

LESLIE COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2023

LESLIE COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of Leslie County Board of Education
Hyden, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leslie 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 Leslie 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 Leslie 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 audit requirements prescribed by the State Committee for School District Audits in the Kentucky Public School District's Audit Contract and Requirements. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Leslie 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.

Change in Accounting Principle

As described in the notes to the financial statements, during the year ended June 30, 2023, the Leslie County School District adopted new accounting guidance, GASB No. 96 *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Leslie County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Leslie 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 and pension/OPEB supplemental reporting as listed in the table contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leslie County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was

derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, on our consideration of the Leslie 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 Leslie 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 Leslie County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script, appearing to read "Chris Gooch".

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2023

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2023

As management of the Leslie County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- The end of year cash balance was \$4,382,285. Of this amount, \$185,560 was recognized in separate activity fund checking accounts. The beginning cash balance, for the District was \$6,895,439 for which \$183,882 was applicable to separate school activity fund checking accounts.
- Total federal expenditures as reflected on the schedule of expenditures of federal awards for year ended June 30, 2023 was \$10,413,278 and for June 30, 2022 was \$7,355,557.
- Interest revenue totaled \$28,446 for the current year ended and for the prior year the total interest revenue was \$31,287.
- The District recognized additional depreciable fixed assets totaling \$483,256 at June 30, 2023. In addition, construction projects in progress were added to fixed assets totaling \$7,120,595.
- The District financial statements recognize prior year depreciation on WB Muncy renovations and replacement project in the amount of \$2,191,262. Also, the financial statements recognize an allocation of \$808,570 of the WB Muncy project to its school food service fund.
- The District's long-term debt bond reduction was \$1,648,875 for the fiscal year end. This includes applicable School Facilities Construction Commission (SFCC) portion. In addition, for the fiscal year end, the District added \$215,673 principal for KISTA school bus acquisition debt and KISTA debt was reduced by \$165,460. In addition, debt reduction of \$18,466 for principal related to Daimler Truck Financing and \$55,450 principal related to KSBIT occurred during the year.
- The District acquired school bus financing through KISTA in the current fiscal year totaling \$215,673.
- Total 2023 general fund revenue was \$12,541,446 exclusive of on-behalf state payments totaling \$5,068,602 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. Excluding on behalf payments, the District had \$12,062,863 in general fund expenditures.
- Total 2022 general fund revenue was \$11,970,970 exclusive of on-behalf state payments totaling \$4,028,282 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. Excluding on behalf payments, the District had \$12,029,200 in general fund expenditures.
- The District recognized material subscription based information technology arrangements beginning July 1, 2022.

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are into governmental and proprietary funds. Proprietary funds include the school food service fund. All other activities are reported under governmental funds.

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2023

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. As of June 30, 2023, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,299,999.

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

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

Net position for the year ended June 30, 2023

Following are comparisons of governmental net position:

	<u>At June 30,</u>	
	<u>2023</u>	<u>2022</u>
Current assets	9,116,534	8,056,302
Noncurrent assets	41,064,198	36,841,888
Deferred outflows of resources	<u>5,298,341</u>	<u>3,412,090</u>
<u>Total assets and deferred outflows of resources</u>	<u>55,479,073</u>	<u>48,310,280</u>
Current liabilities	6,036,839	4,205,098
Noncurrent liabilities	27,492,135	26,891,658
Deferred inflows of resources	<u>3,650,100</u>	<u>4,054,807</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>37,179,074</u>	<u>35,151,563</u>
- Net position -		
Net investment in capital assets	24,577,563	18,790,950
Restricted	1,122,613	2,136,287
Unrestricted (deficit)	<u>(7,400,177)</u>	<u>(7,768,520)</u>
<u>Total net position</u>	<u>18,299,999</u>	<u>13,158,717</u>
<u>Total liabilities, deferred inflows of resources and net position</u>	<u>55,479,073</u>	<u>48,310,280</u>

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2023

The comparison reflects the following:

- Cash decreased \$2,513,514 from the previous year.
- Intergovernmental – indirect federal accounts receivable increased \$2,360,473 from the previous year.
- Changes in non-current assets include increase in construction in progress, \$4,430,405 and recognition of annual depreciation expense, \$1,277,565.
- The deficit unrestricted net position balance at June 30, 2023 is primarily the result of recognition of CERS/KTRS unfunded net pension/OPEB liabilities in the amount of \$11,571,899 for governmental and \$1,222,474 for proprietary fund activities.

Comments on budget comparisons

The following table presents a comparison of budget to actual for the general fund:

	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
From local sources			
Taxes	2,641,397	2,893,402	252,005
Earnings on investments	20,000	25,433	5,433
Other local revenue	21,200	86,777	65,577
Intergovernmental - state	13,697,882	14,466,048	768,166
Intergovernmental - indirect federal	<u>60,000</u>	<u>138,388</u>	<u>78,388</u>
<u>Total revenues</u>	<u>16,440,479</u>	<u>17,610,048</u>	<u>1,169,569</u>
Expenditures:			
Instructional	8,025,597	8,629,973	(604,376)
Student support services	993,350	1,211,147	(217,797)
Staff support services	594,832	783,551	(188,719)
District administration	600,703	660,484	(59,781)
School administration	1,164,063	1,275,024	(110,961)
Business support	323,417	406,372	(82,955)
Plant operation and management	2,700,805	2,292,394	408,411
Student transportation	1,893,193	1,607,008	286,185
Community service activities	18,339	675	17,664
Employee benefits	150,000	53,581	96,419
Debt service	282,888	211,256	71,632
Contingency	<u>3,100,413</u>	<u>-</u>	<u>3,100,413</u>
<u>Total expenditures</u>	<u>19,847,600</u>	<u>17,131,465</u>	<u>2,716,135</u>
Excess (deficit) of revenue over expenditures	<u>(3,407,121)</u>	<u>478,583</u>	<u>3,885,704</u>

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2023

- Actual and budgeted general fund revenues and expenditures reflect state on-behalf payments for retirement, health and life insurance and technical education in the amount of \$5,068,602.
- Current year ad valorem tax revenue was \$2,229,948 for the fiscal year ended including unmined mineral tax revenue of \$143,272. Prior year general fund ad valorem tax revenue was \$1,972,208 including \$96,446 in unmined mineral tax revenue.

The following table presents a summary comparison of statement of activities for the fiscal years ended June 30, 2023 and 2022:

	At June 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
Local revenue sources	4,172,894	3,850,835
State revenue sources	18,043,341	18,280,717
Federal revenue	<u>10,961,944</u>	<u>7,968,972</u>
<u>Total revenues</u>	<u>33,178,179</u>	<u>30,100,524</u>
Expenses:		
Instruction	13,412,612	14,754,257
Student support services	1,402,022	1,291,432
Instructional support	911,132	836,266
District administration	661,148	615,917
School administration	1,289,550	1,288,994
Business support	453,021	461,119
Plant operation and management	3,520,300	2,894,184
Student transportation	1,885,156	1,969,873
Community support and other	375,355	550,244
Food service	1,710,315	1,351,715
Interest on long-term debt	<u>333,399</u>	<u>215,716</u>
<u>Total expenses</u>	<u>25,954,010</u>	<u>26,229,717</u>
<u>Change in net position</u>	<u>7,224,169</u>	<u>3,870,807</u>

LESLIE COUNTY SCHOOL DISTRICT
HYDEN, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2023

- 2023 state revenue sources and related expenses reflect on-behalf adjustment recognition for the difference in the State's proportionate share of plan pension/OPEB expense and on-behalf payments made by the State for the fiscal year.
- SEEK program general fund revenues were \$9,389,446 in 2022-23 and \$9,122,281 in 2021-22.
- Increases in federal revenue reflect COVID relief funding and also recognized in the schedule of federal awards expended.
- Certain increases in expenses reflect impacts of full-time on campus school instruction.
- Governmental depreciation expense was \$1,193,946 for the current year and \$978,195 for the prior year.

BUDGETARY IMPLICATIONS

In Kentucky, the public-school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$3,100,413 in contingency (15.50%).

Results of the current fiscal year and recent historical trends for the District were taken into account when preparing the subsequent year budget. No significant changes in revenue or expense items are foreseeable. The District's tax rates and tax base remain effectively the same. The District has assessed and considered underlying economical and funding factors at the federal, state, and local level and other non-financial areas including demographics, local economy and risk of loss of student population that may have a significant impact on the financial statements when preparing subsequent years budgets.

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 672-2397.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITIONAt June 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
- Current assets -			
Cash and cash equivalents	3,906,595	475,690	4,382,285
Interfund receivable	1,105,600	-	1,105,600
Accounts receivable:			
Taxes - current	224,542	-	224,542
Taxes - delinquent	7,320	-	7,320
Other	10,786	-	10,786
Intergovernmental - indirect federal	3,350,438	-	3,350,438
Inventories	-	35,563	35,563
<u>Total current assets</u>	<u>8,605,281</u>	<u>511,253</u>	<u>9,116,534</u>
- Noncurrent assets -			
Capital assets - non-depreciable	11,187,299	-	11,187,299
Capital assets - depreciable (net)	28,241,460	1,548,154	29,789,614
Subscription assets - (net)	87,285	-	87,285
<u>Total noncurrent assets</u>	<u>39,516,044</u>	<u>1,548,154</u>	<u>41,064,198</u>
Deferred Outflows of Resources			
Deferred outflows - pension/OPEB resources	4,783,327	381,491	5,164,818
Deferred outflows - bond issues	133,523	-	133,523
<u>Total deferred outflows of resources</u>	<u>4,916,850</u>	<u>381,491</u>	<u>5,298,341</u>
 <u>Total assets and deferred outflows of resources</u>	 <u>53,038,175</u>	 <u>2,440,898</u>	 <u>55,479,073</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITION (Continued)At June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Liabilities:			
- Current liabilities -			
Interfund payable	1,105,600	-	1,105,600
Accounts payable	472,926	8,293	481,219
Current portion of KSBIT payable	57,175	-	57,175
Current portion of financed purchases	182,218	-	182,218
Current portion of bonds payable	1,680,342	-	1,680,342
Interest payable	302,780	-	302,780
Unearned revenues governmental sources	<u>2,227,505</u>	<u>-</u>	<u>2,227,505</u>
<u>Total current liabilities</u>	<u>6,028,546</u>	<u>8,293</u>	<u>6,036,839</u>
- Noncurrent liabilities -			
Long term portion of sick leave payable	374,615	-	374,615
Long term portion of KSBIT payable	59,028	-	59,028
Long term portion of financed purchases	774,981	-	774,981
Noncurrent portion of bonds payable	13,489,138	-	13,489,138
Net pension/OPEB liability	<u>11,571,899</u>	<u>1,222,474</u>	<u>12,794,373</u>
<u>Total noncurrent liabilities</u>	<u>26,269,661</u>	<u>1,222,474</u>	<u>27,492,135</u>
 <u>Total liabilities</u>	 <u>32,298,207</u>	 <u>1,230,767</u>	 <u>33,528,974</u>
Deferred Inflows of Resources:			
Deferred inflows of resources - pension/OPEB	<u>3,396,731</u>	<u>253,369</u>	<u>3,650,100</u>
Net position:			
Net investment in capital assets	23,029,409	1,548,154	24,577,563
Restricted for:			
Other	619,653	502,960	1,122,613
Unrestricted (deficit)	<u>(6,305,825)</u>	<u>(1,094,352)</u>	<u>(7,400,177)</u>
<u>Total net position</u>	<u>17,343,237</u>	<u>956,762</u>	<u>18,299,999</u>
 <u>Total liabilities, deferred inflow of resources and net position</u>	 <u>53,038,175</u>	 <u>2,440,898</u>	 <u>55,479,073</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS:				
- Governmental activities -				
Instructional	13,412,612	-	(8,174,495)	-
Support services:				
Student	1,402,022	-	(608,511)	-
Instructional staff	911,132	-	(406,011)	-
District administration	661,148	-	(208,977)	-
School administration	1,289,550	-	(487,612)	-
Business support	453,021	-	(185,865)	-
Plant operation and maintenance	3,520,300	-	(1,329,854)	-
Student transportation	1,885,156	-	(787,000)	-
Community services operations	297,594	-	(301,441)	-
Other	77,761	-	-	-
Interest on long-term debt	333,399	-	-	-
	<u>24,243,695</u>	<u>-</u>	<u>(12,489,766)</u>	<u>-</u>
<u>Total governmental activities</u>				
- Business-type activities -				
Food service	1,710,315	(155,777)	(1,498,529)	-
	<u>1,710,315</u>	<u>(155,777)</u>	<u>(1,498,529)</u>	<u>-</u>
<u>Total business-type activities</u>				
	<u>25,954,010</u>	<u>(155,777)</u>	<u>(13,988,295)</u>	<u>-</u>
<u>Total primary government</u>				

