

Ludlow Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2023
With Independent Auditors' Report**

LUDLOW INDEPENDENT SCHOOL DISTRICT

June 30, 2023

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Independent Auditors' Report

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, 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 Ludlow Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Ludlow Independent 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 Ludlow Independent School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ludlow Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ludlow Independent 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.

**Independent Auditors' Report
(Continued)**

Auditors' 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 Ludlow Independent 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 Ludlow Independent 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 53-55, and 59-68 as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

**Independent Auditors' Report
(Continued)**

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ludlow Independent School District's basic financial statements. The information on pages 51-52, 56-58, and 69-70 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The information on pages 51-52, 56-58, and 69-70 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on pages 51-52, 56-58, and 69-70 as listed in the table of contents is 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 14, 2023 on our consideration of the Ludlow Independent 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 Ludlow Independent 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 the Ludlow Independent School District's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective as of July 1, 2022. Our opinion is not modified with respect to this matter.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2023

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A - Unaudited) Year Ended June 30, 2023

As management of Ludlow Independent Board of Education (Board), the governing body for the Ludlow Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

FINANCIAL HIGHLIGHTS

- The beginning cash balance, including investments, for the District was \$2,079,964.
- Average Daily Attendance (ADA) for fiscal year 2023 was 754. Over the previous five years, we have had no increase or decrease in ADA. Our attendance trend is shifting due to the fact that our elementary class sizes are larger and are moving in to our high school.
- The General Fund had \$9,363,369 in revenue (before interfund transfers of \$589,811), which primarily consisted of the state program (SEEK), property taxes, local occupational license taxes, utilities taxes, and motor vehicle taxes. There was \$9,929,662 in General Fund expenditures (before interfund transfers of \$15,842). Budgeted contingency funds were \$1,800,000 in the General Fund 2023.
- The ending unassigned fund balance in the General Fund for fiscal year 2023 is \$1,796,159. This is an increase of \$7,676 from 2022. From year to year the state legislature is requiring the District to absorb more and more mandated expenses, while at the same time they continue to cut grant funding.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2023 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-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 district-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 is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is 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. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 50 of this report.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a district’s financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$25,228,596 as of June 30, 2023.

The largest portion of the District’s net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), 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 years ending June 30, 2023 and 2022

The following is a summary of net position for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Current assets	\$ 26,773,940	\$ 2,746,716
Noncurrent assets	9,363,545	7,178,853
Total assets	<u>36,137,485</u>	<u>9,925,569</u>
 Total deferred outflows	 <u>2,396,789</u>	 <u>1,208,762</u>
Current liabilities	636,845	693,066
Noncurrent liabilities	10,758,054	7,597,422
Total liabilities	<u>11,394,899</u>	<u>8,290,488</u>
 Total deferred inflows	 <u>1,856,414</u>	 <u>1,895,385</u>
 Net position		
Investment in capital assets (net of debt)	3,070,421	3,003,853
Restricted	20,658,157	(3,625,984)
Unrestricted	1,554,383	1,570,589
Total net position	<u>\$ 25,282,961</u>	<u>\$ 948,458</u>

Comments on General Fund Budget Comparisons

- The District’s total General Fund revenues for the fiscal year ended June 30, 2023, including interfund transfers of \$589,811, were \$9,953,180.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$3,416,353 more than budget or approximately 52.3% of the General Fund budget. The majority of this variance is the result of the District recording “on behalf” payments made by the state.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on General Fund Budget Comparisons (Continued)

- The total cost of all General Fund programs and services was \$9,945,504 including interfund transfers of \$15,842.
- General Fund actual expenditures exceeded budgeted expenditures by \$1,604,867. The majority of this variance is the result of the District recording “on behalf” payments made by the state.

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

	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 64,929	\$ 55,385
Operating grants and contributions	3,070,186	3,038,963
Capital grants and contributions	23,591,139	521,399
Total grant revenues	26,726,254	3,615,747
General revenues:		
Property taxes	3,037,542	2,736,452
Grants and entitlements	3,598,949	1,810,425
Earnings on investments	791,967	4,567
Miscellaneous	1,652,585	436,803
Total general revenues	9,081,043	4,988,247
Total revenues	35,807,297	8,603,994
Expenses:		
Instruction	5,033,657	2,119,885
Student support services	759,331	778,670
Instructional support	1,365,344	1,231,205
District administration	919,654	775,160
School administration	714,843	593,568
Business support	208,379	165,176
Plant operations	1,286,586	1,194,908
Student transportation	31,121	32,020
Community support	164,172	143,775
Food service	822,526	665,442
Facilities acquisition and construction	1,857	-
Interest	165,324	149,063
Total expenses	11,472,794	7,848,872
Excess of revenues over expenses	\$ 24,334,503	\$ 755,122

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

BUDGETARY IMPLICATIONS

Ludlow Independent School District administered federal and state grant funds totaling \$2,242,960. Below is a three-year comparison of our federal and state grant funds:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
State Grants	\$ 516,485	\$ 414,371	\$ 342,490
Federal Grants	\$1,726,475	\$ 1,749,848	\$ 1,419,306

The working budget contingency balance in the General Fund for fiscal year 2023 was \$1,800,000 (21.6%). The Kentucky Department of Education no longer mandates contingency for budgeting purposes. The beginning carry forward balance for 2023 is higher than in 2022. With the cuts in state and federal funding, the ability to sustain/grow the carry forward is always an ongoing concern that we keep a cautious eye on. Due to the stress of implementing mandated curriculum changes we will continually have to look at different ways to accomplish the high standards we set for ourselves.

