200,208	-	-	\$877,867	877,867
Child care	(105,245)	99,726	20,126	-	-	225,097	225,097
Total business-type activities	4,316,682	199,312	5,220,334	-	-	1,102,964	1,102,964
Total primary government	\$84,743,310	\$294,367	\$15,900,085	\$3,014,085	(66,637,737)	1,102,964	(65,534,773)
				General Revenues:			
				Taxes:			
				Property taxes	19,391,285		19,391,285
				Motor vehicle taxes	2,578,886		2,578,886
				Unmined mineral taxes	49,092		49,092
				Other	153,627		153,627
				Investment earnings	960,447	79,999	1,040,446
				Tuition	-		-
				Other local revenue	132,742		132,742
				Gain (loss) on disposal of capital assets	65,293		65,293
				State and formula grants	50,857,450		50,857,450
				Change in net position (deficit)	7,551,085	1,182,963	8,734,048
				Net position (deficit) - beg of the year	16,601,176	(1,851,167)	14,750,009
				Net position (deficit) - end of the year	\$24,152,261	(\$668,204)	\$23,484,057

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

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

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$24,210,728	\$1,282,668		\$ -	\$25,493,396
Receivables:					
Taxes	535,479				535,479
Accounts receivable	61,522			5,020	66,542
Intergovernmental - Indirect federal		1,079,515			1,079,515
Due from other funds				0	-
Prepaid expenses	4,469				4,469
Restricted cash			\$2,520,383	2,921,687	5,442,070
Total Assets	\$24,812,198	\$2,362,183	\$2,520,383	\$2,926,707	\$32,621,471
Liabilities					
Accounts payable	\$43,287	\$22,432	\$ 128,979	\$ 26,071	\$220,769
Accrued payroll and related expenses	3,452,640	589,432			4,042,072
Retainage payable			946,913		946,913
Current portion of accrued sick leave	246,804				246,804
Unearned revenue	140,000	1,750,319			1,890,319
Due to other funds					-
Total Liabilities	3,882,731	2,362,183	\$ 1,075,892	26,071	7,346,877
Fund Balances					
Nonspendable:					
Prepaid expenses	4,469			0	4,469
Restricted:					
Capital projects			1,444,491		1,444,491
Debt service				1,701,724	1,701,724
Student Activity Funds				677,226	677,226
District Activity Fund				521,686	521,686
Committed:					
Site-base carryforward	109,604				109,604
Assigned:					
Encumbrances				0	-
Unassigned:					
General fund	20,815,394				20,815,394
Total Fund Balances	20,929,467	-	1,444,491	2,900,636	25,274,594
Total Liabilities and Fund Balances	\$24,812,198	\$2,362,183	\$2,520,383	\$2,926,707	\$32,621,471

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

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

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

Total fund balance - governmental funds		\$25,274,594
Inventory is not reported in this fund financial statement because the supplies are not current financial resources, but it is reported in the statement of net position.		226,326
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		72,042,545
Deferred outflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position.		17,372,152
Intergovernmental - state receivable for KSFCC portion of accrued interest are not reported in this fund financial statement because they are not available to pay current period expenditures, but they are reported in the statement of net position.		105,436
Deferred inflows of resources related to pension contributions/liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		(13,117,543)
Certain liabilities (such as net bonds payable, KISTA lease payable, the long-term portion of accrued sick leave, insurance assessment, net pension liability and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.		
Net bonds payable	(34,694,423)	
Capital lease obligation	(149,856)	
Noncurrent portion of accrued sick leave	(463,045)	
Net pension and OPEB liability	(42,443,351)	
Accrued interest	(344,862)	
		(78,095,537)
Deferred outflows of resources losses from refunding bonds are not current and are not reported in the fund financial statements.		<u>344,288</u>
Net position of governmental activities		<u><u>\$24,152,261</u></u>

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

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

	General Fund	Special Revenue Grant Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes:					
Property	\$17,761,823			\$1,629,462	\$19,391,285
Motor vehicle	2,578,886				2,578,886
Unmined mineral	49,092				49,092
Other	153,627				153,627
Tuition					0
Earnings on investments	798,928	\$19,720	\$10,594	131,205	960,447
Student activities		250		1,777,152	1,777,402
Other local revenues	132,742	136,214	0		268,956
Intergovernmental - State	49,086,707	3,205,084		3,014,085	55,305,876
Intergovernmental - Indirect federal		7,227,967			7,227,967
Intergovernmental - Direct federal	95,055	110,486			205,541
Total revenues	70,656,860	10,699,721	10,594	6,551,904	87,919,079
Expenditures:					
Current:					
Instruction	38,230,314	7,898,129		1,549,272	47,677,715
Support services:					
Student	2,696,443	325,790		52,868	3,075,101
Instruction staff	2,423,283	25,270			2,448,553
District administrative	1,453,481	36,670			1,490,151
School administrative	4,813,415	30,265			4,843,680
Business	3,238,935	16,194			3,255,129
Plant operation and maintenance	8,176,776	704,042		738	8,881,556
Student transportation	5,739,210	145,638		129,640	6,014,488
Community service activities		815,184			815,184
Food service operation					0
Day care operation		147,908			147,908
Capital outlay:					
Facilities acquisition and construction			9,394,246		9,394,246
Facilities improvements			1,284,321		1,284,321
Debt service:					
Principal	42,949		-	5,060,000	5,102,949
Issuance costs			-		-
Interest				1,029,632	1,029,632
Total expenditures	66,814,806	10,145,090	10,678,567	7,822,150	95,460,613
Excess (deficiency) of revenues over (under) expenditures	3,842,054	554,631	(10,667,973)	(1,270,246)	(7,541,534)
Other Financing Sources (Uses)					
Proceeds from bonds issued			0	-	-
Premium on bonds issued			0		-
Proceeds from disposal of fixed assets	65,293				65,293
Transfers in	6,478	154,432	2,325,249	5,326,603	7,812,762
Transfers out	(2,863,414)	(709,063)		(4,240,285)	(7,812,762)
Total other financing sources (uses)	(2,791,643)	(554,631)	2,325,249	1,086,318	65,293
Net change in fund balance	1,050,411	-	(8,342,724)	(183,928)	(7,476,241)
Fund balance, beginning of the year	19,879,056	-	9,787,215	3,084,564	32,750,835
Fund balance, end of the year	\$20,929,467	\$ -	\$1,444,491	\$2,900,636	\$25,274,594

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

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

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

Net change in fund balances - total governmental funds		\$ (7,476,241)
Inventory is expensed under the purchases method in the fund financial statements, but must be reported as assets in the statement of net position		39,066
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceed (are less than) depreciation expense for the year.		
Capital outlays	11,756,558	
Depreciation expense	<u>(2,127,870)</u>	9,628,688
The proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position		
Bond premiums, call premiums and discounts are reported as expenditures in this fund financial statement because they are current financial resources, but they are presented as deferred outflows in the statement of activities and amortized over the remaining life of the bonds. The difference is the amount by which the actual costs exceeds (are less than) amortization expenses for the year.		95,951
Bond payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		5,060,000
Capital lease payments are recognized as expenditures of current financial resources in fund financial statements but are a reduction in liabilities in the Statement of net position.		38,157
Accruals of intergovernmental - state revenue related to interest paid on-behalf of the District by the state on long-term debt is not reported in this fund financial statement, but is presented as a receivable in the statement of net position.		(6,659)
Accruals of interest and noncurrent sick leave do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental fund statements.		(179,546)
Net effect of deferred inflows, deferred outflows and the net pension obligation related to pension contributions.		<u>351,689</u>
Change in net position of governmental activities		<u>\$ 7,551,085</u>

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

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

	Food Service Fund	Child Care Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$2,605,667	\$229,806	\$2,835,473
Inventory	86,788		86,788
Accounts receivable			
Intergovernmental - Indirect federal	7,590		7,590
Other, net			
Total current assets	<u>2,700,045</u>	<u>229,806</u>	<u>2,929,851</u>
Noncurrent assets			
Capital assets	1,142,464		1,142,464
Less: Accumulated depreciation	<u>(1,018,299)</u>		<u>(1,018,299)</u>
Total noncurrent assets	<u>124,165</u>		<u>124,165</u>
Total assets	<u>2,824,210</u>	<u>229,806</u>	<u>3,054,016</u>
Deferred Outflows of Resources			
Deferred Outflows from CERS Contribution	697,046	4,815	701,861
Deferred Outflows OPEB	425,510	2,657	428,167
Total Deferred Outflows	<u>1,122,556</u>	<u>7,472</u>	<u>1,130,028</u>
Total Assets and Deferred Outflows	<u>\$3,946,766</u>	<u>\$237,278</u>	<u>\$4,184,044</u>
Liabilities			
Current liabilities			
Accounts payable	\$22,438		\$22,438
Accrued payroll and related expenses	181,306		181,306
Current portion - accrued sick leave	5,650		5,650
Unearned revenue	12,350		12,350
Total current liabilities	<u>221,744</u>	<u>0</u>	<u>221,744</u>
Noncurrent liabilities			
Accrued sick leave	18,223		18,223
Net pension liability	2,931,981	18,329	2,950,310
Net OPEB liability	800,293	4,997	805,290
Total noncurrent liabilities	<u>3,750,497</u>	<u>23,326</u>	<u>3,773,823</u>
Total liabilities	<u>3,972,241</u>	<u>23,326</u>	<u>3,995,567</u>
Deferred Inflows of Resources:			
Deferred Inflows from CERS Contribution	393,866	2,462	396,328
Deferred Inflows from OPEB	457,496	2,857	460,353
Total Deferred Inflows	<u>851,362</u>	<u>5,319</u>	<u>856,681</u>
Net Position			
Net investment in capital assets	124,165		124,165
Unrestricted (deficit)	<u>(1,001,002)</u>	<u>208,633</u>	<u>(792,369)</u>
Total net position (deficit)	<u>(876,837)</u>	<u>208,633</u>	<u>(668,204)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$3,946,766</u>	<u>\$237,278</u>	<u>\$4,184,044</u>

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

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

	Food Service Fund	Child Care Fund	Total
Operating Revenues:			
Lunchroom sales	\$99,586		\$99,586
Community service activities		\$99,726	99,726
Other operating revenues			0
Total operating revenues	<u>99,586</u>	<u>99,726</u>	<u>199,312</u>
Operating Expenses:			
Salaries and wages	1,331,526	9,701	1,341,227
Employee benefits	848,577	(122,831)	725,746
Contract services	62,702	1,706	64,408
Materials and supplies	2,165,055	6,179	2,171,234
Depreciation	14,067		14,067
Total operating expenses	<u>4,421,927</u>	<u>(105,245)</u>	<u>4,316,682</u>
Operating income/(loss)	<u>(4,322,341)</u>	<u>204,971</u>	<u>(4,117,370)</u>
Nonoperating Revenues (Expenses):			
Federal grants	4,389,905		4,389,905
State grants	810,303	20,126	830,429
Interest income	70,303	9,696	79,999
Total nonoperating revenues (expenses)	<u>5,270,511</u>	<u>29,822</u>	<u>5,300,333</u>
Change in net position	<u>948,170</u>	<u>234,793</u>	<u>1,182,963</u>
Net position (deficit), beginning of the year	<u>(1,825,007)</u>	<u>(26,160)</u>	<u>(1,851,167)</u>
Net position (deficit), end of the year	<u><u>(\$876,837)</u></u>	<u><u>\$208,633</u></u>	<u><u>(\$668,204)</u></u>