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
	(5,238,117)	-	(5,238,117)
	(793,511)	-	(793,511)
	(505,121)	-	(505,121)
	(452,171)	-	(452,171)
	(801,938)	-	(801,938)
	(267,156)	-	(267,156)
	(2,190,446)	-	(2,190,446)
	(1,098,156)	-	(1,098,156)
	3,847	-	3,847
	(77,761)	-	(77,761)
	(333,399)	-	(333,399)
	(11,753,929)	-	(11,753,929)
	-	(56,009)	(56,009)
	-	(56,009)	(56,009)
	(11,753,929)	(56,009)	(11,809,938)
General revenues and transfers:			
Taxes	3,279,820	-	3,279,820
Investment earnings	25,920	2,526	28,446
State and formula grants	15,016,990	-	15,016,990
Miscellaneous	708,851	-	708,851
Total general revenues and transfers	19,031,581	2,526	19,034,107
Change in net position	7,277,652	(53,483)	7,224,169
Net position - July 1, 2022 - restated	10,065,585	1,010,245	11,075,830
Net position - June 30, 2023	17,343,237	956,762	18,299,999

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS

At June 30, 2023

	<u>General</u> <u>Fund</u>	<u>Special Revenue</u> <u>Fund</u>	<u>Construction</u> <u>Fund</u>	<u>Non-major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets and resources:					
Cash and cash equivalents	3,322,543	-	387,600	196,452	3,906,595
Interfund receivable	1,105,600	-	-	-	1,105,600
Accounts receivable:					
Taxes - current	224,542	-	-	-	224,542
Taxes - delinquent	7,320	-	-	-	7,320
Other	10,786	-	-	-	10,786
Intergovernmental - indirect federal	<u>14,953</u>	<u>3,335,485</u>	<u>-</u>	<u>-</u>	<u>3,350,438</u>
 <u>Total assets</u>	 <u>4,685,744</u>	 <u>3,335,485</u>	 <u>387,600</u>	 <u>196,452</u>	 <u>8,605,281</u>
Liabilities:					
Interfund payable	-	1,105,600	-	-	1,105,600
Accounts payable	470,546	2,380	-	-	472,926
Advances from grantors	<u>-</u>	<u>2,227,505</u>	<u>-</u>	<u>-</u>	<u>2,227,505</u>
 <u>Total liabilities</u>	 <u>470,546</u>	 <u>3,335,485</u>	 <u>-</u>	 <u>-</u>	 <u>3,806,031</u>
Fund balance					
Restricted - other	-	-	387,600	1,176	388,776
Assigned fund balance	227,884	-	-	2,992	230,876
Unassigned fund balance (deficit)	<u>3,987,314</u>	<u>-</u>	<u>-</u>	<u>192,284</u>	<u>4,179,598</u>
 <u>Total fund balances</u>	 <u>4,215,198</u>	 <u>-</u>	 <u>387,600</u>	 <u>196,452</u>	 <u>4,799,250</u>
 <u>Total liabilities and fund</u> <u>balances</u>	 <u>4,685,744</u>	 <u>3,335,485</u>	 <u>387,600</u>	 <u>196,452</u>	 <u>8,605,281</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONAt June 30, 2023

Total fund balances per fund financial statements	4,799,250
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net position.	39,428,759
Subscription assets are not reported in this fund financial statement but are recorded as cash outflows in the period occurred in government wide financial statements.	87,285
Deferred outflows on refunded debt and pension/OPEB resources are reported in government wide financial statements but not in fund financial statements.	4,916,850
Long-term sick leave payable is not recognized in the fund financial statements.	(374,615)
Certain liabilities (such as bonds payable and KSBIT payable) are not reported in this fund financial statement because they are not due and payable, and related interest, but are presented in the statement of net position.	(16,545,662)
Net pension obligations are not due and payable in the current period, and therefore, are not reported in the fund financial statements.	(11,571,899)
Deferred inflows of resources related to pensions/OPEB are not reported in the fund financial statements.	<u>(3,396,731)</u>
Net position for governmental activities	<u><u>17,343,237</u></u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	2,893,402	-	-	386,418	3,279,820
Earnings on investments	25,433	-	-	487	25,920
Other local revenue	86,777	76,667	-	545,407	708,851
Intergovernmental - state	14,466,048	1,230,585	-	2,044,222	17,740,855
Intergovernmental - indirect federal	138,388	9,627,513	-	-	9,765,901
<u>Total revenues</u>	<u>17,610,048</u>	<u>10,934,765</u>	<u>-</u>	<u>2,976,534</u>	<u>31,521,347</u>
Expenditures:					
Instructional	8,629,973	4,203,939	-	547,000	13,380,912
Student support services	1,211,147	190,558	-	-	1,401,705
Staff support services	783,551	127,375	-	-	910,926
District administration	660,484	-	-	-	660,484
School administration	1,275,024	-	-	-	1,275,024
Business support	406,372	46,547	-	-	452,919
Plant operations and maintenance	2,292,394	563,606	-	-	2,856,000
Student transportation	1,607,008	90,411	-	-	1,697,419
Community service activities	675	296,852	-	-	297,527
Educational specific	-	4,589	-	-	4,589
Employee benefits	53,581	-	-	-	53,581
Building improvements	-	-	7,118,182	-	7,118,182
Debt service:					
Principal	183,926	-	-	1,598,079	1,782,005
Interest	27,330	-	-	316,521	343,851
<u>Total expenditures</u>	<u>17,131,465</u>	<u>5,523,877</u>	<u>7,118,182</u>	<u>2,461,600</u>	<u>32,235,124</u>
Excess (deficit) of revenues over expenditures	<u>478,583</u>	<u>5,410,888</u>	<u>(7,118,182)</u>	<u>514,934</u>	<u>(713,777)</u>
Other financing sources (uses):					
Other items	(59,987)	-	-	-	(59,987)
Operating transfers in	592,673	36,274	5,853,493	1,195,915	7,678,355
Operating transfers out	(519,238)	(5,447,162)	-	(1,711,955)	(7,678,355)
<u>Total other financing sources (uses)</u>	<u>13,448</u>	<u>(5,410,888)</u>	<u>5,853,493</u>	<u>(516,040)</u>	<u>(59,987)</u>
Changes in fund balance	492,031	-	(1,264,689)	(1,106)	(773,764)
Fund balance - July 1, 2022	<u>3,723,167</u>	<u>-</u>	<u>1,652,289</u>	<u>197,558</u>	<u>5,573,014</u>
Fund balance - June 30, 2023	<u>4,215,198</u>	<u>-</u>	<u>387,600</u>	<u>196,452</u>	<u>4,799,250</u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2023

Net change in total fund balances per fund financial statements	(773,764)
Amounts reported for governmental activities in the statement of activities differences:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Depreciation recorded in government wide financial statements.	(1,193,946)
Capital assets are reflected net of prior depreciation in the government wide financial statements.	7,603,851
Interest expense on long-term debt is recognized in the fund financial statements when paid; and, accrued in the government wide financial statement of activities.	(200,683)
Accrued sick leave is recognized when incurred in the fund financial statements.	(19,592)
Subscription based technology arrangements are recognized as asset and amortized over the contract period for government wide financial statements.	(21,089)
Bond principal and other debt service 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.	
Bond principal payments	1,648,875
Capital lease financing	165,460
Other financing	55,450
KSBIT debt service payments	18,466
Governmental funds report district pension/OPEB contributions as expenditures. However, in the statement of activities, the cost of pension/OPEB benefits earned net of employee contributions and subsequent contributions after the measurement date is reported as pension/OPEB expense.	<u>(5,376)</u>
Change in net position of governmental activities	<u><u>7,277,652</u></u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF NET POSITION – PROPRIETARY FUNDSAt June 30, 2023

	<u>Food Service Fund</u>
Assets:	
- Current Assets -	
Cash and cash equivalents	475,690
Inventories	<u>35,563</u>
<u>Total current assets</u>	<u>511,253</u>
- Noncurrent Assets -	
Depreciable capital assets	3,216,874
Less: accumulated depreciation	<u>(1,668,720)</u>
<u>Total noncurrent assets</u>	<u>1,548,154</u>
Deferred Outflows of Resources	
Deferred outflows - pension resources	240,629
Deferred outflows - OPEB resources	<u>140,862</u>
<u>Total deferred outflow of resources</u>	<u>381,491</u>
<u>Total assets and deferred outflow of resources</u>	<u><u>2,440,898</u></u>
Liabilities:	
- Current Liabilities -	<u>8,293</u>
- Noncurrent liabilities -	
Unfunded pension liability	960,346
Unfunded OPEB liability	<u>262,128</u>
<u>Total non-current liabilities</u>	<u>1,222,474</u>
<u>Total liabilities</u>	<u>1,230,767</u>
Deferred Inflow of Resources	
Deferred inflows - pension resources	114,795
Deferred inflows - OPEB resources	<u>138,574</u>
<u>Total deferred inflow of resources</u>	<u>253,369</u>
Net position:	
Net investment in capital assets	1,548,154
Unrestricted (deficit)	(1,094,352)
Restricted other	<u>502,960</u>
<u>Total net position</u>	<u>956,762</u>
<u>Total liabilities, deferred inflow of resources and net position</u>	<u><u>2,440,898</u></u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2023