Fiscal year 2024 is already upon us and we are doing our best to balance the financial outlook with what is best for the students of Ludlow Independent School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Michael Borchers, Superintendent, at (859) 261-8210 or by mail at Ludlow Independent School District, 525 Elm St., Ludlow, KY 41016.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents	\$ 25,530,126	\$ 545,446	\$ 26,075,572
Accounts receivable	669,617	15,150	684,767
Inventories for consumption	-	13,601	13,601
Total current	<u>26,199,743</u>	<u>574,197</u>	<u>26,773,940</u>
Noncurrent			
Construction in progress	2,411,118	\$ -	2,411,118
Nondepreciated capital assets:			
Land	391,300	-	391,300
Depreciated capital assets:			
Land improvements	112,189	-	112,189
Buildings and improvements	13,030,049	-	13,030,049
Furniture and equipment	1,111,075	236,872	1,347,947
Less: accumulated depreciation	<u>(7,726,724)</u>	<u>(202,334)</u>	<u>(7,929,058)</u>
Total noncurrent	<u>9,329,007</u>	<u>34,538</u>	<u>9,363,545</u>
Total assets	<u>35,528,750</u>	<u>608,735</u>	<u>36,137,485</u>
Deferred Outflows	<u>2,300,500</u>	<u>96,289</u>	<u>2,396,789</u>
Liabilities			
Current			
Current portion of bonds payable	404,998	-	404,998
Accrued interest	74,500	-	74,500
Accrued sick leave	16,728	-	16,728
Accrued payroll and related expenses	3,811	-	3,811
Unearned revenues	136,808	-	136,808
Total current	<u>636,845</u>	<u>-</u>	<u>636,845</u>
Noncurrent			
Accrued sick leave	150,548	-	150,548
CERS net pension liability	1,622,173	67,898	1,690,071
MIF net OPEB liability	2,907,608	121,701	3,029,309
Bond obligations	5,888,126	-	5,888,126
Total noncurrent	<u>10,568,455</u>	<u>189,599</u>	<u>10,758,054</u>
Total liabilities	<u>11,205,300</u>	<u>189,599</u>	<u>11,394,899</u>
Deferred Inflows	<u>1,781,834</u>	<u>74,580</u>	<u>1,856,414</u>
Net Position			
Invested in capital assets, net of related debt	3,035,883	34,538	3,070,421
Restricted	20,251,850	406,307	20,658,157
Unrestricted	1,554,383	-	1,554,383
Total net position	<u>\$ 24,842,116</u>	<u>\$ 440,845</u>	<u>\$ 25,282,961</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2023**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instructional	\$ 5,033,657	\$26,186	\$ 1,058,628	\$ -	\$ (3,948,843)	\$ -	\$ (3,948,843)
Student support services	759,331	-	303,965	-	(455,366)	-	(455,366)
Staff support services	1,365,344	-	535,905	-	(829,439)	-	(829,439)
District administration	919,654	-	128,813	-	(790,841)	-	(790,841)
School administration	714,843	-	-	-	(714,843)	-	(714,843)
Business support services	208,379	-	-	-	(208,379)	-	(208,379)
Plant operation and maintenance	1,286,586	-	59,959	-	(1,226,627)	-	(1,226,627)
Student transportation	31,121	-	-	-	(31,121)	-	(31,121)
Community service operations	164,172	-	164,172	-	-	-	-
Facility acquisition and construction	1,857	-	-	23,591,139	23,589,282	-	23,589,282
Interest on long-term debt	165,324	-	-	-	(165,324)	-	(165,324)
Total governmental activities	10,650,268	26,186	2,251,442	23,591,139	15,218,499	-	15,218,499
Business-type Activities							
Food service	822,526	38,743	818,744	-	-	34,961	34,961
Total business-type activities	822,526	38,743	818,744	-	-	34,961	34,961
Total school district	\$ 11,472,794	\$ 64,929	\$ 3,070,186	\$ 23,591,139	15,218,499	34,961	15,253,460
			General revenues:				
			Taxes		3,037,542	-	3,037,542
			State and federal sources		3,598,949	-	3,598,949
			Investment earnings		766,203	25,764	791,967
			Miscellaneous		1,652,585	-	1,652,585
			Special items:				
			Transfers		30,461	(30,461)	-
			Total general and special revenues		9,085,740	(4,697)	9,081,043
			Change in net position		24,304,239	30,264	24,334,503
			Net position - beginning		537,877	410,581	948,458
			Net position - ending		\$ 24,842,116	\$ 440,845	\$ 25,282,961

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current					
Cash (overdraft) and cash equivalents	\$ 1,700,668	\$ (433,507)	\$ 23,817,552	\$ 445,413	\$ 25,530,126
Accounts receivable	99,302	570,315	-	-	669,617
Total current assets	<u>\$ 1,799,970</u>	<u>\$ 136,808</u>	<u>\$ 23,817,552</u>	<u>\$ 445,413</u>	<u>\$ 26,199,743</u>
Liabilities and Fund Balance					
Current					
Accrued payroll and related expenses	3,811	-	-	-	3,811
Unearned revenues	-	136,808	-	-	136,808
Total current liabilities	<u>3,811</u>	<u>136,808</u>	<u>-</u>	<u>-</u>	<u>140,619</u>
Fund Balance					
Restricted					
Future Construction	-	-	23,817,552	-	23,817,552
Other	-	-	-	445,413	445,413
Unassigned	1,796,159	-	-	-	1,796,159
Total fund balance	<u>1,796,159</u>	<u>-</u>	<u>23,817,552</u>	<u>445,413</u>	<u>26,059,124</u>
Total liabilities and fund balance	<u>\$ 1,799,970</u>	<u>\$ 136,808</u>	<u>\$ 23,817,552</u>	<u>\$ 445,413</u>	<u>\$ 26,199,743</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2023**

Total governmental fund balance	\$ 26,059,124
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Construction in progress	2,411,118
Cost of capital assets	14,644,613
Accumulated depreciation	<u>(7,726,724)</u>
	9,329,007
Deferred outflows for MIF contributions made after the measurement date	157,618
Deferred outflows related to MIF	1,735,647
Deferred outflows for CERS contributions made after the measurement date	184,771
Deferred outflows related to pensions	<u>222,464</u>
	2,300,500
Deferred inflows related to pensions	(359,616)
Deferred inflows related to MIF	(1,422,218)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	(6,095,000)
Bond premium	(198,124)
Accrued interest on bonds	(74,500)
Net pension liability	(1,622,173)
Net OPEB liability	(2,907,608)
Accrued sick leave	<u>(167,276)</u>
Total net position - governmental	<u><u>\$ 24,842,116</u></u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2023**

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,541,507	\$ -	\$ -	\$ 496,035	\$ 3,037,542
Earnings on investments	82,788	83	677,158	6,174	766,203
State sources	6,662,159	516,485	23,010,000	581,139	30,769,783
Federal sources	28,821	1,726,475	-	-	1,755,296
Other sources	48,094	8,482	25,430	471,071	553,077
	<u>9,363,369</u>	<u>2,251,525</u>	<u>23,712,588</u>	<u>1,554,419</u>	<u>36,881,901</u>
Total revenues					
Expenditures:					
Instructional	5,919,124	1,074,553	-	8,126	7,001,803
Student support services	280,822	303,965	-	174,544	759,331
Staff support services	829,439	535,905	-	-	1,365,344
District administration	780,251	128,813	-	-	909,064
School administration	714,719	-	-	-	714,719
Business support services	208,379	-	-	-	208,379
Plant operation and maintenance	1,165,807	59,959	-	-	1,225,766
Student transportation	31,121	-	-	-	31,121
Community service operations	-	164,172	-	-	164,172
Facility acquisition and construction	-	-	2,412,975	-	2,412,975
Debt service:					
Principal	-	-	-	375,000	375,000
Interest	-	-	-	142,824	142,824
	<u>9,929,662</u>	<u>2,267,367</u>	<u>2,412,975</u>	<u>700,494</u>	<u>15,310,498</u>
Total expenditures					
Excess(deficit) of revenues over expenditures	<u>(566,293)</u>	<u>(15,842)</u>	<u>21,299,613</u>	<u>853,925</u>	<u>21,571,403</u>
Other financing sources(uses):					
Proceeds from sale of bonds	-	-	2,295,000	-	2,295,000
Bond premium	-	-	198,124	-	198,124
Operating transfers in	589,811	15,842	-	768,362	1,374,015
Operating transfers out	<u>(15,842)</u>	<u>-</u>	<u>-</u>	<u>(1,327,712)</u>	<u>(1,343,554)</u>
	<u>573,969</u>	<u>15,842</u>	<u>2,493,124</u>	<u>(559,350)</u>	<u>2,523,585</u>
Total other financing sources					
Net change in fund balance	7,676	-	23,792,737	294,575	24,094,988
Fund balance, July 1, 2022	<u>1,788,483</u>	<u>-</u>	<u>24,815</u>	<u>150,838</u>	<u>1,964,136</u>
Fund balance, June 30, 2023	<u>\$ 1,796,159</u>	<u>\$ -</u>	<u>\$ 23,817,552</u>	<u>\$ 445,413</u>	<u>\$ 26,059,124</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023**