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

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

	Food Service Fund	Child Care Fund	Total
Cash Flows from Operating Activities			
Cash received from:			
Lunchroom sales	\$100,579	99,726	\$200,305
Other operating activities			0
Cash paid to/for:			
Employees	(1,775,184)	(13,092)	(1,788,276)
Supplies	(1,850,814)	(6,179)	(1,856,993)
Other activities	(62,702)	(1,707)	(64,409)
Net cash provided (used) by operating activities	(3,588,121)	78,748	(3,509,373)
Cash Flows from Noncapital Financing Activities			
Government grants	4,488,119	14,432	4,502,551
Net cash provided (used) by noncapital financing activities	4,488,119	14,432	4,502,551
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(28,420)		(28,420)
Net cash provided (used) by capital and related financing activities	(28,420)	-	(28,420)
Cash Flows from Investing Activities			
Receipt of interest income	70,303	9,696	79,999
Net cash provided (used) by investing activities	70,303	9,696	79,999
Net increase (decrease) in cash and cash equivalents	941,881	102,876	1,044,757
Cash and cash equivalents, beginning of the year	1,663,786	126,930	1,790,716
Cash and cash equivalents, end of the year	\$2,605,667	\$229,806	\$2,835,473
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	(\$4,322,341)	\$204,971	(\$4,117,370)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	14,067		14,067
On-behalf payments	781,496	5,694	787,190
Commodities received	306,346		306,346
Change in assets and liabilities			
Receivables - other	0		0
Inventory	(11,917)		(11,917)
Accounts payable	19,812		19,812
Accrued payroll & related expense	4,548		4,548
Accrued sick leave	(14,574)		(14,574)
Unearned revenue	993		993
Net pension liability	(366,551)	(131,917)	(498,468)
Net cash provided (used) by operating activities	(\$3,588,121)	\$78,748	(\$3,509,373)
Schedule of non-cash transactions:			
Donated commodities received from federal government	\$306,346		\$306,346
Benefits paid by state of Kentucky on behalf of District	\$781,496	\$5,694	\$787,190

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

HOPKINS COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	Scholarship Private Purpose Trust Fund
Assets	
Cash and cash equivalents	\$91,182
	\$91,182
Total assets	\$91,182
Liabilities	
Accounts payable	-
	-
Total liabilities	-
Net Position	
Held in trust for private purpose	\$91,182
	\$91,182

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

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

	<u>Scholarship Private Purpose Trust Fund</u>
Additions	
Contributions	
Private donations	\$ -
Net Investment Income (loss)	<u>3,226</u>
Total additions	3,226
 Deductions	
Scholarship awards	<u>4,000</u>
Changes in net position	(774)
Net position, beginning	<u>91,956</u>
Net position, ending	<u><u>\$ 91,182</u></u>

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. Reporting Entity

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

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

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Hopkins County School District has one blended component unit.

Blended Component Unit:

Hopkins County School District Finance Corporation - In 1989, the Hopkins County, Kentucky, Board of Education resolved to authorize the establishment of the Hopkins County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Hopkins County Board of Education also comprise the Corporation's Board of Directors.

There are no audited financial statements issued separately for this component unit.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District had the following funds:

Governmental Fund Types

- 1) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The Special Revenue (Grant) Fund accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of the specified project periods. 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.
 - b) The District Activity Fund is used to account for funds to support co-curricular and extracurricular activities not raised or expended by student groups.
 - c) The School Activity Fund is used to account for funds raised and expended by student groups to support co-curricular and extra-curricular activities at the schools. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- 3) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by a proprietary fund)

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(a) Basis of Presentation, continued

- a) The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and for the corresponding debt service.
 - b) The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and for the corresponding debt service.
 - c) The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Service Fund and the Child Care Fund.

- 1) The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.
- 2) The Child Care Fund is used to account for child care activities in its three licensed child care centers.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The Private Purpose Trust Fund is used to account for one separate scholarship- the Mary Florence Long Scholarship. All resources of this fund may be used to award scholarships in the areas specified in the trust arrangements.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the board holds for others in an agency capacity. The District has no agency funds.

(b) Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(b) Basis of Accounting, continued

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include; (1) timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, (2) matching requirements, in which the District must provide local resources to be used for a specified purpose, and (3) expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

(c) Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. A capitalization threshold applies to tangible property costing \$5,000 or more and has a useful life of more than one (1) year, all computers regardless of value, and theft sensitive items that maybe identified by the District. 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 capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

(d) Cash and Cash Equivalents/Restricted Cash/Investments

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the capital projects funds per state

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(d) Cash and Cash Equivalents/Restricted Cash/Investments, continued

requirements, in debt service funds per debt agreements and in the District Activity Fund and Student Activity Fund per fund requirements. (See Notes 4 and 5)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC and NCUSIF coverage terms and limitations. (See Note 4)

State statutes authorize the District to invest in obligations of the U.S. Treasury, U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 1, Level 2 or Level 3 inputs.

(e) Accounts Receivable

An allowance for doubtful accounts is provided for accounts receivable in the Food Service Fund. Accounts receivable are reported net of this allowance, which was \$2,361 as of June 30, 2023.

(f) Inventories/Commodities

Supplies and materials are charged to expenditures when purchased at the fund statement level, with the exception of the proprietary funds, which records inventory using the accrual basis of accounting. Similarly, due to the economic resources measurement focus, bus garage supply inventories are reported as an asset on the District-wide Statement of Net Position. Inventories are valued at cost or at their estimated fair value at the date of donation, using the first-in, first-out method. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. For the purposes of the statement of cash flows, a federal grant received does not include noncash commodities received in the amount of \$306,346.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(g) Accrued Liabilities/Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. Bond discounts and premiums are netted against the bond principal and are amortized on a straight-line basis over the life of the bonds.

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

(h) Net Position and Fund Balance

District-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Projects/Debt Service – The components of net position that report the financial resources restricted to pay for construction activities (capital projects) or related debt service.

Restricted Other Purposes – The component of net position that is restricted for other purposes.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Investment in Capital Assets or Net Position Restricted for Capital Projects/Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. The nonspendable fund balance is \$4,469 as of June 30, 2023.

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(h) Net Position and Fund Balance, continued

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

(i) Interfund Activity

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

(j) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(k) Unearned Revenue

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

(l) Compensated Absences (Accrued Sick Leave)

The Hopkins County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(l) **Compensated Absences (Accrued Sick Leave), continued**

accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience. Separation of employment for any reason other than retirement results in the employee forfeiting all accumulated sick and personal leave.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

(m) **Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances is provided for at each year-end. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

(n) **Bonds and Related Premiums, Discounts, and Issuance Costs**

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

(o) **Pensions**

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

(p) **Other Postemployment Benefits-(OPEB)**

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers' Retirement System of the State of Kentucky ("TRS") and additions to/deductions from CER's and TRS's fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(q) Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2022. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

(r) Prepaid Expenses

Payments made that will benefit periods beyond June 30, 2023 are recorded as prepaid expenses using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. Summary of Significant Accounting Policies, continued

(s) New Accounting Standards Implemented

GASBS No. 96 Subscription-Based Information Technology Arrangements

In May of 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA), to improve accounting and financial reporting for SBITAs for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement is effective for reporting periods beginning after June 15, 2022. The District's management has determined that the impact of the standard was immaterial to the financial statements.

3. Property Taxes

Property taxes collected are recorded as revenues in the Fund for which they were levied. Each year, property taxes are levied on October 1, based on assessments as of January 1 prepared by the Hopkins County property valuation administrator. The taxes are payable on November 1. The tax rates placed in effect are 68.2 cents per \$100 of assessed valuation on real estate and 68.2 cents on personal property, of which 5.9 cents is for participation in the Facility Support Program, and 54.7 cents per \$100 of assessed valuation on motor vehicles.

4. Deposits and Investments

At June 30, 2023, the carrying amount of the District's deposits was \$33,862,1214 and the bank balance was \$34,876,446. Of the bank balances, \$1,267,124 was insured by federal depository insurance, \$33,593,831 was covered by collateral held by the pledging bank's agent and \$15,491 was federally insured by the National Credit Insurance Fund.

The District's deposits at June 30, 2023 consisted of the following:

	Bank Balance	Book Balance
Hopkins County Credit Union - demand	\$ 15,491	\$ 15,491
First United Bank - demand	34,860,955	33,846,630
	<u>\$ 34,876,446</u>	<u>33,862,121</u>
Restricted cash		(5,442,070)
Unrestricted cash and cash equivalents		<u>\$ 28,420,051</u>
Reported in the financial statements:		
Governmental funds: cash and cash equivalents		\$ 25,493,396
Proprietary funds: cash and cash equivalents		2,835,473
Fiduciary funds: cash and cash equivalents		91,182
		<u>\$ 28,420,051</u>

**HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

5. Restricted Cash and Investments

Restricted cash at June 30, 2023 consists of the following:

Construction Fund (for capital projects)	2,520,383
School Activity Fund	684,300
FSPK Capital Outlay (for capital projects)	1,701,724
District Activity Fund	535,663
	<hr/>
Total Restricted Cash	<u>\$ 5,442,070</u>

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

6. Capital Assets

During the year ended June 30, 2023, the following changes occurred in capital assets:

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Not depreciated:				
Land and land improvements	\$ 3,148,337	\$ -	\$ -	\$ 3,148,337
Construction in progress	11,116,216	10,678,568		21,794,784
Totals not being depreciated	14,264,553	10,678,568	-	24,943,121
Depreciated:				
Buildings and improvements	81,902,630			81,902,630
Technology equipment	1,135,104			1,135,104
Vehicles	8,460,146	779,727	1,487,632	7,752,241
General equipment	4,861,552	303,060	7,195	5,157,417
Totals at historical cost	96,359,432	1,082,787	1,494,827	95,947,392
Less accumulated depreciation:				
Buildings and improvements	36,802,328	1,544,796		38,347,124
Technology equipment	1,003,214	43,642	-	1,046,856
Vehicles	6,127,737	428,584	1,487,632	5,068,689
General equipment	4,276,849	110,848	2,398	4,385,299
Total accumulated depreciation	48,210,128	2,127,870	1,490,030	48,847,968
Depreciated assets, net	48,149,304	(1,045,083)	4,797	47,099,424
Governmental Activities Capital Assets - Net	\$ 62,413,857	\$ 9,633,485	\$ 4,797	\$ 72,042,545
Business-Type Activities:				
Depreciated:				
General equipment	\$ 1,119,496	\$ 28,420	\$ 13,601	\$ 1,134,315
Technology equipment	8,149	-	-	8,149
Totals at historical cost	1,127,645	28,420	13,601	1,142,464
Less accumulated depreciation:				
General equipment	1,009,684	14,067	13,601	1,010,150
Technology equipment	8,149	-	-	8,149
Total accumulated depreciation	1,017,833	14,067	13,601	1,018,299
Business-Type Activities Capital Assets - Net	\$ 109,812	\$ 14,353	\$ -	\$ 124,165

Depreciation expense was charged to governmental functions as follows:

Instruction	
Support services:	
Student	18,164
District administrative	517
School administrative	3,333
Business support	51,844
Plant operation and maintenance	1,694,027
Student transportation	359,985
Total depreciation expense	\$ 2,127,870

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Long-Term Debt

Bonds

The District issues bonds to provide funds for the acquisition and construction of major capital facilities and improvements. The original amount of the issue, the issue dates and interest rates are summarized below:

Issue	Original Amount	Interest Rates
Issue of 2009 (Energy)	4,755,000	2.00% - 4.50%
Issue of 2011A (Career & Technical Center)	9,030,000	2.00% - 4.625%
Issue of 2012 (Refunding 2004-BSMS)	9,150,000	1.00% - 2.375%
Issue of 2013 (Refunding 2005-BSMS)	1,215,000	1.70% - 2.10%
Issue of 2014 (HCCTCII)	4,155,000	2.25% - 3.125%
Issue of 2016 (Refunding 2009 Energy Bonds)	2,745,000	1.00% - 2.25%
Issue of 2016 (Refunding 2006 PES)	955,000	1.00% - 3.00%
Issue of 2017A (Refunding 2014 BAN)	2,395,000	1.25% - 3.50%
Issue of 2017B (Refunding 2004 BSMS & 2007 MNHHS)	3,040,000	5.00%
Issue of 2017C (Refunding 2011 A Career & Technical Center)	4,100,000	2.00% - 3.00%
Issue of 2021 (School Building Revenue Bonds)	19,235,000	1.00% - 2.00%

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series of 2004, dated October 15, 2004 in the amount of \$10,000,000 were issued for the purpose of financing the cost, not otherwise provided, of the construction of a school building project consisting of the additions and renovations of Browning Springs Middle School.

