

**MONROE COUNTY
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2023**

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November 15, 2023

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

Report on the Financial Statements

Opinions

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

In my 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 Monroe County School District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my 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, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Monroe County School District and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Change in Accounting Principle

As described in Note A to the financial statements, in 2023, the District adopted new guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. My opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statement

My 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 my 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 judgement 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*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Monroe County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Monroe County School District's ability to continue as a going concern for a reasonable period of time.

I am 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 matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 54 through 57, and 60 through 62 be presented to

supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2023, on my consideration of Monroe County School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Monroe County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County School District's internal control over financial reporting and compliance.

Sincerely,

Montgomery & Company, P.L.L.C.

Certified Public Accountants

MONROE COUNTY SCHOOL DISTRICT – TOMPKINSVILLE, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023

The discussion and analysis of Monroe County School District’s financial performance provides an overall review of the School District’s financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to review the School District’s financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management’s Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$7,173,184. This reflects a decrease in cash from 2022 of \$1,721,072.
- The general fund had an increase in fund balance of \$852,267 for the year. All governmental funds combined had a decrease in fund balance of \$3,331,016 for the year.
- The food service fund ended the school year with a decrease in net position of \$26,490. This is attributable to inflation.

USING THIS ANNUAL REPORT

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

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

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

The government-wide financial statements can be found on pages 11 - 12 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. There is a state mandated uniform accounting 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, proprietary and fiduciary funds. The proprietary funds are our food service operation. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 -21 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$10,025,602 as of June 30, 2023.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that is 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 periods ending June 30, 2023 and 2022
(Table 1)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary Government</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	8,231,258	10,545,565	726,110	764,481	8,957,368	11,310,046
Capital Assets	<u>30,430,647</u>	<u>24,147,369</u>	<u>1,184,798</u>	<u>1,121,741</u>	<u>31,615,445</u>	<u>25,269,110</u>
Total Assets	<u>38,661,905</u>	<u>34,692,934</u>	<u>1,910,908</u>	<u>1,886,222</u>	<u>40,572,813</u>	<u>36,579,156</u>
Deferred Outflows (2022 Restated)	<u>5,945,941</u>	<u>4,055,156</u>	<u>746,567</u>	<u>668,936</u>	<u>6,692,508</u>	<u>4,724,092</u>
Current Liabilities	3,346,771	2,495,754	1,180	0	3,347,951	2,495,754
Non-Current Liabilities	<u>26,957,241</u>	<u>26,570,072</u>	<u>2,227,650</u>	<u>2,112,300</u>	<u>29,184,891</u>	<u>28,682,372</u>
Total Liabilities	<u>30,304,012</u>	<u>29,065,826</u>	<u>2,228,830</u>	<u>2,112,300</u>	<u>32,532,842</u>	<u>31,178,126</u>
Deferred Inflows (2022 Restated)	<u>4,180,107</u>	<u>4,396,287</u>	<u>526,770</u>	<u>543,251</u>	<u>4,706,877</u>	<u>4,939,538</u>
Net Position						
Investment in capital assets (net of debt)	16,166,613	8,100,603	1,184,798	1,121,741	17,351,411	9,222,344
Restricted Unrestricted (2022 Restated)	1,413,332	5,596,615	(1,282,923)	(1,222,134)	130,409	4,374,481
	<u>(7,456,218)</u>	<u>(8,411,241)</u>	<u>0</u>	<u>0</u>	<u>(7,456,218)</u>	<u>(8,411,241)</u>
Total Net Position	<u><u>10,123,727</u></u>	<u><u>5,285,977</u></u>	<u><u>(98,125)</u></u>	<u><u>(100,393)</u></u>	<u><u>(10,025,602)</u></u>	<u><u>5,185,584</u></u>

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2023, net of interfund transfers and capital lease proceeds, were \$36,126,710.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$7,202,682 more than budget or approximately 53.57%. It is noted that On-Behalf revenues were not a budgeted item. Actual On-Behalf revenue was \$6,345,842 for the General fund.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending total actual balance being \$3,221,906 more than budgeted or approximately 19.44%. It is noted that On-Behalf expenditures were not a budgeted item. Actual On-Behalf expenditures were \$6,345,842 for the General fund.