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

Net changes-governmental funds		\$ 24,094,988
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.</p>		
Depreciation expense	(216,763)	
Capital outlays	<u>2,411,118</u>	
		2,194,355
<p>Bond and capital lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Bond proceeds	(2,295,000)	
Bond premium	(198,124)	
Bond principal paid	<u>375,000</u>	
		(2,118,124)
Deferred outflows related to pensions		125,276
Deferred outflows related to other post-employment retirement benefits		1,008,900
Deferred inflows related to pensions		18,425
Deferred inflows related to other post-employment retirement benefits		28,582
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
		<u>(1,048,163)</u>
Changes in net position of governmental activities		<u>\$ 24,304,239</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2023**

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 545,446	\$ 545,446
Accounts receivable	15,150	15,150
Inventories for consumption	13,601	13,601
Total current	574,197	574,197
Noncurrent		
Furniture and fixtures	236,872	236,872
Less accumulated depreciation	(202,334)	(202,334)
Total noncurrent	34,538	34,538
Total assets	608,735	608,735
Deferred outflows	96,289	96,289
Noncurrent		
CERS net pension liability	67,898	67,898
MIF net OPEB liability	121,701	121,701
Total noncurrent	189,599	189,599
Total liabilities	189,599	189,599
Deferred inflows	74,580	74,580
Net Position		
Invested in assets, net of debt	34,538	34,538
Restricted	406,307	406,307
Total net position	\$ 440,845	\$ 440,845

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2023**

	Food Service	Total
Operating revenues:		
Lunchroom sales	\$ 37,809	\$ 37,809
Other operating revenues	934	934
	<u>38,743</u>	<u>38,743</u>
Total operating revenues	<u>38,743</u>	<u>38,743</u>
Operating expenses:		
Salaries and benefits	372,427	372,427
Contract services	13,315	13,315
Materials and supplies	418,650	418,650
Depreciation	9,663	9,663
Other operating expenses	8,471	8,471
	<u>822,526</u>	<u>822,526</u>
Total operating expenses	<u>822,526</u>	<u>822,526</u>
Operating loss	<u>(783,783)</u>	<u>(783,783)</u>
Nonoperating revenues (expenses):		
Federal grants	727,662	727,662
State grants	42,571	42,571
Donated commodities and other donations	48,511	48,511
Transfers	(30,461)	(30,461)
Interest income	25,764	25,764
	<u>814,047</u>	<u>814,047</u>
Total non operating revenue (expenses)	<u>814,047</u>	<u>814,047</u>
Change in net position	30,264	30,264
Total net position, July 1, 2022	<u>410,581</u>	<u>410,581</u>
Total net position, June 30, 2023	<u>\$ 440,845</u>	<u>\$ 440,845</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2023**

	Food Service Fund	Total
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 37,809	\$ 37,809
Cash payments for other activities	68,840	68,840
Cash payments to employees for services	(360,214)	(360,214)
Cash payments to suppliers for goods and services	(445,436)	(445,436)
Cash transfer	(30,461)	(30,461)
Net cash used in operating activities	(729,462)	(729,462)
Cash flows from noncapital financing activities		
Non-operating revenues received	818,744	818,744
Net cash provided by noncapital financing activities	818,744	818,744
Cash flows from investing activities		
Interest on investments	25,764	25,764
Net cash provided by investing activities	25,764	25,764
Net increase in cash and cash equivalents	115,046	115,046
Cash and cash equivalents - beginning	430,400	430,400
Cash and cash equivalents - ending	\$ 545,446	\$ 545,446
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (783,783)	\$ (783,783)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	9,663	9,663
Interfund transfers	(30,461)	(30,461)
Changes in assets and liabilities:		
(Increase) in deferred outflows	(53,851)	(53,851)
Increase in deferred inflows	8,036	8,036
Decrease in inventory	1	1
Decrease in accounts receivable	67,906	67,906
Increase in CERS net pension liability	7,775	7,775
Increase in MIF net OPEB liability	50,253	50,253
(Decrease) in accounts payable	(5,001)	(5,001)
Net cash used in operating activities	\$ (729,462)	\$ (729,462)
Schedule of non-cash transactions		
Donated commodities received from federal government	\$ 48,511	\$ 48,511
On-behalf payments	\$ 37,665	\$ 37,665

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Fiduciary Funds
As of June 30, 2023

	<u>Trust Fund</u>	<u>Total</u>
Assets		
Current		
Cash and cash equivalents	\$ 78,890	\$ 78,890
Total current assets	<u>78,890</u>	<u>78,890</u>
Total assets	<u>\$ 78,890</u>	<u>\$ 78,890</u>
Net Position		
Restricted	<u>78,890</u>	<u>78,890</u>
Total net position	<u>78,890</u>	<u>78,890</u>
Total liabilities and net position	<u>\$ 78,890</u>	<u>\$ 78,890</u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2023**

	<u>Trust Fund</u>	<u>Total</u>
Additions		
Private donations	<u>\$ 40,829</u>	<u>\$ 40,829</u>
Total additions	<u>40,829</u>	<u>40,829</u>
Deductions		
Instruction	<u>30,500</u>	<u>30,500</u>
Total deductions	<u>30,500</u>	<u>30,500</u>
Change in net position	10,329	10,329
Net position - July 1, 2022	<u>68,561</u>	<u>68,561</u>
Net position - June 30, 2023	<u><u>\$ 78,890</u></u>	<u><u>\$ 78,890</u></u>

The accompanying notes are an integral part of these financial statements

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Ludlow Independent 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 the Ludlow Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Ludlow Independent 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 Parent-Teacher Associations, etc.

The financial statements of the District 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 of the respective governing board.