Hopkins County School District Finance Corporation Qualified Zone Academy Bonds, Series of 2004, dated December 21, 2004 in the amount of \$500,000 were issued for the purpose of providing funds to pay the cost, not otherwise provided, of renovating the Browning Springs Middle School. A certificate of deposit was purchased bearing interest at 4.55% which matured in December, 2020. Interest earned is reinvested annually into the certificate of deposit. The maturity and interest rate were determined in order to yield an amount at maturity of \$500,000, sufficient to retire the \$500,000 QZAB bond upon its maturity. On December 21, 2020, the QZAB bond matured and was paid off.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

7. Long-Term Debt, continued

Bonds, continued

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2011A dated April 5, 2011, in the amount of \$9,030,000 were issued to finance the construction of a new single story, approximately 39,700 square foot, career and technology center.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2012 dated February 7, 2012 in the amount of \$9,150,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004, dated October 15, 2004, scheduled to mature on and after October 1, 2020 (the "Bonds of 2004"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2004 due and payable on and prior to October 1, 2014, and by calling for redemption on October 1, 2014 (the first permissible date at a redemption price of 100%), all of the Bonds of 2004 scheduled to mature on and subsequent to October 1, 2020, in order to obtain substantial savings in interest costs. Net proceeds of \$8,941,276 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$9,007,506 of refunded debt. As a result, \$7,990,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2004 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$655,956 and resulted in an economic gain of \$583,834. In October, 2017 the remaining balance of the defeased 2004 bonds were redeemed.

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013 dated February 5, 2013 in the amount of \$1,215,000, were issued for the purpose of refunding through escrow a portion of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005, dated August 1, 2005, scheduled to mature on and after August 1, 2016 (the "Bonds of 2005"), issued by the Corporation by providing for the payment of the interest on the Bonds of 2005 due and payable on and prior to August 1, 2015, and by calling for redemption on August 1, 2015 (the first permissible date at a redemption price of 100%), all of the Bonds of 2005 scheduled to mature on and subsequent to August 1, 2016, in order to obtain substantial savings in interest costs. Net proceeds of \$1,173,618 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$1,372,220 of refunded debt. As a result, \$1,070,000 of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2005 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$67,695 and resulted in an economic gain of \$61,516. The outstanding balance of the defeased 2005 bonds was \$360,000 as of June 30, 2023.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2014 dated July 2, 2014, in the amount of \$4,155,000 were issued to finance the construction of a new single story, approximately 39,736 square foot, career and technology center.

Hopkins County School District Finance Corporation Energy Conservation Refunding Revenue Bonds, Series 2016 dated June 9, 2016 in the amount of \$2,745,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009, dated May 5, 2009, maturing on or after May 1, 2022. Net proceeds of \$2,691,643 were placed in an escrow account from which U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$2,769,975 of refunded debt. As a result, \$2,475,000 of the Hopkins County School District Finance Corporation Energy Conservation Revenue Bonds, Series 2009 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$172,492 and resulted in an economic gain of \$154,178. The outstanding balance of the defeased 2009 bonds was \$1,980,000 as of June 30, 2023.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

7. Long-Term Debt, continued

Bonds, continued

Hopkins County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2016 dated February 25, 2016 in the amount of \$955,000 were issued for the purpose of providing funds, not otherwise provided, for the advance refunding through escrow of the Hopkins County School District Finance Corporation School Building Revenue Bonds, Series 2006, dated November 1, 2006, maturing on or after November 1, 2017. Net proceeds of \$937,825 were placed in an escrow account from which \$17,863 was to make a partial 05/01/2016 interest payment on the 2006 series bonds refunded with the remaining \$919,962 to purchase U.S. Government Securities were purchased for the purpose of generating resources for the future debt service payments on \$940,725 of refunded debt. As a result, \$905,000 of the Hopkins County School District Finance Corporation Building Revenue Bonds, Series 2006 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next twelve years by \$52,490 and resulted in an economic gain of \$49,914. The outstanding balance of the defeased 2006 bonds was \$390,000 as of June 30, 2023.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017A dated May 4, 2017 in the amount of \$2,395,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Anticipation Notes Series 2014, dated July 2, 2014, maturing on or after August 1, 2017. Net proceeds of \$2,361,345 were deposited into an Old National Wealth Management Series 2014 Sinking Fund account for the purpose of calling for redemption on May 8, 2017 the 2014 issue of Bond Anticipation Notes. The proceeds into the Series 2014 Sinking Fund represent principal of \$2,355,000 on the 2014 Bond Anticipation Notes and \$6,345 of interest. As a result, \$2,355,000 of the Hopkins County School District Finance Corporation Bond Anticipation Notes, Series 2014 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to convert a short-term debt Bond Anticipation Note into a long-term debt bond. This refunding resulted in no reduction of total debt service payments over the life of the bond and resulted in no economic gain. In May, 2017 the remaining balance of the defeased 2014 BAN's were redeemed

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017B dated August 30, 2017 in the amount of \$3,040,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2004 and Bond Series 2007, dated October 15, 2004 and December 18, 2007, respectively. The 2004 Series matures on or after October 1, 2019. The 2007 Series matures on or after January, 1 2023. Net proceeds of \$3,291,585 were deposited into a Bond Fund account for the purpose of calling for redemption the 2004 Bond issue and 2007 Bond issue on October 1, 2017 and January 1, 2018, respectively. The proceeds into the Series 2004 Bond Fund represent principal of \$1,260,000 and interest of \$699. The proceeds into the Series 2007 Bond Fund represent principal of \$1,995,000 and interest of \$36,908. As a result, \$1,260,000 of the Hopkins County School District Finance Corporation Bond Series 2004 and \$1,995,000 of the Hopkins County School District Finance Corporation Bond Series 2007 are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next six years by \$165,129 and resulted in an economic gain of \$159,517. The remaining balance of the defeased 2004 Bonds and 2007 Bonds were redeemed In October, 2017 and January, 2018, respectively.

Hopkins County School District Finance Corporation Refunding Revenue Bonds, Series 2017C dated August 30, 2017 in the amount of \$4,100,000 were issued for the purpose of providing funds, not otherwise provided, for the refunding of the Hopkins County School District Finance Corporation Bond Series 2011A, dated April 5, 2011, maturing on or after April 1, 2031. Net proceeds of \$4,194,864 were deposited into a 2011 Escrow Fund account for the purpose of calling the 2011A Bond issue for redemption on April 1, 2026 and thereafter and to pay interest on the refunded bonds to the call date. The proceeds into the Series 2011 Escrow Fund represent \$4,193,755 to purchase a portfolio of securities provided by Wells Fargo Bank and \$973 will remain on hand in the Series 2011 Escrow Fund. The portfolio of securities was purchased for the purpose of generating resources for the future debt service payments of \$4,409,575 on refunded debt. As a result, \$3,760,000 of the Hopkins County School District Finance Corporation Bond Series 2011A are considered to be defeased and the liability has been removed from

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

7. Long-Term Debt, continued

Bonds, continued

long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next fourteen years by \$283,670 and resulted in an economic gain of \$252,528. The outstanding balance of the defeased 2011A bonds was \$3,870,000 as of June 30, 2023.

Hopkins County School District Finance Corporation School Building Revenue Bonds, Series of 2021 dated February 11, 2021 in the amount of \$19,235,000 were issued to finance the construction of the new Hanson Elementary School Building. The outstanding balance of the iSeries 2021 bonds was \$18,965,000 as of June 30, 2023.

Participation Agreements

The District entered into participation agreements with the Kentucky School Facilities Construction Commission (KSFCC). The Commission was created by the Kentucky legislature for the purpose of assisting local school districts in meeting school construction needs. Receipts from the KSFCC are recorded as intergovernmental-state revenue in the Debt Service Fund. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues (See Note 14).

Maturities

The annual debt service requirements to maturity for long-term debt payable as of June 30, 2023 are as follows:

	Hopkins County Board of Education		School Facilities Construction Commission		Total Interest	Total Principal	Total Requirement
	Interest	Principal	Interest	Principal			
2023-24	648,723	1,784,709	256,438	640,291	905,161	2,425,000	3,330,161
2024-25	603,056	1,838,758	235,421	666,242	838,477	2,505,000	3,343,477
2025-26	568,725	2,066,973	212,750	783,027	781,475	2,850,000	3,631,475
2026-27	509,965	1,937,122	188,997	647,878	698,962	2,585,000	3,283,962
2027-28	454,444	1,416,862	169,081	583,138	623,525	2,000,000	2,623,525
2028-29	403,461	1,379,963	149,052	605,037	552,513	1,985,000	2,537,513
2029-30	348,122	1,040,631	126,452	644,369	474,574	1,685,000	2,159,574
2030-31	298,982	1,101,673	101,530	673,327	400,512	1,775,000	2,175,512
2031-32	265,725	1,147,451	78,731	447,549	344,456	1,595,000	1,939,456
2032-33	231,040	1,191,324	62,604	463,676	293,644	1,655,000	1,948,644
2033-34	195,018	463,476	45,794	486,524	240,812	950,000	1,190,812
2034-35	187,146	479,462	32,986	435,538	220,132	915,000	1,135,132
2035-36	178,354	494,730	25,352	215,270	203,706	710,000	913,706
2036-37	169,333	510,823	22,123	219,177	191,456	730,000	921,456
2037-38	159,438	1,932,867	18,562	222,133	178,000	2,155,000	2,333,000
2038-39	120,781	1,974,043	14,119	230,957	134,900	2,205,000	2,339,900
2039-40	81,300	2,014,824	9,500	235,176	90,800	2,250,000	2,340,800
2040-41	41,004	2,050,177	4,796	239,823	45,800	2,290,000	2,335,800
TOTALS	\$ 5,464,617	\$ 24,825,868	\$ 1,754,288	\$ 8,439,132	\$ 7,218,905	\$ 33,265,000	\$ 40,483,905

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Long-Term Debt, continued

Maturities, continued

During the year ended June 30, 2023, the following changes occurred in the long-term debt:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Revenue bonds:					
Issue of 2011A (CTC)	1,190,000		390,000	800,000	380,000
Issue of 2012 (Refunding-BSMS 2004)	5,430,000		3,155,000	2,275,000	1,130,000
Issue of 2013 (Refunding-BSMS 2005)	480,000		120,000	360,000	115,000
Issue of 2014 (HCCTCII)	2,915,000		190,000	2,725,000	195,000
Issue of 2016 (Refunding- Energy 2009)	2,290,000		310,000	1,980,000	315,000
Issue of 2016 (Refunding- PES 2006)	485,000		95,000	390,000	100,000
Issue of 2017A (Refunding-BAN 2014)	2,115,000		215,000	1,900,000	20,000
Issue of 2017B (Refunding-2004 BSMS & 2007)	420,000		420,000	-	
Issue of 2017C (Refunding-2011A)	3,900,000		30,000	3,870,000	30,000
Issue of 2021 (Hanson Elementary School)	19,100,000		135,000	18,965,000	140,000
Total bonds payable	<u>38,325,000</u>	<u>-</u>	<u>5,060,000</u>	<u>33,265,000</u>	<u>2,425,000</u>
Unamortized premium/discount	1,525,374	-	95,951	1,429,423	
Net bonds payable	<u>39,850,374</u>	<u>-</u>	<u>5,155,951</u>	<u>34,694,423</u>	<u>2,425,000</u>
Capital leases	188,013		38,157	149,856	39,148
Compensated absences	480,574	229,275 (A)		709,849	246,804
Net OPEB liability	15,116,687	5,697,141		20,813,828	
Net pension liability	18,799,821	2,829,702		21,629,523	
	<u>\$ 74,435,469</u>	<u>\$ 8,756,118</u>	<u>\$ 5,194,108</u>	<u>\$ 77,997,479</u>	<u>\$ 2,710,952</u>
Business-type activities:					
Net OPEB liability	\$ 872,259	-	\$ 66,969	\$ 805,290	
Net pension liability	2,905,604	44,706		2,950,310	-
Compensated absences	38,447		14,574	23,873	5,650
	<u>\$ 3,816,310</u>	<u>\$ 44,706</u>	<u>\$ 81,543</u>	<u>\$ 3,779,473</u>	<u>\$ 5,650</u>

(A) This amount represents the net change in compensated absences, i.e., days earned less days taken and/or paid.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

8. Capital Lease Obligations

The District has entered into various lease agreements with KISTA for financing the acquisitions of school buses. The KISTA lease payments are paid by the General Fund and reported as debt service. The capital lease obligations are included in depreciation expense and allocated to the student transportation function. The following is an analysis of leased property under capital leases by class:

KISTA Leases	Class of Property	Cost	Accumulated Depreciation
2017	Vehicles (4 buses)	\$377,708	\$232,764

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

Year Ending June 30,	Capital Lease Obligations
2024	42,967
2025	42,880
2026	36,787
2027	36,567
Thereafter	-
Total minimum lease payments	159,201
Less: Amount representing interest	(9,345)
Present Value of Net Minimum Lease Payments	\$ 149,856

9. Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third-party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District does not contribute to the Plans, but retains authority to amend or terminate these plans. During the year ended June 30, 2023, employees of the District contributed \$82,027 to 401(k) plans and \$51,663 to 403(b) plans.

10. Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not report these assets and liabilities on its financial statements. The District does not contribute to these plans. Employees of the District contributed \$49,608 to these plans during the year ended June 30, 2023.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

11. Pension Benefits – Teachers' Retirement System of the State of Kentucky

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

Benefits provided - For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members 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 members 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 members (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 members 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, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% 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 members hired on or after that date.

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

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 members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 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, and before Jan. 1, 2022. For local school district and regional cooperative members 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. For members who began participating on or after Jan. 1, 2022, non-university members contribute 14.75%. Employers of non-university members, including the state (as a non-employer contributing entity), contribute 10.75% of salary.

The Hopkins County School District's total payroll for the year was \$40,407,967. The payroll for employees covered under TRS was \$30,271,094. For the year ended June 30, 2023, the Commonwealth contributed \$12,874,401 to TRS for the benefit of our participating employees. The District's contributions to TRS for the years ending June 30, 2023, 2022 and 2021 were \$1,256,684, \$1,288,597, and \$1,151,496, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

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

Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District’s contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2022, was as follows:

District’s proportionate share of the net pension liability	\$	-
State’s proportionate share of the net pension liability associated with the District		141,103,047
Total	\$	141,103,047

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The net pension liability associated with the District was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2022, the measurement date, the State’s proportion of the TRS net pension liability associated with the District was 0.8389% percent which was an increase of 0.0100 from its proportion measured as of June 30, 2021 (0.8289%).

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$12,874,401 for contributions provided by the State.

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

Inflation		2.50%
Salary increases, including inflation		3.00% to 7.50%
Long-term Investment rate of return, net of pension plan investment expense & inflation		7.10%
Municipal Bond Index Rate:		
Prior Measurement Date		2.13%
Measurement Date		3.37%
Year FNP is projected to be depleted		N/A
Single Equivalent Interest Rate, net of pension plan investment expense & inflation:		
Prior Measurement Date		7.10%
Measurement Date		7.10%
Post-Retirement Benefit Increases		1.50% annually

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Actuarial Assumptions, continued

The actuarial assumptions used in the June 30, 2020, valuations were based on the results of an actuarial experience study for the period July 1, 2015, to June 30, 2020, adopted by the TRS Board on September 20, 2021.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	40.0%	4.6%
International Equity	22.0%	5.4%
Fixed Income	15.0%	-0.1%
Additional Categories	7.0%	2.0%
Real Estate	7.0%	4.0%
Private Equity	7.0%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State’s proportionate share of the net pension liability associated with the District using the discount rate of 7.10% as well as what the State’s proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
State's proportionate share of net pension liability associated with the District	180,093,232	141,103,047	108,624,363

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

11. Pension Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publicly available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2023.

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky

Other Postemployment Benefits (OPEB)

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

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

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 11 Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Life Insurance Plan (LIP)

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

Benefits Provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member's estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2023, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs- At June 30, 2023, the District reported a liability of \$14,910,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2022, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was 0.600600 percent, an increase of 0.159122 from its proportion measured as of June 30, 2021 of 0.441478.

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

	MIP	LIP
District's proportionate share of the net OPEB liability	14,910,000	\$ -
State's proportionate share of the net OPEB liability associated with the District	4,898,000	244,000
Total	\$ 19,808,000	\$ 244,000

For the year ended June 30, 2023, the District recognized MIP OPEB expense of \$261,777 and on-behalf MIP revenue of \$261,777 for support provided by the State. For the year ended June 30, 2023, the District recognized on-behalf LIP OPEB expense of \$18,593 and revenue of \$18,593 for support provided by the State. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

**HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

	MIP	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 6,268,000
Assumption changes	3,028,000	-
Net difference between projected and actual investment earnings on OPEB plan investments	793,000	569,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,151,000	-
District contributions subsequent to the measurement date	1,256,684	-
Total	\$ 9,228,684	\$ 6,837,000

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$1,256,684 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District’s MIP OPEB expense as follows:

Year ended June 30:	
2024	\$ (433,000)
2025	\$ (286,000)
2026	\$ (118,000)
2027	\$ 890,000
2028	\$ 754,000
Thereafter	\$ 328,000
Total	\$ 1,135,000

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

MIP	7.10%
LIP	7.10%
Projected salary increases	3.00% to 7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates,	
MIP only:	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Discount Rate:	
MIP	7.10%
LIP	7.10%
Single Equivalent Interest Rate, net of	
OPEB plan investment expense & inflation:	
MIP	7.10%
LIP	7.10%

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020, valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

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

Asset Class	Target Allocation		30 Year Expected Geometric Real Rate of Return	
	MIP	LIP	MIP	LIP
Global Equity	58.0%	0.0%	5.1%	0.0%
U.S. Equity	0.0%	40.0%	0.0%	4.4%
International Equity	0.0%	23.0%	0.0%	5.6%
Fixed Income	9.0%	18.0%	-0.1%	-0.1%
Real Estate	6.5%	6.0%	4.0%	4.0%
Private Equity	8.5%	5.0%	6.9%	6.9%
Other Additional Categories	17.0%	6.0%	3.9%	2.1%
Cash (LIBOR)	1.0%	2.0%	-0.3%	-0.3%
Total	<u>100.0%</u>	<u>100.0%</u>		

Discount rate- The discount rates used to measure the total MIP and LIP OPEB liabilities were 7.10% and 7.10%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the MIP employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liabilities.

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District’s proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<u>1% Decrease</u> 6.10	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
Net MIP OPEB liability	18,707,000	14,910,000	11,766,000

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

12. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net MIP OPEB liability	11,178,000	14,910,000	19,552,000

OPEB plans' fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2023.

13. Pension and Other Postemployment Benefits- County Employees Retirement System

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member's final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit. Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member's age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District's actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2023, 2022 and 2021 were \$2,625,639, \$2,635,608, and \$2,120,512, respectively, equal to the required contributions for each year.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Contributions, continued

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2023, were as follows:

	<u>Contribution Rates</u>	<u>Contributions</u>
Pension	23.40%	\$ 2,293,391
OPEB	3.39%	332,248
Total	<u>26.79%</u>	<u>\$ 2,625,639,,</u>

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities reported as June 30, 2023, were measured as of June 30, 2022, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2021. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2022, measurement date, the District's pension and OPEB proportion was 0.340017% and 0.339958%, a decrease of 0.000419 and 0.000398 from its proportion measured as of June 30, 2021, of 0.340436% and 0.340356%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2023, were as follows:

	<u>Net Pension Liability</u>	<u>Net OPEB Liability</u>
Proportionate Share	<u>\$ 24,579,833</u>	<u>\$ 6,709,117</u>
Pension/OPEB Expense	<u>\$ 1,564,392</u>	<u>\$ 833,990</u>

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

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

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

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	\$ 26,279	\$ 218,894	\$ 675,329	\$ 1,538,556
Assumption changes	-	-	1,061,094	874,335
Investment experience	3,344,584	2,714,446	1,249,307	977,000
Changes in proportion and differences between District contributions and proportionate share of contributions	42,039	368,540	7,336	445,453
Implicit Subsidy			241,890	
District contributions subsequent to the measurement date	2,293,391	-	332,248	-
Total	<u>\$ 5,706,293</u>	<u>\$ 3,301,880</u>	<u>\$ 3,567,204</u>	<u>\$ 3,835,344</u>

The \$2,293,391 and \$332,248 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

Year ending June 30,	Pension	OPEB
	2024	\$ (367,948)
2025	(12,735)	(183,292)
2026	(206,555)	(489,421)
2027	698,261	26,131
Thereafter	-	-
	<u>\$ 111,023</u>	<u>\$ (842,277)</u>

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases, average	3.3%-10.3%
Investment rate of return, net of investment expense & inflation	6.25%
Healthcare cost trend rates (OPEB)	Initial trend starting at 6.20% for Pre-65, or 9.00% for Post-65, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years for Pre-65, or 13 years for Post-65

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013-2018. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013-2018. Male mortality rates are set back four years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth	60.00%	
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	20.00%	
Core Fixed Income	10.00%	0.28%
Specialty Credit	10.00%	2.28%
Cash	0.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Total	100.00%	

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions, continued

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

	<u>Pension</u>	<u>OPEB</u>
Discount rate, June 30, 2021	6.25%	5.20%
Increase (decrease)	—	.50%
Discount rate, June 30, 2022	6.25%	5.70%

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.70% used to measure the total OPEB liability was 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.

The projection of cash flows used to determine the discount rates assumed that local employers would contribute the actuarially determined contribution rates of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>District's porportionate share</u>		
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	5.25%	6.25%	7.25%
Net Pension Liability	30,721,794	24,579,833	19,499,998
	4.70%	5.70%	6.70%
Net OPEB Liability	8,969,020	6,709,117	4,840,931

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

13. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current healthcare cost trend rate</u>	<u>1% Increase</u>
	5.20% Pre-65 or 8.00% Post-65	6.20% Pre-65 or 9.00% Post-65	7.20% Pre-65 or 10.0% Post-65
District's Proportionate Share of Net OPEB Liability	4,988,080	6,709,117	8,775,759

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans - The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2023:

<u>Pension</u>	<u>OPEB</u>
\$ -	\$ -

14. Contingencies

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

As shown in Note 7, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 2011A (36%), 2013 Ref (100%), 2014 (100%), 2016 Revenue Refunding (100%), 2017C Revenue Refunding (35%) and Series 2021 (18.3%). In the unlikely event the KSFCC defaults on their portion of the bond series, the District is responsible to repay the amount in full. KSFCC's portion as of June 30, 2023, was \$10,193,420.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, the District bought a commercial insurance policy. The District pays an annual premium for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

16. Deficit Operating/Fund Balances

The following funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance net position. These deficits were funded by available resources at the beginning of the year. The following net positions primarily have a deficit fund balance as of June 30, 2023 due to the adoption of GASB 68 and GASB 75.

	<u>Operations</u>	<u>Net Position</u>
Food Service Fund		\$ 876,837
FSPK Fund	\$ 218,062	
Construction Fund	\$ 8,342,724	
Debt Service Fund	\$ 10,500	
District Activity Fund	\$ 20,576	

17. COBRA

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

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

18. Interfund Balances and Transfers

The following transfers were made during the year ended June 30, 2023:

From Fund	To Fund	Purpose	Amount
Nonmajor Governmental Funds:			
Capital Projects (Building Fund)	Debt Service	Bond payments	\$ 3,480,266
Capital Projects (Capital Outlay)	Debt Service	Bond payments	616,339
Student Activity Fund	District Activity Fund	Reclassify	143,680
Total Nonmajor Governmental Funds			<u>4,240,285</u>
General Fund	Special Revenue	Matching (KETS)	129,432
General Fund	Special Revenue	Matching Donation	25,000
Special Revenue	Construction Fund	Construction	702,584
Special Revenue	General Fund	Indirect Cost	6,478
General Fund	Building Fund	Bond Payments/Reclassify	1,086,318
General Fund	Construction Fund	Construction	1,622,665
Total Major Governmental Funds			<u>3,572,477</u>
Total Transfers			<u>\$ 7,812,762</u>

19. Commitments (Construction Projects)

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2023.