	<u>Food Service Fund</u>
Operating revenues:	
Lunchroom sales	155,777
State revenue	10,043
On-behalf contributions:	
Kentucky Department of Education	292,443
Commodities	82,078
Federal revenue	<u>1,113,965</u>
<u>Total operating revenues</u>	<u>1,654,306</u>
Operating expense:	
Salaries and wages	987,412
Contract services	18,009
Materials and supplies	621,275
Depreciation	<u>83,619</u>
<u>Total operating expenses</u>	<u>1,710,315</u>
<u>Operating income (loss)</u>	<u>(56,009)</u>
Nonoperating revenue/(expense):	
Interest income	2,526
<u>Total nonoperating revenue/(expense)</u>	<u>2,526</u>
<u>Change in net position</u>	(53,483)
Net position, July 1, 2022 - restated	<u>1,010,245</u>
Net position, June 30, 2023	<u><u>956,762</u></u>

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2023

	<u>Food Service Fund</u>
Cash flows from operating activities:	
Cash received from:	
Lunchroom sales	155,777
State revenue	10,043
Federal revenue	1,125,178
Cash paid to/for:	
Employees	(621,424)
Supplies/Contractual	<u>(558,664)</u>
<u>Net cash provided (used) by operating activities</u>	<u>110,910</u>
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	<u>-</u>
Cash flows from investing activities:	
Interest income	<u>2,526</u>
Cash flows from financing activities:	
Indirect costs transfer	<u>-</u>
Net increase (decrease) in cash	113,436
Cash, beginning of year	<u>362,254</u>
Cash, end of year	<u><u>475,690</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operations:	
Operating income (loss)	(56,009)
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Depreciation	83,619
(Increase) decrease in deferred outflows - pension/OPEB resources	(51,032)
Increase (decrease) in deferred inflows - pension/OPEB resources	(30,232)
Increase (decrease) in net pension/OPEB liability	154,809
Changes in current assets/liabilities:	
Accounts receivable	11,213
Inventories	(6,767)
Accounts payable	<u>5,309</u>
Net cash provided (used) by operating activities	<u><u>110,910</u></u>

Noncash transactions include \$292,443 on-behalf payments recognized for the school food service program from Kentucky Department of Education, \$82,078 donated commodities, the net effect of net pension unfunded liabilities and related deferrals, \$73,545 and, depreciation, \$83,619.

See notes to financial statements.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTSJune 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Leslie County Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Leslie 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 sources entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as 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 Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Leslie 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.

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

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

Leslie County School District Finance Corporation – On September 11, 1990, the Leslie County, Kentucky, Board of Education resolved to authorize the establishment of the Leslie County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Leslie County Board of Education also comprise the Corporation’s Board of Directors.

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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Presentation (continued)

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total position. Proprietary are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) 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. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) The Special Revenue District Activity Fund includes funds restricted to expenditures for purposes specified by Kentucky Department of Education requirements. Project accounting is employed to maintain integrity for the various sources of funds.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Presentation (continued)I. Governmental Fund Types (continued)

- (D) The Special Revenue Student Activity Fund includes funds restricted to expenditures for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Kentucky Department of Education *Uniform Program of Accounting for School Activity Funds*.
- (E) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
 2. The Facility Support Program of Kentucky 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.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (F) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Funds (Enterprise Funds)

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). The School Food Service Fund is a major fund.

Basis of Accounting

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Basis of Accounting (continued)

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

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 timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Inflows of Resources and Deferred Outflows of Resources – A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. On the accrual basis of accounting, unamortized deferred charges on debt refunding is reported as a deferred outflow of resources.

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

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

Property Taxes

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Property Taxes (continued)

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.72 cents per \$100 valuation for real property, \$.72 cents per \$100 valuation for business personal property and \$.474 cents per \$100 valuation for motor vehicles.

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

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. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed as incurred.

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

Inter-fund Balances

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2023.

For governmental fund financial statements, the portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These balances are recorded in the account "accumulated sick leave payable" in the government-wide financial statements. At June 30, 2023 the long-term portion of accumulated sick leave balance recognized in the government-wide financials was \$374,615. No reserve for accumulated sick leave is recognized at June 30, 2023.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are: Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash and other assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

Inventories

Supplies and materials are charged to expenditures when purchased.

Donated Commodities

The fair value of donated commodities received during the year is reported in the proprietary fund statement of revenues, expenses and changes in net position as an expense and as a donated commodities revenue (non-operating revenue).

Accrued Liabilities and Long-Term Obligations

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accrued Liabilities and Long-Term Obligations (continued)

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.

Net Position

GASB 63, implemented in a previous fiscal year, has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "investment in capital assets", consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the District or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

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

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 is reported as inter-fund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Recognition of Deferred Inflows and Outflows

The District implemented GASB Statement 65 which establishes accounting and financial reporting standards that reclassify certain assets and liabilities as deferred outflows of resources or deferred inflows of resources provides changes in the determination of the major fund calculations and limiting the use of "deferred" in financial statements presentations.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)Accounting and Financial Reporting for Pensions and Other Post-Employment Benefits (OPEB)

GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement 27 and GASB Statement No. 71 improves accounting and financial reporting by state and local governments for pensions and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, improves information provided by state and local governmental employers about financial support for pensions and OPEB that is provided by other entities. This Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions/OPEB with regard to providing decisions-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement was effective for fiscal years beginning after June 15, 2014 for pension reporting and fiscal year beginning after June 15, 2017 for OPEB, each have been implemented by the District.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$4,677,501. Of the total cash balance, \$250,000 was covered by Federal depository insurance and the balance was covered by a collateral agreement and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2023 consisted of the following:

	<u>Bank</u> <u>Balance</u>	<u>Book</u> <u>Balance</u>
Hyden Citizens Bank:		
General Operating Account	4,483,156	4,196,232
Hayes Lewis Elementary	14,521	14,521
Mountain View Elementary	35,415	31,123
Leslie County High School	107,477	105,888
Stinnett Elementary	12,963	12,858
WB Muncy Elementary	23,785	21,170
Cash register lunchrooms:	-	309
US Bank:		
Construction account	<u>184</u>	<u>184</u>
<u>Total</u>	<u><u>4,677,501</u></u>	<u><u>4,382,285</u></u>

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE C – CASH AND CASH EQUIVALENTS (continued)

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held primarily at a local financial institution. Some of the primary risks associated with these funds: a major change in interest rates; a default on a security or repurchase agreement held by the fund; proceeds from sales of collateral are less than the agreed-upon purchase price. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to bonds issued by the School District Finance Corporation and capital lease agreements for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2023:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Current Principal</u>
KISTA Series 2014	FY 24	2.00% - 3.00%	30,417	-	14,967	15,450	15,450
KISTA Series 2015	FY 25	1.00% - 2.625%	55,425	-	20,188	35,237	17,398
KISTA Series 2017	FY 27	2.55% - 2.55%	89,437	-	18,161	71,276	18,633
KISTA Series 2019	FY 29	3.00% - 3.00%	251,431	-	35,934	215,497	36,920
KISTA Series 2020	FY 30	2.00% - 2.00%	272,794	-	33,329	239,465	34,060
KISTA Series 2021	FY 31	1.25% - 1.50%	149,084	-	18,588	130,496	16,414
KISTA Series 2022	FY32	3.00% - 3.00%	-	215,673	24,293	191,380	24,386
<u>Total</u>			<u>848,588</u>	<u>215,673</u>	<u>165,460</u>	<u>898,801</u>	<u>163,261</u>

The following table presents a schedule by years of the future minimum KISTA lease payments under capital lease as of June 30, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023 - 24	163,261	21,861
2024 - 25	146,251	17,783
2025 - 26	128,558	14,187
2026 - 27	131,694	11,051
2027 - 28	106,121	7,838
2029 - 32	222,916	10,117
<u>Totals</u>	<u>898,801</u>	<u>82,837</u>

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)

In addition, the District previously acquired vehicles through a note financing arrangement. Current year activity is as follows:

<u>Description</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Current Principal</u>
Daimler Truck Fin.	FY 26	2.66%	<u>76,864</u>	<u>-</u>	<u>18,466</u>	<u>58,398</u>	<u>18,957</u>

The following table presents a schedule by years of the future payments under the vehicle financing arrangement as of June 30, 2023:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023 - 24	18,957	1,553
2024 - 25	19,461	1,049
2025 - 26	<u>19,980</u>	<u>531</u>
<u>Totals</u>	<u>58,398</u>	<u>3,133</u>

The original amount of each issue, the issue date and interest rates of bonded debt are summarized as follows:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
QSCB Series, December 2011	\$4,036,000	5.00% - 5.00%
Revenue Series 2012A	1,355,000	1.00% - 3.75%
Revenue Series 2012B	1,830,000	1.00% - 3.00%
Refunding Series April 1, 2016	6,125,000	3.00% - 3.00%
Revenue Series, October 2019	720,000	2.00% - 3.00%
Refunding Series, September 2020	720,000	1.00% - 1.50%
Refunding Series, November 2020	1,820,000	1.25% - 2.10%
Refunding Series, September 2021	4,755,000	1.00% - 1.25%
Revenue Series, February 2022	450,000	2.00% - 2.75%
Energy Conservation Revenue Series, April 2022	1,320,000	2.00% - 3.25%

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

In 1990, the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the subsequent page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)

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

The District's outstanding KISTA leases and note from direct borrowing related to governmental activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. If default on governmental activities revenue or refunding bonds occur, lenders may assign a receiver to administer on behalf of the District allowing sufficient funds to provide for payment of principal and interest on the outstanding balances. The District has no direct outstanding long-term proprietary fund debt.

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

<u>Year</u>	<u>Leslie County School District</u>		<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023 - 24	868,518	181,881	585,482	94,674	1,730,555
2024 - 25	890,382	167,896	602,618	77,698	1,738,594
2025 - 26	899,659	153,636	619,341	60,228	1,732,864
2026 - 27	903,691	138,467	613,309	42,547	1,698,014
2027 - 28	912,676	122,617	421,324	27,710	1,484,327
2029 - 33	4,293,849	361,727	346,151	87,152	5,088,879
2034 - 38	453,234	116,889	279,766	44,505	894,394
2039 - 42	<u>451,204</u>	<u>36,530</u>	<u>155,796</u>	<u>7,571</u>	<u>651,101</u>
<u>Totals</u>	<u>9,673,213</u>	<u>1,279,643</u>	<u>3,623,787</u>	<u>442,085</u>	<u>15,018,728</u>

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)

Leslie County School District Finance Corporation issued Qualified School Construction Bonds; taxable series dated December 1, 2011 having a par amount of \$4,036,000. Of this amount \$3,985,909 of the proceeds were deposited directly to the construction fund for assistance in new building facilities and renovation for an elementary school. Total bond issue costs were \$10,700. The bond was issued at a discount of \$39,391. The official bond statements specify the District will make payments, which will be held in trust for the sole purpose of redeeming the bonds held by the bondholders at maturity. Accordingly, as principal payments are made, both the cash held in trust and the payments made into the trust will be excluded from the District's assets and liabilities, respectively.