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

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

Basis of Presentation

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

The district-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 district-wide statements and the statements for governmental funds.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

The district-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. Fiduciary funds are reported by fund type.

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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of 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 on page 69. This is a major fund of the District.
- (C) Special Revenue Activity Fund is used to support co-curricular activities and are not raised and expended by student groups. District activity funds accounted for in the District bank account are not subject to the Redbook and may be expended with more flexibility than school activity funds but must meet the "educational purpose" standard for all District expenditures.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (Continued)

(D) 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 (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$23,817,552 for ongoing projects.

II. Debt Service Fund

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.

III. Proprietary Fund (Enterprise Fund)

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 Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Trust Funds)

The Trust Fund is used to report trust arrangement under which principal and income benefit individuals, private organizations or other governments. Revenues consist of donations and interest income. Expenditures represent scholarships.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

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

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on 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.

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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. 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.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-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 one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. 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 asset's life are not.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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
Other	10 years

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 District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by 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 District, those revenues are primarily charges for meals provided by the various schools.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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.

NOTE 2 ESTIMATES

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

NOTE 3 CONCENTRATION OF CREDIT RISK

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Land	\$ 391,300	\$ -	\$ -	\$ 391,300
Land improvements	112,189	-	-	112,189
Buildings and improvements	13,030,049	-	-	13,030,049
Technology equipment	749,592	-	-	749,592
Vehicles	167,625	-	-	167,625
General equipment	193,858	-	-	193,858
Construction work in progress	-	2,411,118	-	2,411,118
Totals at historical cost	14,644,613	2,411,118	-	17,055,731
Less: accumulated depreciation				
Land improvements	107,075	1,330	-	108,405
Buildings and improvements	6,301,865	212,549	-	6,514,414
Technology equipment	749,714	-	-	749,714
Vehicles	167,625	-	-	167,625
General equipment	183,682	2,884	-	186,566
Total accumulated depreciation	7,509,961	216,763	-	7,726,724
Governmental activities capital assets - net	\$ 7,134,652	\$ 2,194,355	\$ -	\$ 9,329,007
<u>Business - Type Activities</u>				
General equipment	\$ 160,336	\$ -	\$ -	\$ 160,336
Buildings and improvements	71,290	-	-	71,290
Technology equipment	5,246	-	-	5,246
Totals at historical cost	236,872	-	-	236,872
Less: accumulated depreciation				
General equipment	117,538	8,260	-	125,798
Buildings and improvements	69,887	1,403	-	71,290
Technology equipment	5,246	-	-	5,246
Total accumulated depreciation	192,671	9,663	-	202,334
Business - type activities capital assets - net	\$ 44,201	\$ (9,663)	\$ -	\$ 34,538

Depreciation expense by function for the fiscal year ended June 30, 2023 was as follows:

	Governmental	Business-Type
Instruction	\$ 145,229	\$ -
District administration	10,590	-
School administration	124	-
Plant operation and maintenance	60,820	-
Food service	-	9,663
Total	\$ 216,763	\$ 9,663

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 5 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023 this amount totaled approximately \$167,276 for those employees with twenty-seven or more years of experience.

NOTE 6 LEASE 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 the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
July 1, 2007	\$ 425,000	4.125% - 4.200%
December 1, 2007	915,000	3.600% - 4.000%
February 1, 2014	3,095,000	1.000% - 4.125%
December 1, 2015	835,000	1.000% - 4.125%
June 1, 2016	1,135,000	2.000% - 3.000%
January 18, 2023	2,295,000	4.000% - 5.000%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Kenton County Fiscal Court and the Ludlow Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are reported in Note 16.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements
(Continued)

NOTE 7 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement benefits are based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly average rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2023, was \$231,491, which consisted of \$192,505 from the District and \$38,986 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$220,308 and \$202,220, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

**General information about the Teachers' Retirement System of the State of Kentucky
*Plan description***

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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/employers/gasb-65-67/>.

Benefits provided

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

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. New employees hired after July 1, 2008 but before December 31, 2021 who retires with less than ten year will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 10 to 20 years of service will receive monthly benefits equal to 2% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26 to 30 years of service will receive monthly benefits equal to 2.5% of their final average salary for each year of service. Effective January 1, 2022, the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2023, was \$866,224, which consisted of \$210,302 from the District and \$655,923 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$840,403 and \$739,760, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. 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.

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

Funding policy

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Member contributions are 3.75% and 0.75% is paid from state appropriate. Employer contributions are 3.00%. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 1,690,071
Commonwealth's proportionate share of the TRS net pension liability associated with the District	<u>24,185,386</u>
	<u>\$ 25,875,457</u>

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.023379%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

For the year ended June 30, 2023, the District recognized a reduction of pension expense of \$39,529 related to CERS. The District also recognized a reduction of expense of \$3,088,828 and a reduction of revenue of \$3,088,828 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,807	\$ 15,051
Net difference between projected and actual earnings on pension plan investments	229,968	186,641
Changes of Assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	-	172,976
District contributions subsequent to the measurement date	192,505	-
Total	\$ 424,280	\$ 374,668

\$192,505 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ (100,613)
2025	(76,087)
2026	(14,202)
2027	48,009
2028	-

Actuarial assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	2.30%	2.50%
Projected salary increases	3.3 - 10.3%	3.0 - 7.5%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

LUDLOW INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 7 RETIREMENT PLANS (CONTINUED)

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each groups: service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were 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 then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, 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 TRS' and CERS' investment consultant, are summarized in the following table:

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.23%	50.0%	4.45%
Developed international equity	16.5%	5.30%		
Emerging markets equity	5.5%	5.40%		
Core bonds			10.0%	0.28%
Private equity	7.0%	6.90%	10.0%	10.15%
High yield	2.0%	1.70%	10.0%	2.28%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	7.0%	3.67%
Real return			13.0%	4.07%
Cash	2.0%	-0.30%	0.0%	-0.91%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

For CERS, 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 that contributions from plan employees 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 investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	2,112,379	1,690,071	1,340,787
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plans' fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE 8 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Ludlow Independent 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 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Benefits provided

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

Contributions

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three 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.

General information about the County Employees Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 7 for tier classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 7.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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

At June 30, 2023, the Ludlow Independent School District reported a liability of \$3,029,309 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. For June 30, 2022 the District's proportion was 0.10 percent for TRS, which was an increase of 0.03 percent of its proportion measured as of June 30, 2021. At June 30, 2022 the District's proportion was 0.02 percent for CERS, which was a decrease of 0.01 percent of its proportion measured as of June 30, 2021.