Project	Total Commitment	Incurred To Date	Commitment Remaining
Site Acquisition N Main for Central Office (BG 22-381)	\$ 1,690,000	\$ 1,619,832	\$ 70,168
Renovation of N Main for Central Office (BG 23-121)	\$ 3,627,500	\$ -	\$ 3,627,500
High School Auxiliary Gyms (GP 22-408)	\$ 16,173,459	\$ 779,396	\$ 15,394,063
New Hanson Elementary School (BG 20-129)	\$ 21,285,000	\$ 18,818,243	\$ 2,466,757
South Hopkins School PK-8 (BG 23-030)	\$ 24,785,741	\$ 547,300	\$ 24,238,441
Fire Pump for HCCHS (BG 23-278)	\$ 474,600	\$ 30,013	\$ 444,587
Total	<u>\$ 68,036,300</u>	<u>\$ 21,794,784</u>	<u>\$ 46,241,516</u>

Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization (“WHO”) recognized COVID -19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the District is likely to be determined by factors which are uncertain, unpredictable, and outside of the control of the District. The situation surrounding COVID- 19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues. The District was awarded significant federal funds to address the needs and extra costs of the pandemic. Although the District is now back to regular operations, the additional federal funds are still being expended.

HOPKINS COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

20. On-Behalf Payments

The Commonwealth of Kentucky made payments on-behalf of the District as follows for the year ended June 30, 2023. The amounts are included in the General Fund and Debt Service Fund, as "Intergovernmental-State" revenues and in the Food Service Fund and Child Care Fund as "State grants." These amounts are budgeted. In the General Fund, the retirement and technology payments are recorded as additional instruction expense and the health insurance, life insurance, administration fee and health reimbursement account payments are allocated to the various expense functions based on a ratio of employees. In the Debt Service Fund, the payments are recorded as principal and interest expenditures. In the Food Services Fund and Child Care Fund, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$ 13,154,771
Health insurance, life insurance, administrative fee, health reimbursement account, net of federal reimbursements	7,430,812
Technology	174,286
Debt Service	896,209
Total On-Behalf Payments	<u>\$ 21,656,078</u>
Reported in:	
General Fund	\$ 19,972,679
Debt Service Fund	896,209
Food Service Fund	781,496
Child Care Fund	5,694
	<u>\$ 21,656,078</u>

21. Subsequent Events

Management has evaluated subsequent events through November 13, 2023, the date on which the financial statements were available to be issued.

22. Litigation

The Board is currently subject to ongoing litigation, the Hopkins County Board of Education denies any liability and discovery is in the initial stages of the case. However, it does appear at this point that any adverse outcome would not materially impact the Hopkins County Board of Education.

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources				
Taxes				
Property	\$ 15,776,121	\$ 15,776,121	\$17,761,823	\$ 1,985,702
Motor vehicle	1,744,452	1,744,452	2,578,886	834,434
Unmined mineral			49,092	49,092
Other	145,480	145,480	153,627	8,147
Tuition			0	-
Earnings on investments	50,000	50,000	798,928	748,928
Student activities				-
Other local revenues	7,000	7,000	132,742	125,742
Intergovernmental - Local	0	0	0	0
Intergovernmental - State	40,371,987	40,371,987	49,086,707	8,714,720
Intergovernmental - Direct Federal	70,000	70,000	95,055	25,055
Total revenues	<u>58,165,040</u>	<u>58,165,040</u>	<u>70,656,860</u>	<u>12,481,820</u>
Expenditures:				
Current:				
Instruction	35,772,667	35,772,780	38,230,314	(2,457,534)
Support Services:				
Student	2,230,194	2,230,081	2,696,443	(466,362)
Instruction staff	2,162,633	2,162,633	2,423,283	(260,650)
District administrative	6,980,916	6,980,916	1,453,481	5,527,435
School administrative	4,317,550	4,317,550	4,813,415	(495,865)
Business	3,432,358	3,432,358	3,238,935	193,423
Plant operation and maintenance	8,353,858	8,353,858	8,176,776	177,082
Student transportation	4,624,471	4,624,471	5,739,210	(1,114,739)
Other instructional				-
Community service activities				-
Debt Service	42,949	42,949	42,949	-
Total expenditures	<u>67,917,596</u>	<u>67,917,596</u>	<u>66,814,806</u>	<u>1,102,790</u>
Excess (deficit) of revenues over expenditures	<u>(9,752,556)</u>	<u>(9,752,556)</u>	<u>3,842,054</u>	<u>13,594,610</u>
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets			65,293	65,293
Operating transfers in			6,478	6,478
Operating transfers out	(126,500)	(126,500)	(2,863,414)	(2,736,914)
Contingency	(10,000,000)	(10,000,000)		10,000,000
Total other financing sources (uses)	<u>(10,126,500)</u>	<u>(10,126,500)</u>	<u>(2,791,643)</u>	<u>7,334,857</u>
Net change in fund balance	(19,879,056)	(19,879,056)	1,050,411	20,929,467
Fund balance, July 1, 2022	<u>19,879,056</u>	<u>19,879,056</u>	<u>19,879,056</u>	<u>0</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,929,467</u>	<u>\$ 20,929,467</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Earnings on investments	\$ -	\$ -	\$19,720	\$19,720
Student activities			250	250
Other		25,000	136,214	111,214
Intergovernmental - State	1,767,324	4,157,043	3,205,084	(951,959)
Intergovernmental - Indirect federal	12,103,627	15,168,932	7,227,967	(7,940,965)
Intergovernmental - Direct federal			110,486	110,486
Total revenues	13,870,951	19,350,975	10,699,721	(8,651,254)
Expenditures:				
Current:				
Instruction	2,490,105	4,842,890	7,898,129	(3,055,239)
Support services:				
Student	1,800	1,487,686	325,790	1,161,896
Instruction staff	465,040	42,000	25,270	16,730
District administrative	779,146		36,670	(36,670)
School administrative		29,152	30,265	(1,113)
Business		8,086	16,194	(8,108)
Plant operation and maintenance	10,135,621	141,244	704,042	(562,798)
Student transportation	125,739	125,739	145,638	(19,899)
Other instructional				-
Community services		789,600	815,184	(25,584)
Food service operation			0	-
Day care operation			147,908	(147,908)
Capital outlay:				
Facilities acquisition and construction				-
Total expenditures	13,997,451	7,466,397	10,145,090	(2,678,693)
Excess (deficit) of revenues over expenditures	(126,500)	11,884,578	554,631	(11,329,947)
Other Financing Sources (Uses):				
Operating transfers in	126,500	126,500	154,432	27,932
Operating transfers out		(12,012,770)	(709,063)	11,303,707
Total other financing sources (uses)	126,500	(11,886,270)	(554,631)	11,331,639
Net change in fund balance	-	(1,692)	-	1,692
Fund balance, July 1, 2022		(3,676)		3,676
Fund balance, June 30, 2023	\$ -	\$ (5,368)	\$ -	\$ 5,368

HOPKINS COUNTY SCHOOL DISTRICT
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR BUDGETARY PROCESS
FOR THE YEAR ENDED JUNE 30, 2022

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the plan total net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability associated with the District					\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>141,103,047</u>	<u>107,872,211</u>	<u>118,293,068</u>	<u>116,143,007</u>	<u>116,636,909</u>	<u>250,714,485</u>	<u>279,879,029</u>	<u>222,633,493</u>	<u>191,555,888</u>
Total	<u>\$ 141,103,047</u>	<u>\$ 107,872,211</u>	<u>\$ 118,293,068</u>	<u>\$ 116,143,007</u>	<u>\$ 116,636,909</u>	<u>\$ 250,714,485</u>	<u>\$ 279,879,029</u>	<u>\$ 222,633,493</u>	<u>\$ 191,555,888</u>
District's covered-employee payroll	\$ 30,271,094	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	56.40%	65.59%	58.30%	58.80%	59.30%	39.83%	35.22%	42.49%	45.59%

* The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available

HOPKINS COUNTY SCHOOL DISTRICT
 SCHEDULE OF PENSION CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's contractually required contributions			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions			-	-	-	-	-	-	-
Contribution deficiency (excess)			-	-	-	-	-	-	-
District's covered-employee payroll	\$ 30,271,084	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067	\$ 29,846,092	\$ 30,110,471	\$ 29,977,541
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30.
 Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

For the Year Ended June 30, 2023

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

2023	The municipal bond index rate increased from 2.13% to 3.37%.
2022	The assumed long-term investment rate of return was changed from 7.5% to 7.1%. The price inflation assumption was lowered from 3.0% to 2.5%. The calculation of SEIR results in an assumption change from 7.5% to 7.1%.
2021	None
2020	The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
2019	The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%.
2018	The municipal bond index rate increased from 3.01% to 3.56%. The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%. The inflation rate decreased from 3.50% to 3.00%.
2017	The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%.
2016	None

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN (MIP)						
District's proportion of the plan total net MIP OPEB liability	0.600600%	0.441478%	0.446369%	0.452486%	0.458650%	0.489042%
District's proportionate share of the net MIP OPEB liability associated with the District	\$ 14,910,000	\$ 9,473,000	\$ 11,265,000	\$ 13,243,000	\$ 15,914,000	\$ 17,438,000
State's proportionate share of the net MIP OPEB liability associated with the District	<u>4,898,000</u>	<u>7,693,000</u>	<u>9,024,000</u>	<u>10,695,000</u>	<u>13,714,000</u>	<u>14,244,000</u>
Total	<u>\$ 19,808,000</u>	<u>\$ 17,166,000</u>	<u>\$ 20,289,000</u>	<u>\$ 23,938,000</u>	<u>\$ 29,628,000</u>	<u>\$ 31,682,000</u>
District's covered-employee payroll	\$ 30,271,094	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll	49.25%	32.09%	39.67%	47.06%	56.62%	60.32%
Plan fiduciary net position as a percentage of the total MIP OPEB liability	47.80%	39.10%	39.10%	32.60%	25.50%	21.18%
LIFE INSURANCE PLAN (LIP)						
District's proportion of the plan total net LIP OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net LIP OPEB liability associated with the District				\$ -	\$ -	\$ -
State's proportionate share of the net LIP OPEB liability associated with the District	<u>244,000</u>	<u>102,000</u>	<u>273,000</u>	<u>248,000</u>	<u>235,000</u>	<u>191,000</u>
Total	<u>\$ 244,000</u>	<u>\$ 102,000</u>	<u>\$ 273,000</u>	<u>\$ 248,000</u>	<u>\$ 235,000</u>	<u>\$ 191,000</u>
District's covered-employee payroll	\$ 30,271,094	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total LIP OPEB liability	74.00%	89.15%	71.60%	73.40%	75.00%	79.99%

*The amounts presented for each fiscal year were determined as of June 30.
**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
<u>MEDICAL INSURANCE PLAN (MIP)</u>						
District's contractually required contributions	\$ 1,256,684	\$ 1,288,597	\$ 1,151,496	\$ 1,087,616	\$ 816,999	\$ 867,332
District's contributions in relation to the contractually required contributions	<u>(1,256,684)</u>	<u>(1,288,597)</u>	<u>(1,151,496)</u>	<u>(1,087,616)</u>	<u>(816,999)</u>	<u>(867,332)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 30,271,094	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
Contributions as a percentage of covered-employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<u>LIFE INSURANCE PLAN (MIP)</u>						
District's contractually required contributions				\$ -	\$ -	\$ -
District's contributions in relation to the contractually required contributions				-	-	-
Contribution deficiency (excess)				<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 30,271,094	\$ 29,522,003	\$ 28,395,711	\$ 28,138,744	\$ 28,105,731	\$ 28,911,067
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

*The amounts presented for each fiscal year were determined as of June 30.
**Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET OPEB LIABILITY

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

For the Year Ended June 30, 2023

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEPH "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2023	The municipal bond index rate increased from 2.13% to 3.37%. The healthcare trend rates were updated to reflect future anticipated experience.
2022	The assumed long-term investment rate of return was changed from 8.0% to 7.1%. The price inflation assumption was lowered from 3.0% to 2.5%.
2021	The municipal bond index rate decreased from 3.50% to 2.20% The projected salary increases decreased from 3.50% - 7.30% to 3.50% - 7.20%
2020	The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%.
2019	The municipal bond index rate increased from 3.56% to 3.89%.
2018	None

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None

Changes of Assumptions

2023	The municipal bond index rate increased from 2.13% to 3.37%.
2022	The assumed long-term investment rate of return was changed from 7.5% to 7.1%. The price inflation assumption was lowered from 3.0% to 2.5%.
2021	The municipal bond index rate decreased from 3.50% to 2.20%
2020	The municipal bond index rate decreased from 3.89% to 3.50%.
2019	The municipal bond index rate increased from 3.56% to 3.89%.
2018	None

HOPKINS COUNTY SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM

	Last 10 Fiscal Years*								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.340017%	0.340436%	0.356580%	0.354042%	0.377983%	0.392049%	0.39943%	0.38934%	0.396633%
District's proportionate share of the net pension liability	\$ 24,579,833	\$ 21,705,465	\$ 27,349,390	\$ 24,899,932	\$ 23,020,317	\$ 22,947,833	\$ 19,666,399	\$ 16,739,697	\$ 12,868,000
District's covered-employee payroll	\$ 9,770,498	\$ 9,627,192	\$ 8,787,644	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670	\$ 9,752,373	\$ 8,617,062	\$ 8,740,258
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.57%	225.46%	311.23%	269.94%	284.15%	242.69%	201.66%	194.26%	147.23%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%

* The amounts presented for each fiscal year were determined as of June 30.