\$100,900 semi-annual interest payments are due every June and December through December 1, 2030. A federal tax credit for the same amount has been granted for each bondholder resulting in a subsidy/federal on-behalf payment for the School District. The action is a result of creation of qualified school construction bonds under the American Recovery and Reinvestment Act. The Act allows deferral of principal payments for up to 17 years and the creation of an escrow account as noted above. The bonds provide federal tax credits for bondholders in lieu of interest in order to significantly reduce the issuer's cost of borrowing. The OMB Compliance Supplement acknowledges Qualified School Construction Bonds passed through the U.S. Department of Education are not covered by the single audit requirements and are not required to be included in the Schedule of Federal Awards.

	QSCB Series 2011 Escrow Payment		Expected Escrow Earnings	QSCB Series 2011 Interest	
	Board	KSFCC		Total	Tax Credit
2013	128,595	41,484	4,077	201,800	(201,800)
2014	127,675	42,404	8,254	201,800	(201,800)
2015	127,776	42,303	12,564	201,800	(201,800)
2016	127,863	42,216	16,955	201,800	(201,800)
2017	127,909	42,170	21,452	201,800	(201,800)
2018	127,950	42,129	26,203	201,800	(201,800)
2019	128,013	42,066	30,690	201,800	(201,800)
2020	128,101	41,978	35,504	201,800	(201,800)
2021	131,456	38,623	40,546	201,800	(201,800)
2022	131,455	38,624	45,610	201,800	(201,800)
2023	131,455	38,624	50,796	201,800	(201,800)
2024	131,456	38,623	56,263	201,800	(201,800)
2025	131,456	38,623	61,376	201,800	(201,800)
2026	131,456	38,623	67,123	201,800	(201,800)
2027	131,456	38,623	72,816	201,800	(201,800)
2028	131,456	38,623	78,655	201,800	(201,800)
2029	131,456	38,623	85,109	201,800	(201,800)
2030	128,392	41,687	90,507	201,800	(201,800)
2031	<u>128,654</u>	<u>41,424</u>	<u>-</u>	<u>100,900</u>	<u>(100,900)</u>
Subtotal	2,464,030	767,470	804,500	3,733,300	(3,733,300)
Realized	<u>(1,418,248)</u>	<u>(452,621)</u>	<u>-</u>	<u>(2,219,800)</u>	<u>2,219,800</u>
Future	<u>1,045,782</u>	<u>314,849</u>	<u>511,849</u>	<u>1,513,500</u>	<u>(1,513,500)</u>
Principal payment due 12/1/2030			<u>4,036,000</u>		

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)

Following are changes in long-term bonded debt:

	Balance			Balance	Current
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Principal</u>
QSCB Series December 2011	2,093,355	-	220,875	1,872,480	226,342
Revenue Series April 2012	790,000	-	70,000	720,000	70,000
Revenue Bonds December 2012	1,235,000	-	70,000	1,165,000	75,000
Refunding Series April 2016	3,675,000	-	610,000	3,065,000	630,000
Revenue Series October 2019	670,000	-	30,000	640,000	30,000
Refunding Series September 2020	645,000	-	70,000	575,000	70,000
Refunding Series November 2020	1,590,000	-	130,000	1,460,000	125,000
Refunding Series September 2021	4,350,000	-	395,000	3,955,000	400,000
Revenue Series February 2022	450,000	-	20,000	430,000	20,000
Energy Conservation Rev. Series Apr 2022	<u>1,320,000</u>	-	<u>33,000</u>	<u>1,287,000</u>	<u>34,000</u>
<u>Total</u>	<u>16,818,355</u>	<u>-</u>	<u>1,648,875</u>	<u>15,169,480</u>	<u>1,680,342</u>

The District was notified Kentucky School Board Insurance Trust (KSBIT) would be dissolving as the self-insurance provider for school districts in Kentucky. As a result, assessments were proposed to be passed to local participating Districts based on past premiums or past claims. The District is committed to remitting annual assessments of \$59,987 through fiscal year ended June 30, 2025. The liability of \$116,203 is reflected in the governmental financial statements. This option calls for financing interest at 3.25%. Management funds the liability through its general account or request funds from its SEEK Capital Outlay allotment. Following is a schedule of future payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023 - 24	57,175	2,812
2024 - 25	<u>59,028</u>	<u>959</u>
<u>Totals</u>	<u>116,203</u>	<u>3,771</u>

Lessee:

Commitments under operating lease agreements were considered by management below its financial statement threshold for recognition as an intangible asset under GASB 87 which became effective for the fiscal year ended June 30, 2022. No additional operating leases considered applicable under the standard were entered into during the current fiscal year.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)**Lessee: (continued)**

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes and considers material, individual qualifying lease liabilities having a value \$100,000 or greater.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

The District recognizes and considers material, a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements for qualifying individual leases having a value \$100,000 or greater. The District did not have any qualifying leases meeting this threshold.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE D – LEASE/SUBSCRIPTION OBLIGATIONS AND BONDED DEBT (continued)**Subscription Based Technology Arrangements**

The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The District recognizes individual qualifying subscription liabilities which meet the criteria for recognition and is considered material, individual arrangements having an initial obligation of \$100,000 or greater, to its financial statement presentation.

At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position. Based on management's assessment of materiality and criteria for recognition, the following subscription-based technology arrangement met the District's criteria and is recognized in the financial statements. The arrangement provides digital access with an initial price of \$126,534 beginning August, 2021 over a six-year period. The District pre-paid the entire arrangement in order to receive a discounted price. The following is a schedule of future amortization costs:

2024	21,089
2025	21,089
2026	21,089
2027	21,089
2028	<u>2,929</u>
Total	<u><u>87,285</u></u>

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE E – CAPITAL ASSETS

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

	Balance July 1, 2022 <u>Org. Reported</u>	Prior Year <u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2023
<u>Governmental Activities</u>					
Capital assets, not being depreciated:					
Land	632,757	-	-	-	632,757
Construction work in progress	14,984,947	(11,551,000)	7,120,595	-	10,554,542
Total capital assets, not being depreciated	<u>15,617,704</u>	<u>(11,551,000)</u>	<u>7,120,595</u>	<u>-</u>	<u>11,187,299</u>
Land improvements	611,243	-	-	-	611,243
Buildings and improvements	32,953,601	10,742,430	15,438	249,566	43,461,903
Technology equipment	203,007	-	-	-	203,007
Vehicles	3,536,919	-	467,818	-	4,004,737
General equipment	163,599	-	-	-	163,599
Total capital assets, being depreciated	<u>37,468,369</u>	<u>10,742,430</u>	<u>483,256</u>	<u>249,566</u>	<u>48,444,489</u>
Totals at historical cost	<u>53,086,073</u>	<u>(808,570)</u>	<u>7,603,851</u>	<u>249,566</u>	<u>59,631,788</u>
Less: accumulated depreciation					
Land and improvements	263,301	-	19,335	-	282,636
Buildings and improvements	14,253,006	1,915,733	944,950	249,566	16,864,123
Technology equipment	194,768	-	4,120	-	198,888
Vehicles	2,518,864	-	217,965	-	2,736,829
General equipment	112,977	-	7,576	-	120,553
Total accumulated depreciation	<u>17,342,916</u>	<u>1,915,733</u>	<u>1,193,946</u>	<u>249,566</u>	<u>20,203,029</u>
Governmental Activities					
Capital Assets - Net	<u>35,743,157</u>	<u>(2,724,303)</u>	<u>6,409,905</u>	<u>-</u>	<u>39,428,759</u>

Depreciation expense for the year ended June 30, 2023 was \$1,193,946.

	July 1, 2022 <u>Org. Reported</u>	Prior Year <u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2023
<u>Business-Type Activities</u>					
Buildings and improvements	1,824,693	576,006	-	-	2,400,699
Food service and equipment	583,611	232,564	-	-	816,175
Totals at historical cost	<u>2,408,304</u>	<u>808,570</u>	<u>-</u>	<u>-</u>	<u>3,216,874</u>
Less: accumulated depreciation					
Buildings and improvements	846,335	102,720	44,784	-	993,839
Food service and equipment	463,238	172,808	38,835	-	674,881
Total accumulated depreciation	<u>1,309,573</u>	<u>275,528</u>	<u>83,619</u>	<u>-</u>	<u>1,668,720</u>
Business-Type Activities					
Capital Assets - Net	<u>1,098,731</u>	<u>533,042</u>	<u>(83,619)</u>	<u>-</u>	<u>1,548,154</u>

Depreciation expense for the year ended June 30, 2023 was \$83,619.

Subscription technology assets recognized in the government-wide financial statements are as follows:

	July 1, 2022 <u>Org. Reported</u>	Prior Year <u>Adjustments</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, 2023
Subscription-based Information Arrangements	-	126,534	-	39,249	87,285

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE E – CAPITAL ASSETS (continued)

Depreciation expense was allocated to governmental and proprietary functions as follows:

Instructional	7,588
District administration	515
School administration support	14,235
Plant operations and maintenance	984,297
Student transportation	<u>187,311</u>

Total current year depreciation expense - Governmental functions	<u><u>1,193,946</u></u>
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Proprietary functions:

Food service operations	<u><u>83,619</u></u>
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NOTE F – RETIREMENT PLANS

Kentucky Teachers Retirement System:

Summary of Significant Accounting Policies

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 Teachers' Retirement System of the State of Kentucky (KTRS) and additions to/deductions from KTRS's fiduciary net position have been determined on the same basis as they are reported by KTRS. 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.

General Information about the Pension Plan

Plan Description – Teaching-certified employees of the Leslie County School District are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)-a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. KTRS 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). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits Provided – For 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.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE F – RETIREMENT PLANS (continued)

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. And, effective January 1, 2022 the qualification structure was changed to either attain age 57 and complete 10 years of Kentucky service, or attain age 65 and complete five years of Kentucky service.

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. KTRS also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members.

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. 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.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions:

At June 30, 2023, Leslie County School District did not report a net pension liability for its proportionate share of the net pension liability because the State of Kentucky provides the pension support directly to KTRS on behalf of the District. The total portion of the net pension liability that was associated with the District was as follows:

Commonwealth's proportional share of the KTRS net pension liability associated with the District	\$ <u>36,640,802</u>
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The net pension liabilities were measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportionate share was .2163%. The prior year proportion was .2076%.

Employer allocations for KTRS contributions were \$3,343,148 at the June 30, 2022 measurement date. The District recognized no deferred outflows of resources, deferred inflows of resources or unfunded pension liability related to KTRS.