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

District's proportionate share of the CERS net OPEB liability	\$ 461,309
District's proportionate share of the TRS net OPEB liability	2,568,000
State's proportionate share of the net OPEB liability associated with the District	<u>844,000</u>
	<u>\$ 3,873,309</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

For the year ended June 30, 2023, the District recognized OPEB expense of \$972,398 and revenue of \$45,091 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 46,435	\$ 1,184,789
Net difference between projected and actual earnings on OPEB plan investments	222,900	67,177
Change of Assumptions	594,959	60,118
Changes in proportion and differences between employer contributions and proportionate share of contributions	944,000	169,662
District contributions subsequent to the measurement date	164,215	-
Total	\$ 1,972,509	\$ 1,481,746

Of the total amount reported as deferred outflows of resources related to OPEB, \$164,215 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ (60,742)
2025	(29,873)
2026	(13,020)
2027	194,184
2028	171,000
Thereafter	64,999

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.00 - 7.50%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	3.37%	3.69%
Discount Rate	7.10%	5.70%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2020 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Actuarial assumptions (continued)

For TRS, 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	1.7%
Cash (LIBOR)	1.0%	-0.3%
Total	100.0%	

Discount rate

For TRS, 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.

For CERS, the discount rate used to measure the total OPEB liability was 5.70%. 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.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate, 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 or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
TRS			
Districts' net OPEB liability	\$ 3,222,000	\$ 2,568,000	\$ 2,027,000
	1% Decrease (4.70%)	Current Discount Rate (5.20%)	1% Increase (6.70%)
CERS			
Districts' net OPEB liability	\$ 616,696	\$ 461,309	\$ 332,855

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 Discount	1% Increase
TRS			
Districts' net OPEB liability	\$ 1,925,000	\$ 2,568,000	\$ 3,368,000
	1% Decrease	Current Discount	1% Increase
CERS			
Districts' net OPEB liability	\$ 342,973	\$ 461,309	\$ 603,408

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

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 is 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 Ludlow Independent 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		42,000
	\$	42,000

For the year ended June 30, 2023, the District recognized OPEB expense of \$-0- and revenue of \$3,203 for support provided by the State.

Actuarial assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3.00 - 7.50%, including wage inflation
Inflation rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 OPEB PLANS (CONTINUED)

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 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 District'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 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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position

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

NOTE 9 CONTINGENCIES

Grant Fund Approval

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 the programs.

NOTE 10 INSURANCE AND RELATED ACTIVITIES

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 DEFICIT OPERATING/FUND BALANCES

The District currently has no funds with a deficit fund balance. Additionally, no funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance.

NOTE 13 COBRA

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 14 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>
Food Service Fund	General Fund	Indirect Costs Transfers	\$ 30,461
Building Fund	Debt Service Fund	Debt Service	\$ 284,446
Capital Outlay Fund	General Fund	Operations	\$ 559,350
General Fund	Special Revenue	Matching	\$ 15,842
Building Fund	Capital Outlay Fund	Operations	\$ 483,916

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2023 total payments of \$3,386,796 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 3,115,753
Debt Service	233,378
Food Service	<u>37,665</u>
Total On-Behalf	<u><u>\$ 3,386,796</u></u>

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2007, 2007B, 2014, 2015-REF, 2016, and 2023A Issues

FISCAL YEAR	Ludlow Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2023-2024	\$ 242,506	\$ 189,598	\$ 432,104	\$ 162,492	\$ 46,410	\$ 208,902	\$ 641,006
2024-2025	330,160	184,025	514,185	169,840	40,712	210,552	724,737
2025-2026	342,671	172,240	514,911	175,329	34,670	209,999	724,910
2026-2027	356,309	159,436	515,745	158,691	28,092	186,783	702,528
2027-2028	369,190	144,670	513,860	145,810	22,416	168,226	682,086
2028-2029	386,875	128,880	515,755	68,125	18,470	86,595	602,350
2029-2030	399,283	111,725	511,008	72,717	15,875	88,592	599,600
2030-2031	416,589	94,195	510,784	73,411	13,140	86,551	597,335
2031-2032	438,787	75,992	514,779	76,213	10,383	86,596	601,375
2032-2033	455,883	56,674	512,557	79,117	7,476	86,593	599,150
2033-2034	472,784	38,839	511,623	82,216	4,418	86,634	598,257
2034-2035	253,682	20,317	273,999	16,318	1,158	17,476	291,475
2035-2036	263,184	10,764	273,948	16,816	661	17,477	291,425
2036-2037	56,375	845	57,220	13,627	204	13,831	71,051
	<u>\$ 4,784,278</u>	<u>\$ 1,388,200</u>	<u>\$ 6,172,478</u>	<u>\$ 1,310,722</u>	<u>\$ 244,085</u>	<u>\$ 1,554,807</u>	<u>\$ 7,727,285</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2023 is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2023</u>
Bond Obligations	\$ 4,175,000	\$ 2,295,000	\$ 375,000	\$ 6,095,000
Bond premium	\$ -	\$ 198,124	\$ -	\$ 198,124

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2022, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement no. 96, *Subscription-Based Information Technology Arrangements*, as it relates to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, contracts that provide the District with IT software and associated tangible capital assets are recognized as a right of use subscription asset and a corresponding subscription liability. The implementation of this Statement did not have a material impact on the financial statements.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events were considered through November 14, 2023, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2023**

	<u>Special Revenue Activity Fund</u>	<u>School Activity Fund</u>	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Total Non-major Government Funds</u>
Assets						
Current:						
Cash and cash equivalents	\$ 294,576	\$ 150,837	\$ -	\$ -	\$ -	\$ 445,413
Total current	<u>\$ 294,576</u>	<u>\$ 150,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,413</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ -		\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Restricted:						
Other	\$ 294,576	\$ 150,837	\$ -	\$ -	\$ -	\$ 445,413
Total fund balances	<u>294,576</u>	<u>150,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>445,413</u>
Total liabilities and fund balances	<u>\$ 294,576</u>	<u>\$ 150,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,413</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
For the Year Ended June 30, 2023**