**Summary of Changes in Net Position for the periods ending June 30, 2023 and 2022
(Table 2)**

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
REVENUES:	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Program revenues:						
Charges for Services	189,711	322,754	342,006	300,458	531,717	623,212
Operating grants and contributions	9,747,260	7,354,098	2,674,219	2,521,525	12,421,479	9,875,623
Capital grants and contributions	29,887	25,071			29,887	25,071
General revenues:						
Property taxes	3,415,962	3,102,589			3,415,962	3,102,589
Motor vehicle taxes	561,342	526,778			561,342	526,778
Utility taxes	1,208,246	1,168,110			1,208,246	1,168,110
Other taxes	150,935	197,833			150,935	197,833
General Revenue						
Investment earnings	371,710	73,861	32,611	7,603	404,321	81,464
State and formal grants	16,114,031	14,471,356			16,114,031	14,471,356
Loss Compensation	68,321				68,321	
Gain (loss) Sale of Assets		(12,069)				(12,069)
Transfers	188,771	176,192	(188,771)	(176,192)		
Miscellaneous	1,220,469	946,788			1,220,469	946,788
Total Revenues	<u>33,266,645</u>	<u>28,353,361</u>	<u>2,860,065</u>	<u>2,653,394</u>	<u>36,126,710</u>	<u>31,006,755</u>
EXPENSES:						
Program Activities:						
Instruction	16,640,988	15,522,605			16,640,988	15,522,605
Student Support	1,153,341	978,047			1,153,341	978,047
Instructional staff support	1,616,634	1,604,860			1,616,634	1,604,860
District administrative support	700,448	652,634			700,448	652,634
School administrative support	2,171,285	1,867,236			2,171,285	1,867,236
Business support	1,094,534	898,656			1,094,534	898,656
Plant operation and maintenance	2,884,642	2,880,020			2,884,642	2,880,020
Student transportation	1,134,569	1,184,940			1,134,569	1,184,940
Community service activities	525,698	378,931			525,698	378,931
Daycare / Food Services	117,486	163,893			117,486	163,893
Interest cost	389,270	339,032			389,270	339,032
Business-type Activities:						
Daycare / Food Service			2,857,797	2,494,297	2,857,797	2,494,297
Total Expenses	<u>28,428,895</u>	<u>26,470,854</u>	<u>2,857,797</u>	<u>2,494,297</u>	<u>31,286,692</u>	<u>28,965,151</u>
Change in Net Position	<u>4,837,750</u>	<u>1,882,507</u>	<u>2,268</u>	<u>159,097</u>	<u>4,840,018</u>	<u>2,041,604</u>

Governmental Activities

Instruction comprises 59% of governmental program expenditures. Support services expense make up 37% of government expenses. Interest costs, community services, and other account for the remaining 3%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Cost of Governmental Activities
(Table 3)**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	16,640,988	15,522,605	11,629,384	9,858,427
Support Services	10,755,453	10,066,393	9,208,161	8,577,027
Other	643,184	542,824	103,515	19,516
Facilities Acquisition & Construction	-		(2,838,406)	
Interest Costs	389,270	339,032	359,383	313,961
Total Expenses	28,428,895	26,470,854	18,462,037	18,768,931

Business-Type Activities

The business type activities at the District consist of Food Service and Day Care. Food Service had total revenues of \$2,795,558 and expenses of \$2,822,048 for fiscal year 2023. Day Care had total revenues of \$253,278 and expenses of \$224,520 for fiscal year 2023. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District’s Funds

Information about the School District’s major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$38.65 million and expenditures and other financing uses of \$41.98 million.

General Fund-Budget Highlights

The School District’s budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. It is the District’s practice to not include state on-behalf payments in the budget.

Capital Assets and Debt Administration
Capital Assets

At the end of fiscal year 2023 the School District had \$31,499,697 invested in land, buildings, equipment, and vehicles. Of this total, \$30.3 million were in governmental activities. Table 4 shows fiscal year 2023 and 2022 balances.