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE F – RETIREMENT PLANS (continued)

Actuarial assumptions – The total pension liability in the most recent actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2021
Actuarial cost method	Entry age
Investment rate of return	7.1%, net of pension plan investment expense, including inflation
Projected salary increases	3.0% - 7.5%, including inflation
Inflation rate	2.50%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.37%
Single Equivalent Interest Rate	7.10%
Mortality Rates	Based on Pub2010 Mortality Table

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 allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS' investment consultants are summarized in the following table:

<u>Asset Class</u>	<u>KTRS Target Allocation</u>	<u>Long-term Expected Real Rate Percentage of Return</u>
Large cap U.S. equity	37.4%	4.2%
Small cap U.S. equity	2.6%	4.7%
Developed international equity	16.5%	5.3%
Emerging markets equity	5.5%	5.4%
Fixed income	15.0%	-0.1%
High yield bonds	2.0%	1.7%
Other additional categories	5.0%	2.2%
Real estate	7.0%	4.0%
Private equity	7.0%	6.9%
Cash	2.0%	-0.3%
	100.0%	

Discount rate – The discount rate used to measure the total pension liability as of the measurement date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67 and assumed that plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. 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 until the 2039 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so as required under GASB 68, the SEIR at the Measurement Date of 7.10% was calculated using the Municipal Bond Index Rate as of the Measurement Date. This change in the discount rate is considered a change in actuarial assumptions or other inputs under GASB 68.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE F – RETIREMENT PLANS (continued)

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

	1% Decrease <u>6.10%</u>	Current Discount Rate <u>7.10%</u>	1% Increase <u>8.10%</u>
Commonwealth's proportionate share of District pension liability	\$ 46,762,640	\$ 36,640,802	\$ 28,205,013

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued KTRS financial report.

County Employees Retirement System

Plan Description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System (CERS). CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members. CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800) 928-4646 or at <https://kyret.ky.gov>.

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

Contributions - Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a district contribution of 26.79% of the employee’s total compensation subject to contributions. At June 30, 2023, the District reported the following for its proportionate share of net pension liability. The net pension liability was measured based on an actuarial valuation as of June 30, 2022. At June 30, 2022 the District’s proportion of the net pension liability based on contributions to CERS was .0967%. The prior year proportion was .0971%.

District's proportionate share of the net CERS pension liability	<u>\$ 6,993,492</u>
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The District’s net proportionate share of CERS pension expense was \$757,971 measured at June 30, 2022. For the year ended June 30, 2023, the District recognized deferred outflows of resources, \$1,752,325, CERS, and deferred inflows of resources, CERS, \$835,698. Contributions of \$645,632 will be recognized as a reduction of the net pension liability in the subsequent year.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE F – RETIREMENT PLANS (continued)

Actuarial Methods and Assumptions - The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2022. The most recent actuarial valuation used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

CERS Pension Contributions

Valuation Date	June 30, 2020
Investment Rate of Return	6.25% for CERS Nonhazardous
Inflation	2.30%
Salary Increases	3.3% - to 10.3% ,varies by service for CERS Nonhazardous
Payroll Growth Rate	2.0% for CERS Nonhazardous
Mortality Rates	Mortality experience from 2013-2018, ultimate rates from MP-2014 scale

The target asset allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS's investment consultant, are summarized as follows:

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Liability experience	7,477	62,280
Changes of assumptions	-	-
Investment experience	951,605	772,317
Changes in proportion and differences between District contributions and proportionate share of contributions	147,611	1,371
District contributions subsequent to the measurement date	645,632	-
Total	<u>1,752,325</u>	<u>835,968</u>

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE F – RETIREMENT PLANS (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Deferred inflows and outflows and pension expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability is based on the June 30, 2022 actuarial valuations. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a five-year period.

The following presents the District's proportionate share of net pension liability calculated using the discount rate of 6.25% as well as the District's share if calculated using a rate 1% higher and 1% lower:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
District's proportionate share of net pension liability	\$ 8,740,998	\$ 6,993,492	\$ 5,548,160

The District previously reported deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments. This will be recognized as pension expense as follows:

CERS	
Year	Total
2023	123,739
2024	7,085
2025	(58,769)
2026	198,670
Thereafter	-
	270,725

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

There were no payables to the pension plan at June 30, 2023.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note G – OPEB PLANS***KENTUCKY TEACHER'S RETIREMENT SYSTEM*****Summary of Significant Accounting Policies**

Postemployment Benefits Other Than OPEBs (OPEB) - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by 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.

General Information about the OPEB Plan

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

The State reports a liability, deferred outflows of resources 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

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

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note G – OPEB PLANS (Continued)

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.

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

At June 30, 2023, the Leslie County School District reported a liability of \$3,892,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was .1568 percent and the State portion associated with the District was .0515. The prior year proportion was .1113 and .0903 for the District and State, respectively.

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

KTRS Medical	
District's proportionate share of the net OPEB liability	3,892,000
State's proportionate share of the net OPEB liability associated with the District	<u>1,279,000</u>
Total	<u><u>5,171,000</u></u>

The District's proportionate OPEB contributions as stated in its actuary report was \$208,019 for the District and \$68,337 for support provided by the State, measured at June 30, 2022. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	1,636,000
Changes of assumptions	790,000	-
Net difference between projected and actual earnings on OPEB plan investments	207,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,203,000	169,000
District contributions subsequent to the measurement date	<u>186,702</u>	<u>-</u>
Total	<u><u>2,386,702</u></u>	<u><u>1,805,000</u></u>

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

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

<u>Year</u>	<u>Total</u>
2023	(93,000)
2024	(50,000)
2025	(10,000)
2026	243,000
2027	209,000
Thereafter	<u>96,000</u>
	<u>395,000</u>

Actuarial assumptions – Contribution rates in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Health and Life Insurance Trust	
Valuation Date	June 30, 2021
Actuarial Assumptions:	
Investment Rate of Return	7.1% , net of OPEB plan investment expense, including inflation
Projected salary increases	3.0% - 7.5% , including wage inflation
Inflation rate	2.5%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	3.37%
Discount rate	7.10%
Single equivalent interest rate	7.1% , net of OPEB plan investment expense, including price inflation
Health Care Cost Trends:	
KEHP group	7% for fiscal year 2022 decreasing to an ultimate rate of 4.5% by fiscal year 2032
MEHP group	5.125% for fiscal year 2022 decreasing to an ultimate rate of 4.5% by fiscal year 2025
Medicare Part B premiums	6.97% for fiscal year 2022 with an ultimate rate of 4.5% by 2034
Mortality rates	Based on the Pub2010 Mortality Table

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Percentage of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Additional Categories: High Yield	8.0%	1.7%
Additional Categories	9.0%	2.2%
Cash	1.0%	-0.3%
Total	<u>100.0%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the 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 liability.

The following table presents the District's and State's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District's and State's proportionate share of the collective net 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 6.10%</u>	<u>Current Discount Rate 7.10%</u>	<u>1% Increase 8.10%</u>
District's share of net OPEB liability	\$ 4,883,000	\$ 3,892,000	\$ 3,071,000

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that 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>
District's share of net OPEB liability	\$ 2,918,000	\$ 3,892,000	\$ 5,104,000

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note G – OPEB PLANS (Continued)

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

Life Insurance Plan

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

The District proportionate contribution percentage to the plan is 0%. The State of Kentucky provides 100% of contributions on behalf of the District.

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 the death of the member to the member’s estate or to a party designated by the member.

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

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

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

District's proportionate share of the net OPEB liability	-
State's proportionate share of the net OPEB liability associated with the District	64,000
Total	<u>64,000</u>

The District reported contributions in its schedule of employer allocations measured at June 30, 2021 was \$-0- and the State contributions were \$4,854. At June 30, 2023, the District reported no deferred outflows of resources and deferred inflows of resources related to OPEBs from life insurance plans.

Any amount reported as deferred outflows of resources related to OPEB from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. No other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense.

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

Actuarial assumptions – Contribution rates in the actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Life Insurance Trust	
Valuation Date	June 30, 2021
Actuarial Assumptions:	
Investment Rate of Return	7.1% , net of OPEB plan investment expense, including inflation
Projected salary increases	3% - 7.5% , including wage inflation
Inflation rate	2.5%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	2.13%
Discount rate	7.10%
Single equivalent interest rate	7.1% , net of OPEB plan investment expense, including price inflation
Mortality rates	Based on the Pub2010 Mortality Table

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2022 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Geometric Real Rate of Return</u>
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Additional Categories	6.0%	2.1%
Cash	2.0%	-0.3%
Total	<u>100.0%</u>	

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note G– OPEB PLANS (Continued)

Discount rate - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate assumed that the 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 liability.

The following table presents the State's proportionate share of the collective net OPEB liability associated with the District, calculated using the discount rate of 7.10%, as well as what the State's proportionate share of the collective net OPEB liability of the System 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%
Commonwealth's proportionate share of net District OPEB liability	\$ 98,890	\$ 64,000	\$ 35,783

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

COUNTY EMPLOYEE RETIREMENT SYSTEM**General Information about the OPEB Plan**

Plan description – Substantially all full-time employees of the District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple- employer defined benefit OPEB plan. CERS was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling (800)928-4646 or at <https://kyret.ky.gov>.

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 KRS Insurance Fund. The following information is about the KRS plans:

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

Medical Insurance Plan

Plan description – In addition to the OPEB benefits described above, KRS provides post-employment healthcare benefits to eligible members and dependents. The KRS Insurance benefit is a cost-sharing multiple employer defined benefit plan.

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

Contributions – In order to fund the post-retirement healthcare benefit, participants hired on or after September 1, 2008 contribute 1% of total compensation subject to contribution for non-hazardous and hazardous duty positions. Also, the premiums collected from retirees as described in the plan documents and investment interest help meet the medical expenses of the plan.

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 \$1,908,881 for its proportionate share of the collective net CERS non-hazardous OPEB liability. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's most recent reported proportion was .0967% for the current reporting period and .0971% for the previous reporting period regarding its non-hazardous employees.

The amount recognized by the District as its proportionate share of the OPEB liability was as follows:

CERS Medical	
District's proportionate share of the net OPEB liability	1,908,881

The District's net proportionate share of OPEB expense reported in its most recent report measure at June 30, 2022 was \$302,913. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability experience	192,145	437,751
Changes of assumptions	301,903	248,766
Investment experience	355,453	277,977
Changes in proportion and differences between District contributions and proportionate share of contributions	82,756	44,638
District contributions subsequent to the measurement date	93,534	-
Total	1,025,791	1,009,132

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year	Total
2023	9,828
2024	8,946
2025	(102,331)
2026	6,682
Thereafter	-
Total	<u>(76,875)</u>

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

Valuation Date	June 30, 2020
Investment Rate of Return	6.25%
Inflation	2.30%
Salary Increases	3.3% - to 10.3% ,varies by service for CERS Nonhazardous
Payroll Growth Rate	2.0% for CERS Nonhazardous
Mortality	Mortality experience from 2013-2018, ultimate rates from MP-2014 scale
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.4% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 6.3% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method 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 by weighting the expected future real rates of return by the target asset allocation percentage.

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

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

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – OPEB PLANS (Continued)

Discount rate - The discount rate used to measure the total OPEB liability was 5.70% for non-hazardous personnel. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at 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 liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.70% for non-hazardous employees as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.70% for non-hazardous) or 1-percentage-point higher (6.70% for non-hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Sensitivity Rate</u>	<u>4.70%</u>	<u>5.70%</u>	<u>6.70%</u>
District's proportionate share of net OPEB liability	\$ 2,551,870	\$ 1,908,881	\$ 1,377,344

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

	1% Decrease	Current Trend Rate	1% Increase
<u>Health Care Trend Rate</u>	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
District's proportionate share of net OPEB liability	\$ 1,419,211	\$ 1,908,881	\$ 2,496,883

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

NOTE H – CONTINGENCIES AND COMMITMENTS

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

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE I – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE J – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Insurance for worker's compensation, errors and omissions, educator's legal liability, property (including vehicles) and general liability is carried through various agencies. Contributions to Workers' Compensation Insurance are based on premium rates established with the excess insurance carrier, subject to claims, experience modifications and a group discount amount. 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.