	Special Revenue Activity Fund	School Activity Fund	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ 496,035	\$ -	\$ 496,035
Earnings on investments	-	6,174	-	-	-	6,174
State sources	-	-	75,434	272,327	233,378	581,139
Other sources	283,468	187,603	-	-	-	471,071
	<u>283,468</u>	<u>187,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>471,071</u>
Total revenues	<u>283,468</u>	<u>193,777</u>	<u>75,434</u>	<u>768,362</u>	<u>233,378</u>	<u>1,554,419</u>
Expenditures:						
Instructional	8,126	-	-	-	-	8,126
Student support services	-	174,544	-	-	-	174,544
Debt service:						
Principal	-	-	-	-	375,000	375,000
Interest	-	-	-	-	142,824	142,824
	<u>8,126</u>	<u>174,544</u>	<u>-</u>	<u>-</u>	<u>517,824</u>	<u>700,494</u>
Total expenditures	<u>8,126</u>	<u>174,544</u>	<u>-</u>	<u>-</u>	<u>517,824</u>	<u>700,494</u>
Excess (deficit) of revenues over expenditures	<u>275,342</u>	<u>19,233</u>	<u>75,434</u>	<u>768,362</u>	<u>(284,446)</u>	<u>853,925</u>
Other Financing Sources (Uses)						
Operating transfers in	-	-	483,916	-	284,446	768,362
Operating transfers out	-	-	(559,350)	(768,362)	-	(1,327,712)
	<u>-</u>	<u>-</u>	<u>(75,434)</u>	<u>(768,362)</u>	<u>284,446</u>	<u>(559,350)</u>
Total other financing sources(uses)	<u>-</u>	<u>-</u>	<u>(75,434)</u>	<u>(768,362)</u>	<u>284,446</u>	<u>(559,350)</u>
Net change in fund balance	275,342	19,233	-	-	-	294,575
Fund balance, July 1, 2022	19,234	131,604	-	-	-	150,838
Fund balance, June 30, 2023	<u>\$ 294,576</u>	<u>\$ 150,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 445,413</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 2,332,368	\$ 2,332,368	\$ 2,541,507	\$ 209,139
Earnings on investments	15,000	15,000	82,788	67,788
State sources	3,627,313	3,627,313	6,662,159	3,034,846
Federal sources	10,000	10,000	28,821	18,821
Other sources	<u>552,146</u>	<u>552,146</u>	<u>637,905</u>	<u>85,759</u>
Total revenues	<u>6,536,827</u>	<u>6,536,827</u>	<u>9,953,180</u>	<u>3,416,353</u>
Expenditures				
Instructional	3,764,963	3,764,963	5,919,124	(2,154,161)
Student support services	211,556	211,556	280,822	(69,266)
Staff support services	532,380	532,380	829,439	(297,059)
District administration	588,394	588,394	780,251	(191,857)
School administration	459,831	459,831	714,719	(254,888)
Business support services	211,287	211,287	208,379	2,908
Plant operation and maintenance	719,878	723,688	1,165,807	(442,119)
Student transportation	33,538	33,538	31,121	2,417
Other	<u>1,815,000</u>	<u>1,815,000</u>	<u>15,842</u>	<u>1,799,158</u>
Total expenditures	<u>8,336,827</u>	<u>8,340,637</u>	<u>9,945,504</u>	<u>(1,604,867)</u>
Net change in fund balance	(1,800,000)	(1,803,810)	7,676	1,811,486
Fund balance, July 1, 2022	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,788,483</u>	<u>(11,517)</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ (3,810)</u>	<u>\$ 1,796,159</u>	<u>\$ 1,799,969</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	\$ 388,688	\$ 467,731	\$ 516,485	\$ 48,754
Federal sources	850,117	2,113,147	1,726,475	(386,672)
Other sources	15,000	12,110	24,407	12,297
Total revenues	1,253,805	2,592,988	2,267,367	(325,621)
Expenditures				
Instructional	737,163	1,669,228	1,074,553	594,675
Student support services	289,605	254,833	303,965	(49,132)
Staff support services	96,268	(487,228)	535,905	(1,023,133)
District administration	14,355	366,019	128,813	237,206
Plant operation and maintenance	17,761	656,418	59,959	596,459
Community service operations	98,653	79,027	164,172	(85,145)
Total expenditures	1,253,805	2,538,297	2,267,367	270,930
Net change in fund balance	-	54,690	-	-
Fund balance, July 1, 2022	-	-	-	-
Fund balance, June 30, 2023	-	\$ 54,690	\$ -	\$ -

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	-	-	23,010,000	23,010,000
Other sources	\$ -	\$ 2,535,000	\$ 2,518,554	\$ (16,446)
Total revenues	-	2,535,000	26,205,712	23,670,712
Expenditures				
Facility acquisition and construction		2,535,000	2,412,975	122,025
Total expenditures	-	2,535,000	2,412,975	122,025
Net change in fund balance	-	-	23,792,737	23,792,737
Fund balance, July 1, 2022	-	-	24,815	24,815
Fund balance, June 30, 2023	\$ -	\$ -	\$ 23,817,552	\$ 23,817,552

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2023**

	Issue of 2007	Issue of 2007B	Issue of 2014
Cash at July 1, 2022	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	31,405	67,673	260,488
Disbursements:			
Bonds paid	25,000	55,000	170,000
Interest coupons	6,405	12,673	90,488
Total disbursements	31,405	67,673	260,488
Excess of receipts over disbursements	-	-	-
Cash at June 30, 2023	-	-	-
Fund balance at June 30, 2023	\$ -	\$ -	\$ -

	Issue of 2015	Issue of 2016	Total
Cash at July 1, 2022	\$ -	\$ -	\$ -
Receipts:			
Transfers and miscellaneous deposits	83,575	74,683	517,824
Disbursements:			
Bonds paid	75,000	50,000	375,000
Interest coupons	8,575	24,683	142,824
Total disbursements	83,575	74,683	517,824
Excess of receipts over disbursements	-	-	-
Cash at June 30, 2023	-	-	-
Fund balance at June 30, 2023	\$ -	\$ -	\$ -

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Ludlow Independent High School Activity Fund
For the Year Ended June 30, 2023**

	Fund Balance July 1, 2022	Receipts	Disbursements	Fund Balance June 30, 2023
Academic Team	\$ 7	\$ -	\$ -	\$ 7
Athletic AD	637	60,190	58,827	2,000
Band	2,916	12,428	14,133	1,211
Band Drinks	551	23	-	574
Band Scholarship	-	1,100	1,100	-
Baseball	965	2,783	2,819	929
Book Rental	50	6,967	-	7,017
Box Tops for Education	320	-	-	320
Boys Basketball	1,683	11,836	6,121	7,398
Central Office	2,281	997	-	3,278
Class of 2023	690	1,092	1,309	473
Class of 2024	75	5,570	5,571	74
Class of 2025	75	-	-	75
Cross Country	620	160	729	51
Football	16,195	24,595	36,981	3,809
Girls Basketball	9,325	4,934	9,013	5,246
Holding	2,825	9,696	2,500	10,021
HS Cheerleading	4,644	2,826	4,525	2,945
HS Drama	1,321	-	-	1,321
Life Skills	356	-	-	356
Ludlow Christian Scholars	8,413	1,750	500	9,663
March Madness	73	-	-	73
MD Class	46	-	-	46
Misc	201	270	270	201
MS Basketball	121	3,036	455	2,702
MS Basketball - Boys	1,292	2,467	2,083	1,676
MS Cheerleading	3,525	4,568	6,954	1,139
MS Drama	842	-	-	842
MS Football	2,282	3,776	2,294	3,764
MS Track	966	-	-	966
NHS	1,440	10,726	7,608	4,558
PCC	198	-	-	198
Principal's Office	260	3,154	784	2,630
SADD	551	1,539	997	1,093
Service Learning	414	-	-	414
Soccer	854	4,915	4,042	1,727
Softball	2,406	4,143	1,598	4,951
Staff Generated	162	-	-	162
Student Council	499	969	293	1,175
Student Fees	5,735	5,880	10,671	944
Student Recognition	434	-	133	301
Sweep	-	21,135	21,135	-
Technology	3,805	1,696	-	5,501
Track	734	-	537	197
Volleyball	3,935	9,857	8,923	4,869
Yearbook	6,148	1,695	1,837	6,006
Transfers	-	(76,002)	(76,002)	-
Total	\$ 90,872	\$ 150,771	\$ 138,740	\$ 102,903