Capital Assets at June 30, 2023 and 2022
Net of Depreciation
(Table 4)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	538,690	538,690			538,690	538,690
Buildings and improvements	19,167,952	20,074,759	926,173	960,428	20,094,125	21,035,187
Technology	139,082	216,664			139,082	216,664
Vehicles	891,847	800,459			891,847	890,459
General equipment	<u>353,784</u>	<u>178,796</u>	<u>258,627</u>	<u>161,313</u>	<u>612,411</u>	<u>340,109</u>
Total	21,091,355	21,899,368	1,184,800	1,121,741	22,276,155	23,021,109
Construction in progress	<u>9,223,544</u>	<u>2,067,402</u>			<u>9,223,544</u>	<u>2,067,402</u>
Total	<u>30,314,899</u>	<u>23,966,770</u>	<u>1,184,800</u>	<u>1,121,741</u>	<u>31,499,699</u>	<u>25,088,511</u>

Changes in Capital Assets for the periods ended June 30, 2023 and 2022
(Table 5)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Beginning Balance	23,966,770	22,911,582	1,121,741	1,121,105	25,088,511	24,032,687
Additions	7,536,207	2,251,869	122,698	53,467	7,658,905	2,305,336
Retirements		(14,469)				(14,469)
Depreciation	<u>(1,188,078)</u>	<u>(1,182,212)</u>	<u>(59,639)</u>	<u>(52,831)</u>	<u>(1,247,717)</u>	<u>(1,235,043)</u>
Ending Balance	<u>30,314,899</u>	<u>23,966,770</u>	<u>1,184,800</u>	<u>1,121,741</u>	<u>31,499,699</u>	<u>25,088,511</u>

Debt

At June 30, 2023, the School District had \$13,307,854 in bonds outstanding; Principal totaling \$1,518,941 is due within one year.

District Challenges for the Future

Monroe County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. Also, the state administered employee pension plans continue to be underfunded. This has placed a large possible future liability on all Kentucky School Districts.

Monroe County Schools will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2023-2023 with a contingency greater than the required minimum of 2%.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Mitzy Cook, Finance Officer, 309 Emberton Street, Tompkinsville, Kentucky, 42167, (270) 487-5456.

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	6,545,476	627,708	7,173,184
Accounts Receivable:			
Accounts	24,191	70,450	94,641
Taxes - Current	215,615		215,615
Taxes - Delinquent	10,940		10,940
Intergovernmental - State	189,731		189,731
Intergovernmental - Federal	1,245,305		1,245,305
Internal Balances			0
Inventories for Consumption		27,952	27,952
Total Current Assets	8,231,258	726,110	8,957,368
Noncurrent Assets - Note F & R			
Right to Use Asset - Net of Amortization	115,748		115,748
Land	538,690		538,690
Construction in Progress	9,223,544		9,223,544
Buildings & Improvements	41,389,741		41,389,741
Furniture & Equipment	5,152,738	2,682,408	7,835,146
Less: Accumulated Depreciation	(25,989,814)	(1,497,610)	(27,487,424)
Total Noncurrent Assets	30,430,647	1,184,798	31,615,445
TOTAL ASSETS	38,661,905	1,910,908	40,572,813
Deferred Outflows Related to Pensions	1,965,816	465,037	2,430,853
Deferred Outflows Related to Other Post Employment Benefits	3,854,160	281,530	4,135,690
Deferred Outflows Related to Advanced Bond Refundings	125,965		125,965
TOTAL DEFERRED OUTFLOWS	5,945,941	746,567	6,692,508
TOTAL ASSETS AND DEFERRED OUTFLOWS	44,607,846	2,657,475	47,265,321
LIABILITIES:			
Current Liabilities:			
Accounts Payable	668,694	1,180	669,874
Accrued Salaries & Sick Leave - Note A	102,716		102,716
Advances from Grantors	716,339		716,339
Bond Obligations - Note D	1,519,861		1,519,861
Lease Obligation	64,090		64,090
Capital Lease Obligation - Note E	171,808		171,808
Accrued Interest Payable	103,263		103,263
Total Current Liabilities	3,346,771	1,180	3,347,951
Noncurrent Liabilities:			
Bond Obligations - Note D	11,787,993		11,787,993
Lease Obligation	59,691		59,691
Capital Lease Obligation - Note E	660,591		660,591
Net Pension Liability	7,548,473	1,728,881	9,277,354
Net Other Post Employment Benefits Liability	6,421,703	498,769	6,920,472
Accrued Sick Leave - Note A	478,790		478,790
Total Noncurrent Liabilities	26,957,241	2,227,650	29,184,891
TOTAL LIABILITIES	30,304,012	2,228,830	32,532,842
Deferred Inflows Related to Other Post Employment Benefits	3,045,234	259,785	3,305,019
Deferred Inflows Related to Pensions	1,134,873	266,985	1,401,858
TOTAL DEFERRED INFLOWS	4,180,107	526,770	4,706,877
TOTAL LIABILITIES AND DEFERRED INFLOWS	34,484,119	2,755,600	37,239,719
NET POSITION:			
Net Investment in Capital Assets	16,166,613	1,184,798	17,351,411
Restricted for:			
Capital Projects	1,052,608		1,052,608
School Activities	360,724		360,724
Food Service		(1,096,336)	(1,096,336)
Day Care		(186,587)	(186,587)
Unrestricted	(7,456,218)		(7,456,218)
TOTAL NET POSITION	10,123,727	(98,125)	10,025,602
TOTAL LIABILITIES AND NET POSITION	44,607,846	2,657,475	47,265,321