**Schedule is intended to show information for ten years
Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
 SCHEDULE OF PENSION CONTRIBUTIONS
 COUNTY EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,293,391	\$ 2,070,346	\$ 1,700,993	\$ 1,799,897	\$ 1,458,979	\$ 1,369,181	\$ 1,360,456	\$ 1,070,239	\$ 1,114,383
Contributions in relation to the contractually required contributions	<u>(2,293,391)</u>	<u>(2,070,346)</u>	<u>(1,700,993)</u>	<u>(1,799,897)</u>	<u>(1,458,979)</u>	<u>(1,369,181)</u>	<u>(1,360,456)</u>	<u>(1,070,239)</u>	<u>(1,114,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>								
District's covered-employee payroll	\$ 9,770,498	\$ 9,627,192	\$ 8,787,644	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670	\$ 9,752,373	\$ 8,617,062	\$ 8,740,258
Contributions as a percentage of covered-employee payroll	23.47%	21.17%	19.30%	19.50%	16.22%	14.48%	13.95%	12.42%	12.75%

* The amounts presented for each fiscal year were determined as of June 30.
 **Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.340017%	0.340355%	0.356477%	0.354042%	0.377969%	0.382049%
District's proportionate share of the net OPEB liability	\$ 6,709,117	\$ 6,515,945	\$ 6,007,835	\$ 5,953,280	\$ 6,710,764	\$ 7,981,526
District's covered-employee payroll	\$ 9,770,498	\$ 9,627,192	\$ 8,787,644	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	68.67%	67.68%	67.95%	64.54%	82.84%	83.35%
Plan fiduciary net position as a percentage of the total OPEB liability	80.95%	82.91%	81.67%	80.44%	57.62%	53.30%

* The amounts presented for each fiscal year were determined as of June 30.
 ** Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Contractually required contributions	\$ 332,248	\$ 565,262	\$ 419,519	\$ 443,913	\$ 473,134	\$ 444,417
Contributions in relation to the contractually required contributions	(332,248)	(565,262)	(419,519)	(443,913)	(473,134)	(444,417)
Contribution deficiency (excess)				\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,770,498	\$ 9,627,192	\$ 8,787,644	\$ 9,224,358	\$ 8,101,354	\$ 9,455,670
Contributions as a percentage of covered-employee payroll	3.40%	5.87%	4.77%	5.28%	5.28%	4.70%

* The amounts presented for each fiscal year were determined as of June 30.
 **Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

**HOPKINS COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES' RETIREMENT SYSTEM
For the Year Ended June 30, 2023**

Changes of Benefit Terms

2023	None
2022	None
2021	None
2020	None
2019	None
2018	None
2017	None
2016	None

Changes of Assumptions

Pension and OPEB:

2021 The healthcare cost trend rates for Pre-65 changed from 7.25% to 7.00% and changed from 3.10% to 5.00% for Post-65

2020 The salary increases assumption was changed from 3.05% to 3.30%.

2019 The salary increases assumption was changed from 2.00% to 3.05%.

2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

2023 The single discount rate was changed from 5.2% to 5.7%. The healthcare trend rates were updated to reflect future anticipated experience.

2022 The single discount rate was changed from 5.34% to 5.2%.

2021 The single discount rate was changed from 5.68% to 5.34%

2020 The single discount rate was changed from 5.85% to 5.68%.

2019 The single discount rate changed from 5.84% to 5.85%.

2018 The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**HOPKINS COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023**

	Special Revenue District Activity Fund	Student Activity Fund	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable:						\$ -
Local	3,777	\$ 1,243				5,020
Prepaid expenses						-
Restricted cash	535,663	684,300	\$ 1,701,724			2,921,687
Total assets	\$ 539,440	\$ 685,543	\$ 1,701,724	\$ -	\$ -	\$ 2,926,707
Liabilities						
Accounts payable	\$ 17,754	\$ 8,317				\$ 26,071
Total liabilities	17,754	8,317	-	-	-	26,071
Fund Balances						
Nonspendable:						-
Prepaid expenses						-
Restricted for:						
Debt service			\$ 1,701,724			1,701,724
Student Activity Funds		677,226				677,226
District Activity Funds	521,686					521,686
Assigned:						
Encumbrances	-					-
Total fund balances	521,686	677,226	1,701,724	-	-	2,900,636
Total liabilities and fund balances	\$ 539,440	\$ 685,543	\$ 1,701,724	\$ -	\$ -	\$ 2,926,707

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

	Special Revenue			SEEK	Debt	Total
	District	Student	FSPK	Capital	Service	Nonmajor
	Activity	Activity	Fund	Outlay	Fund	Governmental
	Fund	Fund	Fund	Fund	Fund	Funds
Revenues:						
From local sources:						
Taxes:						
Property			\$1,629,462			\$1,629,462
Earnings on investments			131,205			131,205
Intergovernmental - State			1,501,537	\$ 616,339	896,209	3,014,085
Other Student Income		1,777,152				1,777,152
Total revenues	0	1,777,152	3,262,204	616,339	896,209	6,551,904
Expenditures:						
Capital outlay:						
Facilities acquisition and construction						
Debt Service:						
Principal					5,060,000	5,060,000
Interest					1,029,632	1,029,632
District/Student Activity:						
Instruction	148,008	1,401,264				1,549,272
Support Services	2,494	50,374				52,868
Plant Operations & Maintenance	738					738
Student Transportation	13,016	116,624				129,640
Total expenditures	164,256	1,568,262	-	-	6,089,632	7,822,150
Excess (deficit) of revenues over expenditures	(164,256)	208,890	3,262,204	616,339	(5,193,423)	(1,270,246)
Other Financing Sources (Uses)						
Transfers in	143,680				5,182,923	5,326,603
Transfers out		(143,680)	(3,480,266)	(616,339)	0	(4,240,285)
Total other financing sources (uses)	143,680	(143,680)	(3,480,266)	(616,339)	5,182,923	1,086,318
Net change in fund balance	(20,576)	65,210	(218,062)	-	(10,500)	(183,928)
Fund balance, July 1, 2022	542,262	612,016	1,919,786	-	10,500	3,084,564
Fund balance, June 30, 2023	\$521,686	\$677,226	\$ 1,701,724	\$ -	\$0	\$2,900,636

**HOPKINS COUNTY SCHOOL DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS
 STUDENT ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023**

<u>School</u>	<u>Cash Balances July 1, 2022</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>Cash Balances June 30, 2023</u>	<u>Accounts Receivable June 30, 2023</u>	<u>Accounts Payable June 30, 2023</u>	<u>Fund Balances June 30, 2023</u>
Hopkins County Central High	\$141,511	\$ 474,287	\$ 431,392	\$184,406	\$ 373	\$ 7,705	\$177,074
Madisonville North Hopkins High	188,702	605,122	590,865	202,959	94	95	202,958
	<u>330,213</u>	<u>1,079,409</u>	<u>1,022,257</u>	<u>387,365</u>	<u>467</u>	<u>7,800</u>	<u>380,032</u>
Hopkins County Career & Tech Center	20,886	44,494	38,154	27,226			27,226
Browning Springs Middle	44,132	80,840	73,113	51,859	30	99	51,790
Earlington Elementary	15,207	27,442	42,649	-			-
Grapevine Elementary	12,976	52,908	53,232	12,652	10	418	12,244
Hanson Elementary	17,099	40,790	30,372	27,517			27,517
James Madison Middle	61,277	103,827	112,218	52,886	341		53,227
Jesse Stuart Elementary	15,729	31,128	32,081	14,776	47		14,823
Pride Elementary	8,277	47,439	48,477	7,239	120		7,359
Southside Elementary	10,540	43,677	44,281	9,936			9,936
South Hopkins Middle	37,131	150,468	136,900	50,699	194		50,893
West Broadway Elementary	11,493	29,312	30,107	10,698	10		10,708
West Hopkins	27,264	48,619	44,436	31,447	24		31,471
	<u>\$612,224</u>	<u>\$1,780,353</u>	<u>\$1,708,277</u>	<u>\$684,300</u>	<u>\$1,243</u>	<u>\$8,317</u>	<u>\$677,226</u>

**HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS
HOPKINS COUNTY CENTRAL HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balances July 1, 2022	Receipts	Disburse- ments	Transfers	Cash Balances June 30, 2023	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Fund Balances June 30, 2023
Academic Team	\$630		\$597		\$33			\$33
Air Force ROTC	\$0	\$175			\$175			\$175
APES	118				118			118
AP Test	4,446	1,205	4,072		1,579			1,579
Archery Club	5,787	15,644	17,909		3,522			3,522
Art Club	294	1,784	756		1,322			1,322
Athletic Dept.	1,863	124,801	92,606	(588)	33,470			33,470
Band	2,352	8,636	10,179	(50)	759			759
Baseball	1,863	0	1,375	25	513			513
Beta Club	878	3,239	3,805	(50)	262			262
Book Club	30				30			30
Boys Basketball	293	200	210	75	358			358
Business Dept.	22	1,751	1,633	352	492			492
Change	0	2,300	2,300		0			0
Cheerleaders	270	6,285	6,671	128	12			12
Chorus	2,050	863	1,886		1,027			1,027
Concessions	5,447	46,615	46,909	(3,150)	2,003			2,003
Cross Country	3,033	3,057	5,034	125	1,181			1,181
Custodial Acct	118				116			116
Dance Squad	147	11,205	11,166	575	761			761
DAF	0		18,805	22,165	3,360		3,360	0
DECA	3,580	1,243	750	(50)	4,023	273		4,296
Drama	1				1			1
Elementary Basketball	4,114				4,114			4,114
Embroidery	1,718	1,825	877	15	2,681			2,681
F.B.L.A.	4	2,377	1,881	(347)	153			153
F.C.A.	257				257			257
F.F.A.	24,051	51,559	55,053		20,557		181	20,376
F.C.C.L.A.	2,619	6,280	4,625		4,274			4,274
FMD	3				3			3
Football	775	750	744	975	1,756			1,756
(4)Four H Club	920				920			920
Sophomore Class	1,490			(1,390)	100			100
Girls Basketball	156	668	250	50	624			624
Girls Volleyball	6		176	375	203			203
Golf Girls	934	450	797	50	637			637
Golf Boys	4,748	3,970	4,107	0	4,611		256	4,355
Guidance Testing	1,409	2	273		1,138			1,138
Hall of Fame	757	1,369	1,054		1,072			1,072
Home Ec	646				646			646
Instructional	0	25,467	687	(24,780)	0			0
Junior Prom	0	13,192	8,425	3,897	8,664		44	8,620
Kenny Harris	250	250	250		250			250
Kay Club	514	1,280	756	(25)	1,023			1,023
Legacy	876	3,233	3,504	675	1,280			1,280
MCLC	35				35			35
Media Center	183	135	302		16			16
Middle School Soccer	107				107			107
Miscellaneous	13,524	7,514			21,038			21,038
National Honor Society	2,054	1,480	2,187	(50)	1,297			1,297
Olympic Field Day	376	7,256	5,435		2,197			2,197
Outdoorsman's Club	143				143			143
PBIS	1,185		254	(50)	881			881
Pep Club	769	3,678	4,082	(50)	315			315
Project Grad.	1,020	8,170	5,937	1,000	4,253	100	2,416	1,937
ROTC Cadets	4,096	10,574	5,080	(25)	9,565		278	9,287
Science & Math Club	1,611	1,940	1,171	(50)	2,330			2,330
Junior Class	5,424			(2,152)	3,272			3,272
Senior Trip	2,844	65,400	66,934		1,310			1,310
Freshman Class	2,180			(2,180)	0			0
Soccer Boys	1,269		1,146	250	373			373
Soccer Girls	1,443	450	639	300	1,554			1,554
Softball	945	3,089	3,209	100	925			925
Senior Class	1,598		1,586	4,385	4,377		1,093	3,284
Spanish Club	305	953	1,162	(50)	46			46
Storm Choice Award	56				56			56
Student Vending	2,793	1,842	3,262		1,373			1,373
Swim	1,692	433	875	150	1,400			1,400
Teacher Vending	507	661	572	(50)	546			546
Technology Fee	1,418				1,418			1,418
Tennis	1,500	412	913	150	1,149		77	1,072
Textbook Rental	23				23			23
Track	976	5,336	3,598	88	2,802			2,802
Yearbook	2,100	7,749	8,190		1,659			1,659
Youth Service Center	9,868	5,530	4,734	(798)	9,866			9,866
TOTAL	\$141,511	\$ 474,287	\$ 431,392	\$ -	\$ 184,406	\$ 373	\$ 7,705	\$177,074