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
For the Year Ended June 30, 2023**

	<u>Mary A. Goetz Elementary</u>	<u>Total</u>
Fund balances at July 1, 2022	\$ 40,733	\$ 40,733
Add: receipts	43,006	43,006
Less: disbursements	<u>(35,805)</u>	<u>(35,805)</u>
Fund balance at June 30, 2023	<u>\$ 47,934</u>	<u>\$ 47,934</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*
State's proportionate share of the net pension liability associated with the District	<u>24,185,386</u>	<u>17,240,184</u>	<u>18,130,034</u>	<u>17,010,398</u>	<u>17,276,026</u>	<u>37,666,022</u>	<u>40,545,833</u>	<u>31,903,351</u>	<u>25,919,015</u>	<u>*</u>
Total	<u>\$ 24,185,386</u>	<u>\$ 17,240,184</u>	<u>\$ 18,130,034</u>	<u>\$ 17,010,398</u>	<u>\$ 17,276,026</u>	<u>\$ 37,666,022</u>	<u>\$ 40,545,833</u>	<u>\$ 31,903,351</u>	<u>\$ 25,919,015</u>	<u>*</u>
District's covered-employee payroll	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774	\$ 4,132,256
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	*
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

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

Changes of assumption: In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation for the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

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

Changes of assumption: In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

Changes of assumption: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more close. The expectation of mortality was changed to the Pub2010 Mortality Tables projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3% to 2.50%. In addition, the calculation of the SEIR results in an assumption

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 210,302	\$ 201,754	\$ 167,336	\$ 157,419	\$ 160,815	\$ 168,307	\$ 182,258	\$ 174,775	\$ 139,870	\$ 74,613
Contributions in relation to the contractually required contribution	<u>(210,302)</u>	<u>(201,754)</u>	<u>(167,336)</u>	<u>(157,419)</u>	<u>(160,815)</u>	<u>(168,307)</u>	<u>(182,258)</u>	<u>(174,775)</u>	<u>(139,870)</u>	<u>(74,613)</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,101,429	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	\$ 4,402,858	\$ 4,303,489	\$ 3,021,774
Contributions as a percentage of covered-employee payroll	4.12%	4.06%	3.76%	3.69%	3.88%	3.89%	4.01%	3.97%	3.25%	2.47%

LUDLOW INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.02338%	0.02686%	0.02726%	0.02952%	0.03204%	0.03431%	0.03384%	0.03694%	0.03518%	*
District's proportionate share of the net pension liability	\$ 1,690,071	\$ 1,712,472	\$ 2,091,050	\$ 2,075,873	\$ 1,951,577	\$ 2,008,387	\$ 1,666,254	\$ 1,588,116	\$ 1,141,000	*
Total net pension liability	\$ 7,229,013,496	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766	\$ 828,178
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.4%	249.6%	309.7%	278.8%	242.7%	237.6%	202.9%	181.3%	162.8%	*
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%	66.80%	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

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

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.5% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 192,505	\$ 183,139	\$ 165,060	\$ 168,317	\$ 159,925	\$ 154,202	\$ 157,904	\$ 140,132	\$ 154,780	\$ 132,374
Contributions in relation to the contractually required contribution	<u>(192,505)</u>	<u>(183,139)</u>	<u>(165,060)</u>	<u>(168,317)</u>	<u>(159,925)</u>	<u>(154,202)</u>	<u>(157,904)</u>	<u>(140,132)</u>	<u>(154,780)</u>	<u>(132,374)</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 717,060	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	\$ 821,411	\$ 875,953	\$ 700,766
Contributions as a percentage of covered-employee payroll	26.85%	26.81%	24.06%	24.93%	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%

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

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 42,000	\$ 16,000	\$ 42,000	\$ 37,000	\$ 35,000	\$ 29,000	*	*	*	*
Total net OPEB liability	\$ 42,000	\$ 16,000	\$ 42,000	\$ 37,000	\$ 35,000	\$ 29,000	*	*	*	*
District's covered-employee payroll	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	\$ 4,543,022	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

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 of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	25 Years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	7.50%

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - LIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	*	*	*	*	*
Contribution deficiency	-	-	-	-	*	*	*	*	*	*
District's covered-employee payroll	\$ 5,101,429	\$ 4,967,826	\$ 4,452,924	\$ 4,270,921	\$ 4,139,817	\$ 4,323,779	*	*	*	*
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.103444%	0.070908%	0.068758%	0.066509%	0.067859%	0.734020%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 2,568,000	\$ 1,521,000	\$ 1,735,000	\$ 1,947,000	\$ 2,355,000	\$ 2,617,000	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	\$ 844,000	\$ 1,236,000	\$ 1,390,000	\$ 1,572,000	\$ 2,029,000	\$ 2,138,000	*	*	*	*
Total net OPEB liability	\$ 3,412,000	\$ 2,757,000	\$ 3,125,000	\$ 3,519,000	\$ 4,384,000	\$ 4,755,000	*	*	*	*
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	\$ 845,309	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	375.9%	221.7%	256.9%	261.5%	292.9%	309.6%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 137,257	\$ 125,862	\$ 121,431	\$ 115,811	\$ 120,878	\$ 125,758	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(137,257)</u>	<u>(125,862)</u>	<u>(121,431)</u>	<u>(115,811)</u>	<u>(120,878)</u>	<u>(125,758)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 717,060	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	*	*	*	*
Contributions as a percentage of covered-employee payroll	19.14%	18.43%	17.70%	17.15%	16.24%	15.64%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Schedule of District's Proportionate Share of Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.023375%	0.026852%	0.027255%	0.029509%	0.032043%	0.034312%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 461,309	\$ 514,068	\$ 658,125	\$ 496,328	\$ 568,917	\$ 689,789	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
Total net OPEB liability	\$ 461,309	\$ 514,068	\$ 658,125	\$ 496,328	\$ 568,917	\$ 689,789	*	*	*	*
District's covered-employee payroll	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 845,309	\$ 845,310	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	67.5%	74.9%	97.5%	66.7%	67.3%	81.6%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes in assumptions: None

2018: Updated health care trend rates were implemented.