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

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

FUNCTION/PROGRAMS	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING	CAPITAL	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
			GRANTS AND CONTRIBUTIONS	GRANTS AND CONTRIBUTIONS			
GOVERNMENTAL ACTIVITIES:							
Instructional	16,640,988	183,796	4,827,808		(11,629,384)		(11,629,384)
Support Services:							
Student Support Services	1,153,341		383,607		(769,734)		(769,734)
Staff Support Services	1,616,634		449,142		(1,167,492)		(1,167,492)
District Administration	700,448		3,268		(697,180)		(697,180)
School Administration	2,171,285				(2,171,285)		(2,171,285)
Business Support Services	1,094,534		222,356		(872,178)		(872,178)
Plant Operation & Maintenance	2,884,642		362,223		(2,522,419)		(2,522,419)
Student Transportation	1,134,569		126,696		(1,007,873)		(1,007,873)
Day Care Operations	117,486		113,274		(4,212)		(4,212)
Community Service Operations	525,698	5,915	420,480		(99,303)		(99,303)
Facilities Acquisition & Construction			2,838,406		2,838,406		2,838,406
Interest on Long-Term Debt	389,270			29,887	(359,383)		(359,383)
TOTAL GOVERNMENTAL ACTIVITIES	28,428,895	189,711	9,747,260	29,887	(18,462,037)		(18,462,037)
BUSINESS-TYPE ACTIVITIES:							
Day Care	224,520	197,196	50,845			23,521	23,521
Food Service	2,633,277	144,810	2,623,374			134,907	134,907
TOTAL BUSINESS-TYPE ACTIVITIES	2,857,797	342,006	2,674,219	0	0	158,428	158,428
TOTAL SCHOOL DISTRICT	31,286,692	531,717	12,421,479	29,887	(18,462,037)	158,428	(18,303,609)
GENERAL REVENUES:							
Taxes:							
Property					3,415,962		3,415,962
Motor Vehicle					561,342		561,342
Utility					1,208,246		1,208,246
Other					150,935		150,935
State Aid - Formula Grants					16,114,031		16,114,031
Investment Earnings					371,710	32,611	404,321
Miscellaneous					1,220,469		1,220,469
Funds Transfer (Expense)					188,771	(188,771)	0
Loss Compensation					68,321		68,321
TOTAL GENERAL REVENUES & TRANSFERS					23,299,787	(156,160)	23,143,627
CHANGE IN NET POSITION					4,837,750	2,268	4,840,018
NET POSITION - BEGINNING - RESTATED NOTE S					5,285,977	(100,393)	5,185,584
NET POSITION - ENDING					10,123,727	(98,125)	10,025,602

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

MONROE COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	4,144,057	329,886	1,710,809	360,724	6,545,476
Accounts Receivable:					
Accounts	24,191				24,191
Taxes - Current	215,615				215,615
Taxes - Delinquent	10,940				10,940
Interfund Receivable	1,048,583				1,048,583
Intergovernmental - State		189,731			189,731
Intergovernmental - Federal		1,245,305			1,245,305
TOTAL ASSETS	5,443,386	1,764,922	1,710,809	360,724	9,279,841
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	10,493		658,201		668,694
Interfund Payable		1,048,583			1,048,583
Advances from Grantors		716,339			716,339
Total Liabilities	10,493	1,764,922	658,201	0	2,433,616
Fund Balance:					
Restricted for:					
School Activities				360,724	360,724
Capital Projects			1,052,608		1,052,608
Committed For:					
Accrued Sick Leave	102,716				102,716
Unassigned	5,330,177				5,330,177
Total Fund Balance	5,432,893	0	1,052,608	360,724	6,846,225
TOTAL LIABILITIES AND FUND BALANCES	5,443,386	1,764,922	1,710,809	360,724	9,279,841