NOTE K – DEFICIT OPERATING/FUND BALANCES

The following individual funds had deficit balances at June 30, 2023:

NONE

The following individual funds had operating expenditures in excess of revenues at June 30, 2023:

District Activity Fund 21	2,784
Food Service Fund	56,009

NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay Fund	General Fund	Operating expenditures	153,401
General Fund	Special Revenue Fund	Operating expenditures	36,274
FSPK Building Fund	General Fund	Debt service	434,272
Special Revenue Fund	General Fund	Indirect Cost Transfer	5,000
General Fund	Debt Service Fund	Debt service	71,633
FSPK Fund	Debt Service Fund	Debt service	1,124,282
General Fund	Construction Fund	Construction expenditures	411,331
Special Revenue Fund	Construction Fund	Construction expenditures	5,442,162
			<u>7,678,355</u>

LESLIE COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Inter-fund balances at June 30, 2023 were as follows:

	<u>Interfund</u>	
General Fund	<u>Receivable</u>	<u>Payable</u>
Special Revenue Fund	1,105,600	1,105,600

NOTE O – ON-BEHALF PAYMENTS

Teacher's Retirement GASB 68	3,343,148
Teacher's Retirement GASB 75 Medical	68,337
Teacher's Retirement GASB 75 Life	4,854
Health Insurance	1,950,631
Life Insurance	3,295
Administrative Fees	26,460
HRA/Dental/Vision	155,925
Less: Federal Reimbursement	(282,555)
Technology	90,950
Debt Service	<u>718,685</u>
<u>Sub-Total</u>	6,079,730
Allocated to Debt Service Fund	(718,685)
Allocated to Food Service Fund	<u>(292,443)</u>
Allocated to General Fund	<u><u>5,068,602</u></u>

NOTE P – ANNUAL FINANCIAL REPORT DIFFERENCES

The following reconciles June 30, 2023 fund balances as originally reported to the accompanying financial statements:

	General	Special	District	District	Building	Construction	Food
	<u>Fund</u>	<u>Revenue</u>	<u>Activity</u>	<u>Activity</u>	<u>Fund</u>	<u>Fund</u>	<u>Service</u>
		<u>Fund</u>	<u>Fund 21</u>	<u>Fund 25</u>			<u>Fund</u>
Fund Balance/Net Position							
as originally reported to the Department							
of Education	3,980,694	155,790	9,716	183,882	1,176	418,322	(517,847)
Adjustments to Fund Balance/Retained Earnings:							
(1) To record adjustments to cash	(100,903)	131,879	-	1,678	-	(30,722)	-
(2) To record interfund receivable	131,879	(131,879)	-	-	-	-	-
(3) To reclassify accounts receivable	257,601	2,071,715	-	-	-	-	-
(4) To adjust accounts payable	(54,073)	-	-	-	-	-	-
(5) To recognize advances from grantors	-	(2,227,505)	-	-	-	-	-
(6) To recognize changes in deferred inflows	-	-	-	-	-	-	30,232
(7) To recognize changes in deferred outflows	-	-	-	-	-	-	51,032
(8) To recognize changes in net pension/OPEB liability	-	-	-	-	-	-	(154,809)
(9) To recognize net fixed assets	-	-	-	-	-	-	<u>1,548,154</u>
Fund Balance/Net Position at June 30, 2023	<u>4,215,198</u>	<u>-</u>	<u>9,716</u>	<u>185,560</u>	<u>1,176</u>	<u>387,600</u>	<u>956,762</u>

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE Q – FUND BALANCE CLASSIFICATIONS

The following schedule reflects governmental fund balances at June 30, 2023:

Fund Balances	General Fund	Special Revenue Funds	Construction Fund	Non-Major Funds	Total
Restricted - other	-	-	387,600	1,176	388,776
Assigned fund balance	227,884	-	-	2,992	230,876
Unassigned fund balance	<u>3,987,314</u>	<u>-</u>	<u>-</u>	<u>192,284</u>	<u>4,179,598</u>
<u>Total fund balances</u>	<u>4,215,198</u>	<u>-</u>	<u>387,600</u>	<u>196,452</u>	<u>4,799,250</u>

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserve fund has not been established. The Statement of Net Position reflects reserves for fixed assets.

NOTE R – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS AND GUIDANCE

The District adopted the following new accounting pronouncements in the current year:

- GASB Statement No. 96—Subscription-Based Information Technology Arrangements, effective for the District's fiscal year ending June 30, 2023.

The impact of this pronouncement is reflected in the current financial statements and notes, where applicable and management is assessing the impact of future pronouncements on the District's financial statements.

The District is evaluating the financial statement effects of the following:

- Implementation Guide No. 2021-1—Amendments to Previously Issued Guidance, Question 7.9.8, regarding capitalization policies for a group of assets which exceeds the District established threshold, for example computers, classroom furniture and library books, effective for reporting periods beginning after June 15, 2023.
- GASB Statement No. 100—*Accounting Changes and Error Corrections*, effective for reporting periods beginning after June 15, 2023.
- GASB Statement No. 101—*Compensated Absences*, effective for fiscal years beginning after December 15, 2023.

NOTE S – SUBSEQUENT EVENTS

The District continues to monitor the direct and indirect effects of COVID-19, which has led to closings of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projections reflecting any significant changes in revenues, instructional and other student body activities affecting the District as a result of the coronavirus. During the fiscal year ended, the District expended funding awarded totaling \$5,958,654 via U.S. Department of Education Stabilization Fund under the Coronavirus Aid, Relief and Economic Security Act.

On July 28, 2023 historical flooding occurred causing loss of life and extensive damages to residences, businesses and infrastructure in Eastern Kentucky. The District continues to assess the financial impact of significant changes in revenue sources, operational expenses and other student body activities as a result of the flooding.

LESLIE COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023NOTE T – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING FUND BALANCE

During the year ended June 30, 2023, the District adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* which establishes criteria for identifying and reporting operating subscription activities as subscriber or vendor for which transfer of ownership is not established. The implementation of this statement results in assets recognized meeting materiality thresholds of the District. Subscriptions meeting the threshold for its current reporting period are described more fully at Note D.

Beginning net position for governmental and proprietary fund activities was adjusted to account for previous years' accumulated depreciation for an elementary school renovation and addition project whose final completion report was not submitted until after the fiscal year ended June 30, 2023. Previous years accumulated depreciation recognized in its governmental financial statements was \$1,915,733 and \$275,529 in its proprietary fund financial statements. In addition, the District moved \$808,570 from the project's governmental activities construction in progress account related to the elementary school renovation and addition project to its proprietary funds to recognize direct equipment and its proportionate share of the renovation in the amounts of \$232,564 and \$576,006, respectively.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
From local sources:				
Taxes	2,551,070	2,641,397	2,893,402	252,005
Earnings on investments	20,000	20,000	25,433	5,433
Other local revenue	21,200	21,200	86,777	65,577
Intergovernmental - state	13,740,614	13,697,882	14,466,048	768,166
Intergovernmental - indirect federal	<u>60,000</u>	<u>60,000</u>	<u>138,388</u>	<u>78,388</u>
<u>Total revenues</u>	<u>16,392,884</u>	<u>16,440,479</u>	<u>17,610,048</u>	<u>1,169,569</u>
Expenditures:				
Instructional	7,997,266	8,025,597	8,629,973	(604,376)
Student support services	992,894	993,350	1,211,147	(217,797)
Staff support services	595,563	594,832	783,551	(188,719)
District administration	599,645	600,703	660,484	(59,781)
School administration	1,158,268	1,164,063	1,275,024	(110,961)
Business support	321,029	323,417	406,372	(82,955)
Plant operations and maintenance	2,334,282	2,700,805	2,292,394	408,411
Student transportation	1,706,699	1,893,193	1,607,008	286,185
Community service activities	18,339	18,339	675	17,664
Employee benefits	150,000	150,000	53,581	96,419
Debt service	282,888	282,888	211,256	71,632
Contingency	<u>3,163,971</u>	<u>3,100,413</u>	<u>-</u>	<u>3,100,413</u>
<u>Total expenditures</u>	<u>19,320,844</u>	<u>19,847,600</u>	<u>17,131,465</u>	<u>2,716,135</u>
Excess (deficit) of revenues over expenditures	<u>(2,927,960)</u>	<u>(3,407,121)</u>	<u>478,583</u>	<u>3,885,704</u>
Other financing sources (uses):				
Other items	(56,500)	(56,500)	(59,987)	3,487
Operating transfers in	-	-	592,673	592,673
Operating transfers out	<u>(103,632)</u>	<u>(103,632)</u>	<u>(519,238)</u>	<u>(415,606)</u>
<u>Total other financing sources (uses)</u>	<u>(160,132)</u>	<u>(160,132)</u>	<u>13,448</u>	<u>180,554</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	(3,088,092)	(3,567,253)	492,031	4,059,284
Fund balance - July 1, 2022	<u>3,088,092</u>	<u>3,575,928</u>	<u>3,723,167</u>	<u>147,239</u>
Fund balance - June 30, 2023	<u>-</u>	<u>8,675</u>	<u>4,215,198</u>	<u>4,206,523</u>

See notes to financial statements and Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUND

For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		(Unfavorable)
Revenues:				
Revenues from local sources	23,568	23,568	76,667	53,099
Intergovernmental - state	1,327,547	1,327,547	1,230,585	(96,962)
Intergovernmental - indirect federal	<u>3,317,944</u>	<u>3,317,944</u>	<u>9,627,513</u>	<u>6,309,569</u>
<u>Total revenues</u>	<u>4,669,059</u>	<u>4,669,059</u>	<u>10,934,765</u>	<u>6,265,706</u>
Expenditures:				
Instructional	3,364,697	3,364,697	4,203,939	(839,242)
Student support services	148,649	148,649	190,558	(41,909)
Staff support services	191,781	191,781	127,375	64,406
Business support services	50,180	50,180	46,547	3,633
Plant operations and maintenance	565,074	565,074	563,606	1,468
Student transportation	93,264	93,264	90,411	2,853
Community service activities	275,382	275,382	296,852	(21,470)
Educational specific	<u>15,045</u>	<u>15,045</u>	<u>4,589</u>	<u>10,456</u>
<u>Total expenditures</u>	<u>4,704,072</u>	<u>4,704,072</u>	<u>5,523,877</u>	<u>(819,805)</u>
Excess (deficit) of revenues over expenditures	<u>(35,013)</u>	<u>(35,013)</u>	<u>5,410,888</u>	<u>5,445,901</u>
Other financing sources (uses):				
Operating transfers in	35,013	35,013	36,274	1,261
Operating transfers out	<u>-</u>	<u>-</u>	<u>(5,447,162)</u>	<u>(5,447,162)</u>
<u>Total other financing sources (uses)</u>	<u>35,013</u>	<u>35,013</u>	<u>(5,410,888)</u>	<u>(5,445,901)</u>
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	-	-	-
Fund balance - July 1, 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30, 2023	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