LUDLOW INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions– MIF (CERS)

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 26,958	\$ 32,655	\$ 33,241	\$ 39,162	\$ 37,328	\$ 39,515	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(26,958)</u>	<u>(32,655)</u>	<u>(33,241)</u>	<u>(39,162)</u>	<u>(37,328)</u>	<u>(39,515)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
District's covered-employee payroll	\$ 717,060	\$ 683,090	\$ 686,086	\$ 675,240	\$ 744,530	\$ 803,973	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.76%	4.78%	4.85%	5.80%	5.01%	4.91%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Federal Expenditures for FYE 06/30/2023</u>
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027A	3810002 21	534
Special Education_Grants to States	84.027A	3810002 22	17,286
Special Education_Grants to States	84.027A	3810002 23	210,870
Special Education_Preschool Grants	84.173A	3800002 22	1,042
Special Education_Preschool Grants	84.173A	3800002 23	12,946
<i>Covid-Related Funding</i>			
Special Education_Grants to States	84.027A	4910002 21	6,006
Total Special Education Cluster			<u>248,684</u>
Title I Grants to Local Educational Agencies	84.010A	3100002 22	18,095
Title I Grants to Local Educational Agencies	84.010A	3100002 23	214,573
Total AL #84.010			<u>232,668</u>
Arts in Education PDAE	84.351C	32817001 18	209,340
Title II Improving Teacher Quality State Grants	84.367A	3230002 22	11,360
Twenty-First Century Community Learning Centers	84.287C	3400002 21	95,000
Twenty-First Century Community Learning Centers	84.287C	3400002 22	(80)
Twenty-First Century Community Learning Centers	84.287C	3400002 23	100,000
Total AL #84.287C			<u>194,920</u>
Title IV Student Support and Academic Enrichment Grant	84.424A	3420002 21	17,761
Elementary and Secondary School Emergency Relief Fund	84.425C	4000002 20	63,512
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002 21	187,684
Elementary and Secondary School Emergency Relief Fund	84.425D	4200003 21	432,525
Elementary and Secondary School Emergency Relief Fund	84.425D	4000002 23	9,812
Elementary and Secondary School Emergency Relief Fund	84.425U	4300003 22	990
Elementary and Secondary School Emergency Relief Fund	84.425U	4300003 23	(281)
Elementary and Secondary School Emergency Relief Fund	84.425U	4200003 23	990
			<u>695,232</u>
Total U.S. Department of Education			<u>1,609,965</u>
U.S. Department of Justice			
<i>Passed through Kentucky Department of Education</i>			
STOP School Violence	16.839		5,321
Total U.S. Department of Justice			<u>5,321</u>
U.S. Department of Health and Human Services			
<i>Passed through Kentucky Department of Education</i>			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		300
<i>Passed through Kentucky Cabinet for Health and Family Services</i>			
Child Care and Development Block Grant	93.575		96,931
Total U.S. Department of Health and Human Services			<u>97,231</u>
U.S. Department of Agriculture			
<i>Child Nutrition Cluster</i>			
<i>Passed through Kentucky Department of Education</i>			
Summer Food Service Program for Children	10.559	7690024 22	1,196
Summer Food Service Program for Children	10.559	7690024 23	1,557
Summer Food Service Program for Children	10.559	7740023 22	11,431
Summer Food Service Program for Children	10.559	7740023 23	15,068
National School Lunch Program	10.555	7750002 22	79,741
National School Lunch Program	10.555	7750002 23	366,931
National School Lunch Program	10.555	9980000 22	23,740
National School Lunch Program	10.555	9980000 23	13,154
School Breakfast Program	10.553	7760005 22	22,764
School Breakfast Program	10.553	7760005 23	86,514
			<u>622,096</u>
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	48,511
Total Child Nutrition Cluster			<u>670,607</u>
Child and Adult Food Program	10.558	7790021 22	12,179
Child and Adult Food Program	10.558	7790021 23	84,461
Child and Adult Food Program	10.558	7800016 22	907
Child and Adult Food Program	10.558	7800016 23	6,287
Total AL #10.558			<u>103,834</u>
State Pandemic Electronic Benefit Transfer Administrative Costs	10.649	9990000 21	628
State Administrative Expenses for Child Nutrition	10.560	7700001 21	1,104
Total U.S. Department of Agriculture			<u>776,173</u>
Total Expenditures of Federal Awards			<u>\$ 2,391,459</u>

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2023, the District reported food commodities expended in the amount of \$48,511.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2023.

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

To the Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ludlow Independent School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Ludlow Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ludlow Independent 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 other matters that we reported to management of the District on pages 78-80.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2023

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

Members of the Board of Education
Ludlow Independent School District
Ludlow, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Ludlow Independent 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 Ludlow Independent School District's major federal programs for the year ended June 30, 2023. Ludlow Independent 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, Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent School District's federal programs.

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

Auditors' 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 Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent 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 Ludlow Independent 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.

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

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 14, 2023

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

FAL No.	Name of Federal Program or Cluster
84.425	Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2023**

Reference Number	Summary of Finding	Status
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SECTION I -SUMMARY OF AUDITOR'S RESULTS

No matters were reportable.

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters were reportable.

LUDLOW INDEPENDENT SCHOOL DISTRICT

Management Letter Comments Year Ended June 30, 2023

In planning and performing our audit of the financial statements of Ludlow Independent 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.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 14, 2023 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 14, 2023, on the financial statements of the Ludlow Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Ludlow High School

2023-01: Segregation of Duties

Criteria – Per best practices recommended by the Kentucky Department of Education, the school bookkeeper should not directly open mail or collect funds.

Condition – During the testing of activity funds, it was noted that the school bookkeeper would open mail on occasion.

Effect – Best practices over cash receipts were not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that the District implement policies to have another individual in the school open mail and collect money in all instances to better segregate the controls over cash receipts.

Board response – Mail will be opened at that district level, and funds will be verified by the elementary secretary.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2023**

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

2023-02: Timely preparation of monthly financial reports

Criteria – Per best practices recommended by the Kentucky Department of Education, the Monthly Financial Reports should be filed in a timely manner.

Condition – During the testing of activity funds, three instances were noted in which the Monthly Financial Reports were filed more than 15 days after month-end.

Effect – Timeliness of Monthly Financial Reporting was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all Monthly Financial Reports be filed within 15 days of month-end.

Board response – Reports will be completed in a timely manner.

Ludlow Elementary School

2023-03: Timely preparation of monthly financial reports

Criteria – Per best practices recommended by the Kentucky Department of Education, the Monthly Financial Reports should be filed in a timely manner.

Condition – During the testing of activity funds, three instances were noted in which the Monthly Financial Reports were filed more than 15 days after month-end.

Effect – Timeliness of Monthly Financial Reporting was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all Monthly Financial Reports be filed within 15 days of month-end.

Board response – Reports will be completed in a timely manner.

LUDLOW INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments (Continued)
Year Ended June 30, 2023**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Ludlow High School

No matters are reportable.

Ludlow Elementary School

No matters are reportable.