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

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

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

TOTAL GOVERNMENTAL FUND BALANCE		6,846,225
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	56,304,713	
Accumulated Depreciation	(25,989,814)	30,314,899
Right to Use Asset - Net of Amortization		115,748
Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		125,965
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		1,965,816
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		3,854,160
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	(13,323,861)	
Unamortized Bond Premium	(24,335)	
Unamortized Bond Discount	40,342	
Lease Obligation	(123,781)	
Capital Lease Obligation	(832,399)	
Accrued Interest on Bonds	(103,263)	
Net Pension Liability	(7,548,473)	
Net Other Post Employment Benefits Liability	(6,421,703)	
Accrued Sick Leave	(581,506)	(28,918,979)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(3,045,234)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		(1,134,873)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u>10,123,727</u>

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

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

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	2,679,148			736,814	3,415,962
Motor Vehicle	561,342				561,342
Utility	1,208,246				1,208,246
Other	150,935				150,935
Earnings on Investments	197,934		160,109	13,667	371,710
Intergovernmental - State	14,855,472	1,405,817		1,288,446	17,549,735
Intergovernmental - Federal	71,038	8,270,405			8,341,443
Other Sources	197,578	422,676		789,926	1,410,180
TOTAL REVENUES	19,921,693	10,098,898	160,109	2,828,853	33,009,553
EXPENDITURES:					
Instructional	10,330,099	5,007,306		817,909	16,155,314
Support Services:					
Student Support Services	751,750	397,870			1,149,620
Staff Support Services	1,144,722	465,841			1,610,563
District Administration	694,658	3,389			698,047
School Administration	2,159,314				2,159,314
Business Support Services	837,709	230,623			1,068,332
Plant Operation & Maintenance	2,418,430	375,691			2,794,121
Student Transportation	1,027,392	131,407			1,158,799
Day Care Operations		117,486			117,486
Community Service Operations	25,423	436,113			461,536
Facilities Acquisition & Construction			7,156,142		7,156,142
Debt Service:					
Principal	12,835			1,825,594	1,838,429
Interest	795			349,193	349,988
TOTAL EXPENDITURES	19,403,127	7,165,726	7,156,142	2,992,696	36,717,691
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	518,566	2,933,172	(6,996,033)	(163,843)	(3,708,138)
OTHER FINANCING SOURCES(USES):					
Loss Compensation	68,321				68,321
Capital Lease Financing	120,030				120,030
Operating Transfers In - Note N	536,157	87,662	2,838,406	1,989,550	5,451,775
Operating Transfers Out - Note N	(390,807)	(3,020,834)		(1,851,363)	(5,263,004)
TOTAL OTHER FINANCING SOURCES	333,701	(2,933,172)	2,838,406	138,187	377,122
NET CHANGE IN FUND BALANCES	852,267	0	(4,157,627)	(25,656)	(3,331,016)
FUND BALANCES - BEGINNING	4,580,626	0	5,210,235	386,380	10,177,241
FUND BALANCES - ENDING	5,432,893	0	1,052,608	360,724	6,846,225

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

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

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

NET CHANGES - GOVERNMENTAL FUNDS		(3,331,016)
<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 exceeds depreciation expense for the year.</p>		
Depreciation Expense	(1,188,078)	
Capital Outlays	7,536,207	6,348,129
<p>Bond proceeds and capital leases 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>		
Principal Paid	1,838,429	
Lease Obligation Paid	65,355	
Capital Lease Proceeds	(120,030)	1,783,754
<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>		
Amortization -Deferred Outflows from Advanced Bond Refundings	(42,872)	
Amortization - Bond Premiums	1,310	
Amortization - Bond Discounts	(2,230)	
Amortization Right of Use Asset	(64,852)	
District Pension Contributions	743,237	
Cost of Benefits Earned Net of Employee Contributions	(641,090)	
Accrued Interest Payable	11,607	
District Other Post Employment Benefits Contributions	406,656	
Cost of Benefits Earned Net of Employee Contributions - OPEB	(442,282)	
Accrued Sick Leave	67,399	36,883
<p>In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.</p>		
Gain (Loss) - Sale of Assets	-	
CHANGES - NET POSITION GOVERNMENTAL FUNDS	4,837,750	