See notes to financial statements and Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICT

SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS

Last Ten Years Ending June 30th

Employer's Proportionate Share of Net Pension Liability

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/district proportion of the net pension liability	0.2163%	0.0967%	0.2076%	0.0971%	0.2136%	0.0919%	0.2153%	0.0875%	0.2193%	0.0909%
Employer's proportionate share of the net pension liability	-	6,993,492	-	6,189,930	-	7,044,819	-	6,150,397	-	5,533,346
State's proportionate share of the net pension liability	36,640,802	-	27,010,217	-	30,276,772	-	29,378,285	-	28,720,049	-
Employer's covered employee payroll	8,429,569	2,880,396	8,918,618	2,800,668	8,550,968	2,558,488	8,294,566	2,414,444	8,167,193	2,092,597
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	435%	243%	303%	221%	354%	275%	354%	255%	352%	264%
Plan fiduciary net position as a percentage of the total pension liability	56.4%	52.4%	65.6%	52.3%	58.4%	47.8%	58.8%	50.5%	59.3%	53.5%

Employer's Contributions

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	1,600,841	645,632	1,505,573	577,689	1,301,404	484,405	1,263,130	457,699	1,250,645	326,066
Contributions in relation to the contractually required contribution	1,600,841	645,632	1,505,573	577,689	1,301,404	484,405	1,263,130	457,699	1,250,645	326,066
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
District's covered employee payroll	8,429,569	2,880,396	8,918,618	2,800,668	8,550,968	2,558,488	8,294,566	2,414,444	8,167,193	2,092,597
Contributions as a percentage of covered employee payroll	18.99%	22.41%	16.88%	20.63%	15.22%	18.93%	15.23%	18.96%	15.31%	15.58%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 7.5% to 7.1% FY 22.

Until a full 10-year trend is compiled, the District will present information for years available. Ultimately, ten years of data will be presented.

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

LESLIE COUNTY SCHOOL DISTRICT

**SCHEDULES OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
AND SCHEDULES OF EMPLOYER CONTRIBUTIONS (Continued)**

Last Ten Years Ending June 30th

Employer's Proportionate Share of Net Pension Liability

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/district proportion of the net pension liability	0.2318%	0.0930%	0.2346%	0.0936%	0.2274%	0.0971%	0.2768%	0.0943%
Employer's proportionate share of the net pension liability	-	5,444,805	-	4,609,016	-	4,175,700	-	3,061,000
State's proportionate share of the net pension liability	62,546,811	-	69,197,223	-	52,910,151	-	56,888,839	-
Employer's covered employee payroll	8,035,497	2,354,673	8,519,109	2,284,631	8,589,419	2,801,591	8,330,224	2,204,566
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	778%	231%	812%	202%	616%	149%	683%	139%
Plan fiduciary net position as a percentage of the total pension liability	39.8%	53.3%	35.2%	55.5%	42.5%	60.0%	45.6%	66.8%

Employer's Contributions

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	1,237,711	315,944	1,138,580	265,952	1,094,254	289,967	1,738,553	408,862
Contributions in relation to the contractually required contribution	1,237,711	315,944	1,138,580	273,726	1,094,254	288,908	1,738,553	408,862
Contribution deficiency (excess)	-	-	-	(7,774)	-	1,059	-	-
District's covered employee payroll	8,035,497	2,354,673	8,519,109	2,284,631	8,589,419	2,801,591	8,330,224	2,204,566
Contributions as a percentage of covered employee payroll	15.40%	13.42%	13.37%	11.98%	12.74%	10.31%	20.87%	18.55%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 7.5% to 7.1% FY22.

Until a full 10-year trend is compiled, the District will present information for years available. Ultimately, ten years of data will be presented.

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

LESLIE COUNTY SCHOOL DISTRICT

SCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY

For the Year Ended June 30, 2023

Employer's Proportionate Share of Net OPEB Liability

	<u>Medical Ins Fund</u>											
	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
State/district proportion of the net OPEB liability	0.1568%	0.0967%	0.1113%	0.0971%	0.1150%	0.0918%	0.1153%	0.0874%	0.1141%	0.0909%	0.1234%	0.0930%
Employer's proportionate share of the net OPEB liability	3,892,000	1,908,881	2,387,000	1,858,203	2,901,000	2,217,246	3,375,000	1,470,483	3,959,000	1,613,059	4,400,000	1,870,040
State's proportionate share of the net OPEB liability	1,279,000	-	1,939,000	-	2,324,000	-	2,726,000	-	3,412,000	-	3,594,000	-
Employer's covered employee payroll	8,429,569	2,880,386	8,918,618	2,800,668	8,550,968	2,558,488	8,294,566	2,414,444	8,167,193	2,092,597	8,035,497	2,354,673
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	46%	66%	27%	66%	34%	87%	41%	61%	48%	77%	55%	79%
Plan fiduciary net position as a percentage of the total OPEB liability	47.8%	61.0%	51.7%	58.4%	39.1%	51.7%	32.6%	60.4%	25.5%	57.6%	21.2%	52.4%

Employer's Contributions

	<u>2023</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>	<u>KTRS</u>	<u>CERS</u>
Contractually required contribution	186,702	93,534	151,186	157,725	311,605	119,470	236,466	112,883	245,035	125,087	203,858	118,060
Contributions in relation to the contractually required contribution	186,702	93,534	151,186	157,725	311,605	119,470	236,466	112,883	245,035	125,087	203,858	118,060
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-
District's covered employee payroll	8,429,569	2,880,386	8,918,618	2,800,668	8,550,968	2,558,488	8,294,566	2,414,444	8,167,193	2,092,597	8,035,497	2,354,673
Contributions as a percentage of covered employee payroll	2.21%	3.25%	1.70%	5.63%	3.64%	4.67%	2.85%	4.68%	3.00%	5.98%	2.54%	5.01%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 8.0% to 7.1% FY22. CERS discount rate increased from 5.2% to 5.7% FY23.

Until a full 10-year trend is compiled, the District will present information for years available.

Ultimately, ten years of data will be presented.

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

LESLIE COUNTY SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Continued)

For the Year Ended June 30, 2023

	<u>Life Ins Fund</u>					
	<u>2023</u> <u>KTRS</u>	<u>2022</u> <u>KTRS</u>	<u>2021</u> <u>KTRS</u>	<u>2020</u> <u>KTRS</u>	<u>2019</u> <u>KTRS</u>	<u>2018</u> <u>KTRS</u>
State/district proportion of the net OPEB liability	0.2045%	0.1971%	0.2025%	0.2038%	0.2075%	0.2191%
Employer's proportionate share of the net OPEB liability	-	-	-	-	-	-
State's proportionate share of the net OPEB liability	64,000	26,000	70,000	63,000	59,000	48,000
Employer's covered employee payroll	8,429,569	8,918,618	8,550,968	8,294,566	8,167,193	8,035,497
Employer's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total OPEB liability	74.0%	89.2%	71.6%	73.4%	75.0%	80.0%
Employer's Contributions						
	<u>2023</u> <u>KTRS</u>	<u>2022</u> <u>KTRS</u>	<u>2021</u> <u>KTRS</u>	<u>2020</u> <u>KTRS</u>	<u>2019</u> <u>KTRS</u>	<u>2018</u> <u>KTRS</u>
Contractually required contribution	4,854	3,949	3,384	2,678	2,032	2114
Contributions in relation to the contractually required contribution	4,854	3,949	3,384	2,678	2,032	2114
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered employee payroll	8,429,569	8,918,618	8,550,968	8,294,566	8,167,193	8,035,497
Contributions as a percentage of covered employee payroll	0.06%	0.04%	0.04%	0.03%	0.02%	0.03%

Change of benefit terms - None.

Changes of assumptions - KTRS discount rate decreased from 8.0% to 7.1%. FY22.

Until a full 10-year trend is compiled, the District will present information for years available.

Ultimately, ten years of data will be presented.

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

LESLIE COUNTY SCHOOL DISTRICTSCHEDULES OF EMPLOYER'S SHARE OF NET OPEB LIABILITY (Continued)For the Year Ended June 30, 2023**Notes to Required Supplementary Information**

Changes of benefit terms – With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via its KEHP “Shared Responsibility” contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The actuarial methods and assumptions used to determine contribution rates reported in the schedule are reflected in the notes to the financial statements.

LESLIE COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET –NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	<u>District Activity</u> <u>Fund 21</u>	<u>District Activity</u> <u>Fund 25</u>	<u>SEEK Capital</u> <u>Outlay Fund</u>	<u>Building</u> <u>Fund</u>	<u>Debt Service</u> <u>Fund</u>	<u>Total</u>
Asset and resources:						
Cash and cash equivalents	9,716	185,560	-	1,176	-	196,452
Accounts receivable	-	-	-	-	-	-
Total assets and resources	<u>9,716</u>	<u>185,560</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>196,452</u>
Liabilities and fund balances:						
Accounts payable	-	-	-	-	-	-
- Fund balances -						
Restricted for SFCC	-	-	-	1,176	-	1,176
Assigned - Other	-	2,992	-	-	-	2,992
Unassigned Fund Balance (Deficit)	<u>9,716</u>	<u>182,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,284</u>
	<u>9,716</u>	<u>185,560</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>196,452</u>
Total liabilities and fund balances	<u>9,716</u>	<u>185,560</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>196,452</u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	District Activity <u>Fund 21</u>	District Activity <u>Fund 25</u>	SEEK Capital Outlay <u>Fund</u>	FSPK Building <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total</u>
Revenues:						
From local sources:						
General real property tax	-	-	-	386,418	-	386,418
Student activities	-	388,108	-	-	-	388,108
Other revenues from local sources	9,438	147,861	-	-	-	157,299
Intergovernmental - State	-	-	153,401	1,172,136	718,685	2,044,222
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>9,438</u>	<u>535,969</u>	<u>153,401</u>	<u>1,558,554</u>	<u>718,685</u>	<u>2,976,047</u>
Expenditures:						
Instructional	12,222	534,778	-	-	-	547,000
Bond principal	-	-	-	-	1,598,079	1,598,079
Bond interest	-	-	-	-	316,521	316,521
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>12,222</u>	<u>534,778</u>	<u>-</u>	<u>-</u>	<u>1,914,600</u>	<u>1,914,600</u>
Excess (deficit) of revenues over expenditures	<u>(2,784)</u>	<u>1,191</u>	<u>153,401</u>	<u>1,558,554</u>	<u>(1,195,915)</u>	<u>516,040</u>
Other financing sources (uses):						
Interest revenue	-	487	-	-	-	487
Operating transfers in	-	-	-	-	1,195,915	1,195,915
Operating transfers out	-	-	(153,401)	(1,558,554)	-	(1,711,955)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other financing sources (uses)	<u>-</u>	<u>487</u>	<u>(153,401)</u>	<u>(1,558,554)</u>	<u>1,195,915</u>	<u>(516,040)</u>
Changes in fund balance	(2,784)	1,678	-	-	-	(1,106)
Fund balance, July 1, 2022	<u>12,500</u>	<u>183,882</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>197,558</u>
Fund balance, June 30, 2023	<u>9,716</u>	<u>185,560</u>	<u>-</u>	<u>1,176</u>	<u>-</u>	<u>196,452</u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCELESLIE COUNTY HIGH SCHOOL ACTIVITY FUND