HOPKINS COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS
MADISONVILLE NORTH HOPKINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Cash Balances July 1, 2022	Receipts	Disbursements	Transfers	Cash Balances June 30, 2023	Accounts Receivable June 30, 2023	Accounts Payable June 30, 2023	Fund Balances June 30, 2023
Academic Team	0	700	690		10			10
Administrative	1140	12862	7194	(924)	5984			5984
Ag Shop	2982	3670	1061	1,526	7117			7117
Annual	21081	22791	23230	1,413	22055			22055
Archery	304	168			472			472
Art Club	0	2276	297	(1,479)	500			500
Art Department	178			1,479	1657			1657
Athletic Dept.	8935	154265	159616	2,872	8456			8456
Athletic Extras	13278	7620	8194	(7,500)	5204			5204
Band	3672	57109	38724	(4,421)	17636			17636
Baptist Health Coach	0	1965	1763	311	513			513
Baseball Program	51	2400	1271	(161)	1019			1019
Basketball Boys	394	150		(300)	244			244
Bass Fishing	3667			(3,667)	0			0
Beta Club	6376	16837	18201	(2,050)	2962			2962
Beta Delta	0				0			0
Boys Cross Country	7572	9182	11987		4767			4767
Boys Golf	1584	2200	3055		729			729
Boys Track	4855	10053	14267		641			641
Business Dept.	171	210	73	220	528			528
Change	0		4500	4,500	0			0
Cheerleaders	791	18401	19170		22			22
Coke Machine	54	67	35	(53)	33			33
Community Donations	0				0			0
Culinary Club	422	2620	2467	(569)	6			6
Culinary Skills	0	1345	1856	569	58			58
DAF	0		9015	9,015	0			0
Dance Team	1319	1146	2891	583	157			157
Design Club	0	615	113		502			502
District Fundraiser	0	2330	2330		0			0
Donan Scholarship	500				500			500
Drama	2474	2930	4854		550			550
Educators Rising	80				80			80
Elementary Basketball	3923				3923			3923
English Dept.	15				15			15
Faculty Fund	126	2195	2242	(3)	76	94		170
Faculty Fund/Flowers	144	50	197	3	0			0
Fellowship of Christian Ath.	121		32		89			89
F.B.L.A.	882	7425	8492	893	508			508
F.F.A.	11514	21478	24652	(1,481)	6859			6859
F.F.A. Greenhouse	12152	13534	12265		13421			13421
F.H.A.	570	2321	1634		1257			1257
Food Products	777	544		(1,006)	315			315
Football Fund	197	647			844			844
FOR Club	10				10			10
Girls Basketball	1199		958		241			241
Girls Softball	13	5750	4461		1302			1302
Girls Track	0				0			0
Glee Club	1	2645	2264		382			382
Golf Girls	290	0	0		290			290
Guidance	7732	3428	5607		5553			5553
Health Occup.	350		203		147			147
Houg/Sarles	1000		1000		0			0
Industrial Arts	0				0			0
Key Club	4884	5230	5320		4794			4794
KUNA	0				0			0
Letteman Association	720				720			720
Library	712		267		445			445
Lost Book	43	21	48		16			16
Math Department	1				1			1
Modern Foreign Language	173				173			173
Multi Culture Club	0	1015	857		158			158
NJROTC	8709	22351	13612	(116)	17332			17332
Olympic Field Day	609	6153	5417		1345			1345
Parking Tags	160	1025		(1,185)	0			0
PBIS	555	2662	2186	1,340	2371			2371
PE	37				37			37
Project Graduation	1785	9765	11565	700	685			685
Registration/Fee Holding	1	51966	46921	(5,046)	0			0
2nd Region Volleyball	125				125			125
Seniors 2022	13854			(13,854)	0			0
Seniors 2023	5871	40796	48854		14,834	95		12552
Seniors 2024	1120	18064	14727	1,229	5686			5686
Seniors 2025	1540	281	141	1,375	3055			3055
Seniors 2026	0			1,355	1355			1355
Soccer Girls	1925	8275	4465		5735			5735
Soccer Boys	3788	18470	13064	128	9322			9322
Spanish Club	722				722			722
SSF	1061	80	83		1058			1058
SR21	0				0			0
Student Government	1334	4182	3041		2475			2475
Summer School	279				279			279
Swimming Scholarship	1279	1000	1000		1279			1279
Tennis	144	178	180		142			142
Textbooks DE store	0				0			0
Volleyball	372		324		48			48
Winter Guard	1609	10877	8053		4433			4433
Youth Service Center	11594	8702	10879	(530)	8887			8887
TOTAL	\$ 188,702	\$ 605,122	\$ 560,865	\$0	\$ 202,969	\$ 94	\$ 95	\$202,958

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

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Additional Award Identification	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
PASSED THROUGH KENTUCKY DEPARTMENT OF EDUCATION:				
CHILD NUTRITION CLUSTER:				
SCHOOL BREAKFAST PROGRAM	10.553		7760005-23	\$ 784,803
	10.553		7760005-22	222,764
				<u>1,007,567</u>
NATIONAL SCHOOL LUNCH PROGRAM				
CASH ASSISTANCE	10.555		7750002-23	2,218,606
	10.555		7750002-22	592,501
NONCASH ASSISTANCE - COMMODITIES (Note C)	10.555		Fund 51	306,346
				<u>3,117,453</u>
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN				
	10.559		7690024-23	124
	10.559		7740023-23	5,021
				<u>5,145</u>
FRESH FRUIT AND VEGETABLE PROGRAM				
	10.582		7720012-23	21,736
	10.582		7720012-22	7,936
				<u>29,672</u>
TOTAL CHILD NUTRITION CLUSTER				
				<u>4,159,837</u>
STATE PANDEMIC ELECTRONIC BENEFIT TRANSFER ADMINISTRATIVE COSTS GRANTS	10.649		9990000-22	5,950
STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	10.560		7700001-22	7,266
CHILD AND ADULT CARE PROGRAM	10.558		998000-22	149,133
	10.558		998000-23	67,719
				<u>216,852</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>\$ 4,389,905</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
PASSED THROUGH KENTUCKY DEPARTMENT OF EDUCATION:				
TITLE I, GRANTS TO LOCAL EDUCATIONAL AGENCIES				
	84.010		3100002-20	18
	84.010		3100002-23	659,865
	84.010		3100002-22	1,458,840
	84.010		3100202-20	90,970
				<u>2,209,593</u>
TOTAL TITLE I				
TITLE I PART D PREVENTION & INTERVENTION FOR CHILDREN & YOUTH WHO ARE NEGLECTED, DELINQUENT OR AT RISK				
	84.013		PROJ 313J	27,403
				<u>27,403</u>
SPECIAL EDUCATION CLUSTER:				
GRANTS TO STATES (IDEA, PART B)	84.027		3810002-21	1,434,997
FY22 INDIVIDUALS WITH DISABILITIES EDUCATION B BASIC AMERICAN RESCUE PLAN	84.027		4910002-21	39,231
				<u>1,474,228</u>
PRESCHOOL GRANTS (IDEA PRESCHOOL)				
	84.173		3800002-21	108,926
	84.173		3800002-20	14,859
	84.173		4900002-21	2,051
				<u>125,836</u>
TOTAL SPECIAL EDUCATION CLUSTER				
				<u>1,600,064</u>
TITLE II PART A SUPPORTING EFFECTIVE INSTRUCTION				
	84.367		3230002-22	118,359
	84.367		3230002-20	8,136
	84.367		3230002-21	224,280
				<u>351,775</u>

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

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Additional Award Identification	Agency or Pass-through Number	Federal Disbursements/ Expenditures
<u>U.S. DEPARTMENT OF EDUCATION, CONTINUED</u>				
VOCATIONAL EDUCATION BASIC GRANTS TO STATES	84.048		3710008-22	7,880
	84.048		3710002-22	95,038
				<u>103,918</u>
TITLE VI RURAL AND LOW INCOME	84.358		3140002-22	19,679
	84.358		3140002-21	10,233
				<u>29,912</u>
TITLE III, LEP	84.365A		3300002-20	1,826
	84.365A		3300002-21	7,218
				<u>9,044</u>
TITLE IV, PART A. STUDENT SUPPORT & ACADEMIC ENRICHMENT	84.424		3420002-20	25,016
	84.424		3420002-22	30,866
	84.424		3420002-19	1,129
	84.424		3420002-21	135,217
				<u>192,228</u>
<u>EDUCATION STABILIZATION FUNDS:</u>				
FY21 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND	84.425	Covid 19, 84.425U	4300002-21	2,257,019
FY22-23 KENTUCKY VIRTUAL LIBRARY REIMBURSEMENT	84.425	Covid 19, 84.425U	4300003-21	7,359
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND II	84.425	Covid 19, 84.425D	4000002-20	25
2022-2023 DISTRICT LEARNING COACHES	84.425	Covid 19, 84.425U	4200005-21	8,086
FY21 ELEMENTARY AND SECONDARY EMERGENCY RELIEF FUND II - STATE SET ASIDE	84.425	Covid 19, 84.425D	4200003-21	8,108
FY22 KENTUCKY VIRTUAL LIBRARY	84.425	Covid 19, 84.425U	4300003-21	7,836
ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND II	84.425	Covid 19, 84.425D	4200002-21	27,855
FY21 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND-DEEPER LEARNING	84.425	Covid 19, 84.425U	PROJ 563J	21,588
TOTAL EDUCATION STABILIZATION FUNDS				<u>2,337,875</u>
SCHOOL SAFELY NATIONAL ACTIVITIES	84.184		3850001-20	80,849
				<u>\$ 6,942,761</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
CHILD CARE AND DEVELOPMENT BLOCK GRANT	93.575		PROJ 658FC	283,206
PROMOTING ADOLESCENT HEALTH THROUGH SCHOOL-BASED SURVEILLANCE	93.079		PROJ 493G	700
	93.079		PROJ 493I	300
				<u>284,206</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>				
MNHHS ROTC	ALN not available		PROJ 504D 1010-18	48,385
HCCHS ROTC	ALN not available		PROJ 604D 1010-18	36,526
				<u>84,911</u>
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>				
FEMA DR 4497 PUBLIC ASSISTANCE GRANT	ALN not available		FEMA - 4497-DR-KY	16,094
FEMA DR 4630 PUBLIC ASSISTANCE GRANT	ALN not available		FEMA - 4630-DR-KY	9,481
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY				<u>25,575</u>
<u>NATIONAL ENDOWMENT FOR THE ARTS</u>				
PROMOTION OF THE ARTS PARTNERSHIP AGREEMENTS	45.025		PROJ 453JR	1,000
TOTAL NATIONAL ENDOWMENT FOR THE ARTS				<u>1,000</u>
				<u>\$ 11,728,358</u>

Notes to Schedule of Expenditures of Federal Awards

Note A: Basis of Presentation:

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

Note B: Summary of Significant Accounting Policies:

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

Note C: Indirect Cost Rate:

The Hopkins County School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D: Commodities:

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

Note E: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, Medicaid reimbursements (\$23,343) are not considered expenditures of federal awards for the purposes of this schedule.