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

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	520,047	107,661	627,708
Accounts Receivables	70,450		70,450
Inventories for Consumption	27,952		27,952
Total Current Assets	<u>618,449</u>	<u>107,661</u>	<u>726,110</u>
Noncurrent Assets:			
Capital Assets	2,682,408		2,682,408
Less: Accumulated Depreciation	<u>(1,497,610)</u>		<u>(1,497,610)</u>
Total Noncurrent Assets	<u>1,184,798</u>	<u>0</u>	<u>1,184,798</u>
TOTAL ASSETS	<u>1,803,247</u>	<u>107,661</u>	<u>1,910,908</u>
Deferred Outflows Related to Other Post Employment Benefits	239,286	42,244	281,530
Deferred Outflows Related to Pensions	<u>386,402</u>	<u>78,635</u>	<u>465,037</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>2,428,935</u>	<u>228,540</u>	<u>2,657,475</u>
LIABILITIES:			
Current Liabilities:			
Account Payable	1,180		1,180
Total Current Liabilities	<u>1,180</u>	<u>0</u>	<u>1,180</u>
Noncurrent Liabilities:			
Net Other Post Employment Benefits Liability	399,287	99,482	498,769
Net Pension Liability	<u>1,491,870</u>	<u>237,011</u>	<u>1,728,881</u>
Total Noncurrent Liabilities	<u>1,891,157</u>	<u>336,493</u>	<u>2,227,650</u>
TOTAL LIABILITIES	<u>1,892,337</u>	<u>336,493</u>	<u>2,228,830</u>
Deferred Inflows Related to Other Post Employment Benefits	223,169	36,616	259,785
Deferred Inflows Related to Pensions	<u>224,967</u>	<u>42,018</u>	<u>266,985</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>2,340,473</u>	<u>415,127</u>	<u>2,755,600</u>
Net Position:			
Net Investment in Capital Assets	1,184,798	0	1,184,798
Restricted	<u>(1,096,336)</u>	<u>(186,587)</u>	<u>(1,282,923)</u>
Total Net Position	<u>88,462</u>	<u>(186,587)</u>	<u>(98,125)</u>
TOTAL LIABILITIES AND NET POSITION	<u>2,428,935</u>	<u>228,540</u>	<u>2,657,475</u>

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

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

	FOOD SERVICE	DAY CARE FUND	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	88,077		88,077
Other Operating Revenues	56,733	197,196	253,929
TOTAL OPERATING REVENUES	<u>144,810</u>	<u>197,196</u>	<u>342,006</u>
OPERATING EXPENSES:			
Salaries & Benefits	1,249,272	203,640	1,452,912
Contract Services	20,910	1,310	22,220
Materials & Supplies	1,287,492	19,520	1,307,012
Depreciation - Note F	59,639		59,639
Other Operating Expenses	15,964	50	16,014
TOTAL OPERATING EXPENSES	<u>2,633,277</u>	<u>224,520</u>	<u>2,857,797</u>
OPERATING INCOME (LOSS)	(2,488,467)	(27,324)	(2,515,791)
NONOPERATING REVENUES (EXPENSES):			
Federal Grants	2,269,676		2,269,676
State Grants	253,208	50,845	304,053
Donated Commodities	100,490		100,490
Interest Income	27,374	5,237	32,611
Transfer Out to General Fund	(188,771)		(188,771)
TOTAL NONOPERATING REVENUE	<u>2,461,977</u>	<u>56,082</u>	<u>2,518,059</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(26,490)	28,758	2,268
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	(26,490)	28,758	2,268
NET POSITION - BEGINNING	<u>114,952</u>	<u>(215,345)</u>	<u>(100,393)</u>
TOTAL NET POSITION - ENDING	<u><u>88,462</u></u>	<u><u>(186,587)</u></u>	<u><u>(98,125)</u></u>