For the Year Ended June 30, 2023

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Interfund Transfers</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2022</u>	<u>Fund Balance June 30, 2023</u>
General Fund	4,171	6,342	-	(2,171)	3,626	1,455
Parking	-	500	-	(500)	570	70
Teacher Vending	1,393	3,098	-	(1,705)	1,786	81
National Honor Society	2,478	3,051	-	(573)	1,657	1,084
Art	-	-	-	-	646	646
Drama Club	500	204	-	296	1,123	1,419
Archery	-	-	-	-	896	896
Student Council	-	-	-	-	186	186
GI/G&T	-	-	-	-	417	417
Create	-	37	-	(37)	400	363
FMD	963	828	-	135	133	268
Choir	-	-	-	-	500	500
Extracurricular	47,358	34,752	(11,607)	999	8,225	9,224
Emergency Extracur	-	-	-	-	5,500	5,500
14th Regional Tournament	21,334	11,942	(958)	8,434	-	8,434
Academics	550	490	-	60	71	131
Band	8,332	8,090	412	654	1,211	1,865
Baseball	29,203	27,969	736	1,970	7,039	9,009
Boys Basketball	11,588	16,160	308	(4,264)	4,313	49
HCB Classic	4,400	3,784	(616)	-	-	-
Football	15,347	22,377	7,788	758	149	907
Cheerleaders	29,821	31,473	1,149	(503)	4,535	4,032
Girls Basketball	18,153	18,318	32	(133)	424	291
Softball	14,834	10,236	736	5,334	6,600	11,934
Track	6,301	7,084	1,473	690	8,230	8,920
Volleyball	25,238	25,922	(600)	(1,284)	16,179	14,895
Cross Country	4,744	5,721	412	(565)	2,931	2,366
E-Sports	-	896	736	(160)	978	818
Middle School Baseball	4,256	1,220	(100)	2,936	127	3,063
Middle School Softball	2,758	990	-	1,768	20	1,788
Veterans Night	500	434	-	66	261	327
Boys MS Basketball	1,945	430	-	1,515	-	1,515
Class of 2026	697	-	(697)	-	-	-
Class of 2023	50,561	55,690	3,138	(1,991)	1,991	-
Class of 2024	2,100	1,730	-	370	710	1,080
Class of 2025	-	-	-	-	710	710
Journalism	6,632	7,623	(2,442)	(3,433)	10,937	7,504
Project Sober	500	1,635	-	(1,135)	2,143	1,008
Children Inc	3,838	5,051	-	(1,213)	4,346	3,133
Start-up	3,200	3,200	100	100	(100)	-
<u>Total</u>	<u>323,695</u>	<u>317,277</u>	<u>-</u>	<u>6,418</u>	<u>99,470</u>	<u>105,888</u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCEOTHER SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2023

	<u>Hayes Lewis Elementary</u>	<u>Mountain View Elementary</u>	<u>Stinnett Elementary</u>	<u>W.B. Muncy Elementary</u>	<u>Total (Memorandum Only)</u>
<u>REVENUES:</u>					
Activity funds	30,527	71,540	49,786	60,908	212,761
<u>EXPENDITURES:</u>					
Activity funds	<u>40,430</u>	<u>63,894</u>	<u>55,428</u>	<u>57,749</u>	<u>217,501</u>
Excess or (deficiency) of revenues over <u>expenditures</u>	(9,903)	7,646	(5,642)	3,159	(4,740)
Fund Balance July 1, 2022	<u>24,424</u>	<u>23,477</u>	<u>18,500</u>	<u>18,011</u>	<u>84,412</u>
Fund Balance, June 30, 2023	<u><u>14,521</u></u>	<u><u>31,123</u></u>	<u><u>12,858</u></u>	<u><u>21,170</u></u>	<u><u>79,672</u></u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Passthrough to Subrecipients</u>	<u>Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
Scholl Breakfast Program (SBP)	10.553	7760005-22	N/A	32,408
	10.553	7760005-23	N/A	233,377
<u>Total School Breakfast Program (SBP)</u>				<u>265,785</u>
National School Lunch Program	10.555	9980000-22	N/A	39,783
	10.555	7750002-23	N/A	682,498
	10.555	7750002-22	N/A	102,629
	10.555	9980000-23	N/A	20,135
				<u>845,045</u>
Passed through State Department of Agriculture:				
School Lunch Program Commodities (non-cash assistance)	10.555	066-0100	N/A	<u>82,078</u>
<u>Total National School Lunch Program</u>				<u>1,192,908</u>
Passed through State Department of Education:				
Summer Food Service Program for Children	10.559	7740023-22	N/A	2,737
	10.559	7690024-22	N/A	281
	10.559	7740023-22	N/A	8,729
	10.559	7690024-23	N/A	900
<u>Total Summer Food Service Program for Children</u>				<u>12,647</u>
Total Child Nutrition Cluster				<u>1,205,555</u>
Passed through State Department of Education:				
State Administrative Expenses for Child Nutrition	10.560	7700001-22	N/A	<u>1,935</u>
Administrative Cost Grants	10.649	9990000-22	N/A	<u>3,135</u>
<u>Total U.S. Department of Agriculture</u>				<u>1,210,625</u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
Title I Grants to Local Educational Agencies				
	84.010	3100002-21 310J	N/A	878,787
	84.010	3100002-21 310II	N/A	184,389
	84.010	3100002-22 320IE	N/A	248,981
	84.010	3100002-22 310JM	N/A	3,958
	84.010	3100002-22 310JN	N/A	35,579
	84.010	3100002-22 310JP	N/A	135
<u>Total Title I</u>				<u>1,351,829</u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Passthrough to Subrecipients</u>	<u>Program Expenditures</u>
-Special Education Cluster -				
Special Education Grants to States	84.027	3810002-22 337J	N/A	353,311
	84.027	4910002-21 478I	N/A	89,896
				<u>443,207</u>
Special Education Preschool Grants	84.173	3800002-22 343J	N/A	121
	84.173	3800002-21 343I	N/A	3,315
				<u>3,436</u>
Total - Special Education Cluster				<u>446,643</u>
Rural Education	84.358	3140002-21 350I	N/A	<u>30,445</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act	84.425	4300002-21 473GD	N/A	4,026
	84.425	4300002-21 473G	N/A	3,509,968
	84.425	4000003-20 564GF	N/A	36,688
	84.425	4980002-21 476IC	N/A	23,295
	84.425	4300002-21 473GL	N/A	558,468
	84.425	4200002-21 554G	N/A	1,814,138
	84.425	4300005-21 563J	N/A	12,071
				<u>5,958,654</u>
Student Support and Academic Enrichment Program	84.424	3420002-22 552JW	N/A	<u>10,228</u>
21st Century Community Learning Centers	84.287	3400002-21 550IW	N/A	94,944
	84.287	3400002-20 550GC	N/A	94,165
	84.287	3400002-21 550IC	N/A	70,662
	84.287	3400002-21 550IM	N/A	84,800
	84.287	3400002-20 550GM	N/A	22,394
	84.287	3400002-19 550FX	N/A	5,011
	84.287	3400002-20 550GW	N/A	845
				<u>372,821</u>
-				
Passed through Berea College:				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	3691G	N/A	231,040
	84.334	3791G	N/A	301,873
				<u>532,913</u>
<u>Total U.S. Department of Education</u>				<u>8,703,533</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through State Department of Education:				
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	2100001-22 493I	N/A	300
	93.079	2100001-20 493F	N/A	150
<u>Total U.S. Department of Health and Human Services</u>				<u>450</u>
<u>U.S. Department of Justice</u>				
Passed through Leslie County Fiscal Court:				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-21-GG-03672	N/A	498,670
<u>Total U.S. Department of Health and Human Services</u>				<u>498,670</u>
<u>Total Federal Awards Expended</u>				<u>10,413,278</u>

See Independent Auditor's Report.

LESLIE COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2023

Note 1—Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Leslie County School District, under programs of the federal government for the year ended June 30, 2023 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 Leslie County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Leslie County School District.

Note 2—Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Leslie County School District has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

*Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3 – Non-Monetary Assistance

Non-monetary assistance CFDA #10.555, \$82,078, is reported in the schedule at the fair value of the food donations disbursed.

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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 Leslie County Board of Education
Hyden, Kentucky

We have audited, in accordance with the 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 prescribed by the State Committee for School District Audits in the Kentucky Public School Districts Audit Contract Requirements, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Leslie County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Leslie County School District's basic financial statements, and have issued our report thereon dated November 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leslie 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leslie County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Leslie County School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Leslie County School District, in a separate letter dated November 15, 2023. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Kentucky Public School District's Audit Contract and Requirements – State Compliance Requirements.

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.

A handwritten signature in blue ink, appearing to read "Ch Gooch".

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2023

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

To Board Members
Leslie County School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Leslie County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Leslie County School District's major federal programs for the year ended June 30, 2023. Leslie 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, Leslie 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 Leslie 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 Leslie 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 Leslie 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 Leslie County School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Leslie 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 Leslie 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 Leslie 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 Leslie 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.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2023

LESLIE COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS -

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -

None

LESLIE COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2023- SUMMARY OF AUDIT RESULTS -

1. We have issued an unmodified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness was disclosed by the audit in internal control over major programs.
5. We have issued an unmodified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under section 200.516 of Title 2 U.S. Code of Federal Regulations Part 200.
7. Leslie County School District had the following major programs:
 - U.S. Department of Education
 - Passed through State Department of Education-
 - Education Stabilization Fund Under the Coronavirus
 - Aid, Relief and, Economic Security Act
 - CFDA number 84.425
8. The dollar threshold used to distinguish between major and non-major programs was \$750,000.
9. The auditee qualified as a low-risk auditee under section 200.520 of Title 2 U.S. Code of Federal Regulations Part 200.

Findings Related to the Financial Statements

- NONE -

Findings and Questioned Costs for Federal Awards

- NONE -

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Leslie County Board of Education
Hyden, Kentucky

In planning and performing our audit of the financial statements of Leslie 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 matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated November 15, 2023, contains our report on the District's internal control structure. This letter does not affect our report dated November 15, 2023 on the financial statements of the Leslie County School District.

We will review the status of these comments during our next audit engagement. 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.

Respectfully,

A handwritten signature in blue ink that reads "Chris Gooch". The signature is written in a cursive, flowing style.

Chris Gooch
Certified Public Accountant

Hazard, Kentucky

November 15, 2023

LESLIE COUNTY SCHOOL DISTRICTMANAGEMENT LETTER COMMENTSFor the Year Ended June 30, 2023**Prior Year Comments**

1. Use of facsimile inventory control forms by student activity accounts should assure all elements are applied as listed on FSA-5 in order to more properly account for beginning and ending inventory.

Management response:

Updated forms were provided to applicable personnel at each school location.

Current Year Comments

NONE