Note F: Subrecipients:

There were no awards passed through to subrecipients.

Note G: Reconciliation of Federal Awards to the Financial Statements:

Total Federal Awards per Schedule of Expenditures of Federal Awards	\$ 11,728,358
Special Revenue Fund - Federal - indirect & Direct	\$ 7,338,453
Proprietary Fund -Federal and donated commodities	4,389,905
Total Federal Awards Revenues Reported	<u>\$ 11,728,358</u>

**HOPKINS COUNTY SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2023**

<u>Board Members</u>	<u>Address</u>	<u>Term Expires</u>
Shannon Embry Chairman	Madisonville, Kentucky	December 31, 2024
John Osborne Vice-Chairman	Madisonville, Kentucky	December 31, 2024
Nicholas Foster	Madisonville, Kentucky	December 31, 2026
Kerri Scisney	Madisonville, Kentucky	December 31, 2024
Steve Faulk	Madisonville, Kentucky	December 31, 2026

Administrative Personnel

Amy Smith - Superintendent

Marty Cline – Assistant Superintendent

Dr. Damon Fleming – Assistant Superintendent

Dr. Andrew Belcher – Assistant Superintendent

Dr. April Devine – Director of Pupil Personnel

Drew Taylor – Director of Technology/Chief Information Officer

Eydie L. Tate, CPA – Chief Financial Officer

Robert Carter – Director of Engagement, Equity and School Support

Alaina Lancaster – Director of Middle/Secondary Education

Wendy Mitchell – Director of Elementary Education & Title I

Clarissa Byard – Director of Special Education

Scott Moore – Director of Child Nutrition

Dr. Ann Elkins - Director of Human Resources

George Jones – Director of Facilities

Matt Bell - Director of Athletics and Special Programs

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

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hopkins County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

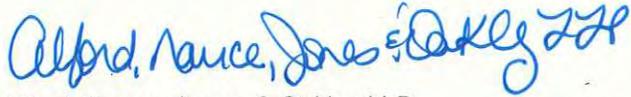
As part of obtaining reasonable assurance about whether the Hopkins County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Hopkins County School 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.



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky

November 13, 2023

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

State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Hopkins County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance

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

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

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

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

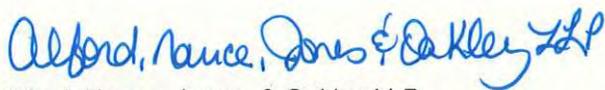
Report on Internal Control Over Compliance

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

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

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

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



Alford, Nance, Jones & Oakley LLP
Madisonville, Kentucky
November 13, 2023

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

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Hopkins County School District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Hopkins County School District were disclosed during the audit.
4. There were no significant deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Hopkins County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included:

Title I, Grants to Local Educational Agencies	84.010
Education Stabilization Funds	84.425
Child Care and Development Block Grant	93.575
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Hopkins County School District was determined to be a low risk auditee.

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

B. Financial Statement Findings

None reported

C. Federal Award Findings and Questioned Costs

None reported

D. Schedule of Prior Audit Findings

Financial Statement Findings

None reported in prior year

Federal Award Findings and Questioned Costs

None reported in prior year

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

Financial Statement Findings

None reported in prior year

Federal Award Findings and Questioned Costs

None reported in prior year

Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

Theresa A. Jones, CPA
Lori A. Oakley, CPA

72 East Broadway Street • Madisonville, Kentucky 42431 • Tel: 270-245-2555 • Fax: 270-245-2423 • www.anjocpa.com

Kentucky State Committee for School District Audits
Members of the Board of Education
Hopkins County School District
Madisonville, Kentucky 42431

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2023, contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls structure. This letter does not affect our report dated November 13, 2023 on the financial statements of the Hopkins County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Alford, Nance, Jones, & Oakley LLP
November 13, 2023

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

CURRENT YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at three schools. (HCCTC, MNHHS, WHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On July 31, 2023, the district provided annual Redbook training for principals and school finance secretaries. Proper use of Redbook forms was discussed in detail. The district requires purchase orders not only for approval purposes, but also to verify available funding. In December 2023, the Chief Financial Officer will meet with school finance secretaries and administrators. The topics to discuss will include the encumbrance of a purchase order before any school funds are committed.

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Inventory Control, (3) Donation Forms, (4) Ticket Requisition Forms and (5) Multiple Receipt Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Fundraising - Some either not used or used incorrectly fundraising worksheet and approval form. (MNHHS, WBES, BSMS, JSES)

Donation Forms - Some either not used or used incorrectly. (JMMS, EES)

Ticket Forms - Some either not used or used incorrectly. (WBES, JSES, MNHHS, HCCHS, WHS)

Multiple Receipt Form - Some either not used or used incorrectly. (MNHHS, HCCHS, WHS, SHMS, JMMS, EES, BSMS, HES)

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

PROCEDURES

Inappropriate expenditures from Activity Funds (HCCHS, WBES, JMMS, EES, JSES, GES, BSMS, SES)

Instances where there was not two ticket takers and sellers. (MNHHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On July 31, 2023, the district provided annual Redbook training for principals and school finance secretaries. Proper use of Redbook forms was discussed in detail. District finance staff are available throughout the year to assist with Redbook procedures and sample forms are often provided to assist staff with completing Redbook forms. In December 2023, the Chief Financial Officer will meet with school finance secretaries and administrators. All school activity fund audit findings will be discussed in detail and the listed forms will be addressed.

Receipts

Finding: We noted instances where teachers/sponsors or finance secretaries were not turning in deposits daily that were collected from students or deposit slips were not signed in a timely manner. (MNHHS, SHMS, JMMS, PES)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On July 31, 2023, the district provided annual Redbook training for principals and school finance secretaries. The Redbook requirement that receipts must be turned in daily and deposit slips signed timely was discussed in detail. The Chief Financial Officer will have a meeting to review all audit findings with school finance secretaries and administrators. The requirement to turn in money daily will be reviewed and the process requiring deposit slips to be signed timely after the deposit will be discussed.

**HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023**

CURRENT YEAR MANAGEMENT LETTER POINTS, continued

Payroll

Finding: During the course of payroll testing, we noted an instance where an employee was paid for an incorrect rank certification.

Criteria: There was no control in place to ensure that when the employee was hired that the correct amount for the rank certification was recorded properly in the payroll system.

Cause and Effect: We recommend there be a control function established for new hires; another person should review the personnel file and the payroll file in MUNIS to ensure the employee has the correct rank certification.

Response: Internal controls and segregation of duties have been established between the human resource department and payroll. Human resources collect and report rank certification to payroll. Payroll verifies the documentation to support and records it in Enterprise ERP MUNIS accounting software. In December 2023, HR and payroll will be reminded of the importance of recording proper rank certification.

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

PRIOR YEAR MANAGEMENT LETTER POINTS

Purchasing (Activity Funds)

Finding: We noted instances of purchase orders not being prepared properly.

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Improper use primarily involved the following: (1) some purchase orders were prepared and dated subsequent to the vendor's invoice and (2) purchase orders were not utilized in accordance with Redbook. Purchase orders are to be used as documentation that a purchase is authorized, not merely an additional form to be attached to an invoice indicating approval. Except for purchases made on the same day, purchase orders should pre-date the vendor's invoice. Not only does the proper use of purchase orders aid in the control of school expenses, it also protects purchasers from the possibility of being denied reimbursement of purchases for school purposes. Instances of noncompliance were noted at one school. (HCCHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Purchasing (Activity Funds).

Recommendation: We recommend that purchase orders be utilized and properly completed.

Views of Responsible Officials and Planned Corrective Action: On August 5 2022, the district provided annual Redbook training for principals and school finance secretaries. Proper use of Redbook forms was discussed in detail. The district requires purchase orders not only for approval purposes, but also to verify available funding. On December 13, 2022, the Chief Financial Officer will meet with school finance secretaries and administrators. The topics to discuss will include the encumbrance of a purchase order before any school funds are committed.

FYE 6/30/23: Still applicable see current year comment.

Required Forms/Procedures

Finding: We noted instances where it appeared that these forms were either not completed or completed improperly and/or where required procedures were not followed.

Criteria: The KDE "Redbook" requires the use of specific forms (or reasonable facsimiles) for certain activities such as: (1) Fundraising, (2) Inventory Control, (3) Donation Forms, (4) Ticket Requisition Forms and (5) Multiple Receipt Forms. It also requires additional procedures and controls.

Cause and Effect:

FORMS

Fundraising - Some either not used or used incorrectly fundraising worksheet and approval form. (MNHHS, WHS, BSMS)

Donation Forms - Some either not used or used incorrectly. (MNHHS)

Ticket Forms - Some either not used or used incorrectly. (JMMS)

Multiple Receipt Form - Some either not used or used incorrectly. (MNHHS)

HOPKINS COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

PRIOR YEAR MANAGEMENT LETTER POINTS, continued

Required Forms/Procedures, continued

PROCEDURES

Inappropriate expenditures from Activity Funds (MNHHS, WHS, HCCHS)

Instances of checks noted containing only one signature. (MNHHS, BSMS)

Instances where the store account cards were kept out for extensive periods of time. (MNHHS, HCCHS, BSMS)

Instances where there was not two ticket takers and sellers. (MNHHS)

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Required Forms/Procedures.

Recommendation: We recommend that the principal and secretary at each school review the "Redbook" and comply with its requirements regarding the use of these forms and procedures.

Views of Responsible Officials and Planned Corrective Action: On August 5, 2022, the district provided annual Redbook training for principals and school finance secretaries. Proper use of Redbook forms was discussed in detail. District finance staff are available throughout the year to assist with Redbook procedures and sample forms are often provided to assist staff with completing Redbook forms. On December 13, 2022, the Chief Financial Officer will meet with school finance secretaries and administrators. All school activity fund audit findings will be discussed in detail and the listed forms will be addressed.

FYE 6/30/23: Still applicable see current year comment.

Receipts

Finding: We noted instances where teachers/sponsors or finance secretaries were not turning in deposits daily that were collected from students or deposit slips were not signed in a timely manner. (MNHHS, HCCHS, BSMS, WHS)

Criteria: The "Redbook" and KDE guidelines.

Cause and Effect: Lack of enforcement in requiring compliance.

Identification of a Repeat Comment: This is a repeat comment from the immediate previous audit, Receipts.

Recommendation: We recommend strict adherence to the policies of the "Redbook". The principals must stress to the teachers/sponsors that the policies must be followed.

Views of Responsible Officials and Planned Corrective Action: On August 5, 2022, the district provided annual Redbook training for principals and school finance secretaries. The Redbook requirement that receipts must be turned in daily and deposit slips signed timely was discussed in detail. The Chief Financial Officer will have a meeting to review all audit findings with school finance secretaries and administrators. The requirement to turn in money daily will be reviewed and the process requiring deposit slips to be signed timely after the deposit will be discussed.

FYE 6/30/23: Still applicable see current year comment.