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

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

	FOOD SERVICE	OTHER ENTERPRISE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	88,077		88,077
Other Activities	56,733	197,196	253,929
Cash Paid to/for:			
Employees	(992,489)	(149,854)	(1,142,343)
Supplies	(1,188,947)	(19,520)	(1,208,467)
Other Activities	(36,874)	(1,360)	(38,234)
Net Cash Used by Operating Activities	(2,073,500)	26,462	(2,047,038)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer out to General Fund	(188,771)		(188,771)
Federal Grants	2,445,379		2,445,379
State Grants	14,724		14,724
Net Cash Provided by Non-Capital and Related Financing Activities	2,271,332	-	2,271,332
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interfund Balance	6,675		6,675
Net Cash Provided (Used) by Capital and Related Financing Activities	6,675	-	6,675
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	(122,698)		(122,698)
Receipt of Interest Income	27,374	5,237	32,611
Net Cash Provided (Used) by Investing Activities	(95,324)	5,237	(90,087)
Net Increase (Decrease) in Cash and Cash Equivalents	109,183	31,699	140,882
Balances, Beginning of Year	410,864	75,962	486,826
Balances, End of Year	520,047	107,661	627,708
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(2,488,467)	(27,324)	(2,515,791)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	59,639	-	59,639
State On-Behalf Payments	238,487	50,845	289,332
Donated Commodities	100,490		100,490
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Accounts Payable	1,180		1,180
Deferred Outflows	(66,895)	(10,737)	(77,632)
Deferred Inflows	(14,206)	(2,275)	(16,481)
Net Pension Liability	107,917	17,320	125,237
Net Other Post Employment Benefits	(8,520)	(1,367)	(9,887)
Inventory	(3,125)		(3,125)
Net Cash Used by Operating Activities	(2,073,500)	26,462	(2,047,038)
Schedule of Non-Cash Transactions:			
Donated Commodities	100,490	-	100,490
State On-Behalf Payments	238,487	50,845	289,332

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

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	<u>PRIVATE PURPOSE TRUST FUND</u>
ASSETS:	
Cash and Cash Equivalents	21,514
TOTAL ASSETS	<u>21,514</u>
LIABILITIES:	
Scholarships Payable	0
TOTAL LIABILITIES	<u>0</u>
NET POSITION HELD IN TRUST	<u><u>21,514</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Earnings on Investments	885
TOTAL ADDITIONS	<u>885</u>
DEDUCTIONS:	
Scholarships	500
TOTAL DEDUCTIONS	<u>500</u>
Changes in Net Position	385
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>21,129</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>21,514</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Monroe County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Monroe County Board of Education (“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 Monroe County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the 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 organizations are included in the accompanying financial statements:

Monroe County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Monroe County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. 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 net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as 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 and related notes. This is a major fund of the District.
- C. 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 Fund).
 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (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. This is a major fund of the District.
- D. Debt Service Funds are 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 generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

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

III. Fiduciary Fund Type (Private Purpose Trust Funds)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

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

Revenues – Exchange and Nonexchange 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 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Deferred Revenue – Deferred 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 deferred revenue.

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

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 costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$0.519 per \$100 valuation for real property, \$0.559 per \$100 valuation for business personal property, and \$0.562 per \$100 valuation for motor vehicles.

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (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:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable 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.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

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

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

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

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.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	102,716	Long-Term Sick Leave Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 School 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 School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (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.

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Postemployment Benefits Other Than Pensions

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

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. 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.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

Changes in Accounting Principle

Effective July 1, 2022, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB 96 enhances the relevance and consistency of information of the government's subscription-based technology arrangement activities. It establishes the capitalization criteria for implementation costs and requires a government to report a subscription asset and subscription liability and to disclose essential information about the arrangement. Adoption of the provisions of this statement did not have a material impact on the District's financial statements.

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$7,194,698. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Bank Balance	Book Balance
South Central Bank	9,138,265	7,194,698
Breakdown per financial statements:		
Governmental Funds		6,545,476
Proprietary Funds		<u>627,708</u>
Cash per Statement of Net Position		7,173,184
Fiduciary Fund		<u>21,514</u>
Total Cash		<u>7,194,698</u>

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Monroe County School District Finance Corporation in the original amount aggregating \$24,081,851.

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

2006 – Energy	620,000	3.50% - 4.00%
2012 – Refunding	2,475,000	1.00% - 2.375%
2012B – Refunding	4,885,000	1.00% - 2.250%
2013 – Refunding	4,805,000	1.00% - 1.875%
2014 – KISTA	86,851	3.00%
2014 – Refunding Energy	1,055,000	2.00%
2016 – Refunding	2,225,000	1.00% - 2.00%
2020	1,600,000	2.00% - 2.75%
2022A	3,850,000	2.00%
2022B	2,480,000	3.00% - 3.375%

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

In 1995 the Board entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the 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 as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year	Principal	Interest	Participation	District's Portion
2023-24	1,519,861	292,195	166,473	1,645,583
2024-25	1,416,000	262,824	85,233	1,593,591
2025-26	1,171,000	231,421	84,234	1,318,187
2026-27	897,000	211,325	85,264	1,023,061
2027-28	912,000	192,115	84,264	1,019,851
2028-29	928,000	172,705	81,657	1,019,048
2029-30	528,000	158,425	67,340	619,085
2030-31	539,000	146,495	67,375	618,120
2031-32	555,000	134,280	68,411	620,869
2032-33	570,000	121,680	67,411	624,269
2033-34	576,000	108,105	67,447	616,658
2034-35	592,000	94,239	67,481	618,758
2035-36	608,000	79,956	68,516	619,440
2036-37	623,000	65,308	67,517	620,791
2037-38	639,000	49,740	67,711	621,029
2038-39	310,000	33,775	42,260	301,515
2039-40	320,000	25,550	42,681	302,869
2040-41	305,000	16,868	22,807	299,061
2041-42	315,000	8,568	22,805	300,763
	13,323,861	2,405,574	1,326,887	14,402,548

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	14,993,435	0	1,669,574	13,323,861	1,519,861
Add: Bond Premium	25,645	0	1,310	24,335	1,310
Less: Bond Discount	<u>(42,573)</u>	<u>0</u>	<u>(2,231)</u>	<u>(40,342)</u>	<u>(2,230)</u>
Net Revenue Bond Payable	14,976,507	0	1,668,653	13,307,854	1,518,941
Capital Lease Obligations	881,123	120,030	168,754	832,399	171,808
Lease Obligations	189,136	0	65,355	123,781	60,090
Net Pension Liability	7,007,554	540,919	0	7,548,473	0
Net OPEB Liability	4,879,407	1,542,296	0	6,421,703	0
Accrued Sick Leave	<u>648,905</u>	<u>0</u>	<u>67,399</u>	<u>581,506</u>	<u>102,716</u>
Total Governmental Activities:	<u>28,582,632</u>	<u>2,203,245</u>	<u>1,970,161</u>	<u>28,815,716</u>	<u>1,857,555</u>
Proprietary Activities:					
Net OPEB Liability	1,603,644	125,237	0	1,728,881	0
Net Pension Liability	<u>508,656</u>	<u>0</u>	<u>9,887</u>	<u>498,769</u>	<u>0</u>
Total Long-Term Liabilities:	<u>30,694,932</u>	<u>2,328,482</u>	<u>1,980,048</u>	<u>31,043,366</u>	<u>1,857,555</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL LEASE PAYABLE

The District is the lessee of buses under capital leases expiring in various years through 2033. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2023.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2023</u>
Buses	1,595,685
Mowers	38,845
Accumulated Amortization	<u>(798,640)</u>
	<u>835,890</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2023:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2024	192,576
2025	151,152
2026	133,662
2027	120,685
2028	98,883
2029-2033	<u>218,176</u>
Net minimum lease payments	915,134
Amount representing interest	<u>(82,735)</u>
Present value of net minimum lease payments	<u>832,399</u>

Interest rates on capitalized leases vary from 1.00% to 3.75%. The capital leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	538,690			538,690
Construction in Progress	2,067,402	7,156,142		9,223,544
Depreciable Assets:				
Buildings & Building Improvements	41,389,741			41,389,741
Technology Equipment	1,909,262		6,275	1,902,987
Vehicles	2,256,816	170,530		2,427,346
General Equipment	612,870	209,535		822,405
TOTAL AT HISTORICAL COST	48,774,781	7,536,207	6,275	56,304,713
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Buildings & Building Improvements	21,314,982	906,807		22,221,789
Technology Equipment	1,692,598	77,582	6,275	1,763,905
Vehicles	1,366,357	169,142		1,535,499
General Equipment	434,074	34,547		468,621
TOTAL ACCUMULATED DEPRECIATION	24,808,011	1,188,078	6,275	25,989,814
GOVERNMENTAL ACTIVITIES CAPITAL NET	23,966,770	6,348,129	-	30,314,899
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Land	-			-
Buildings & Building Improvements	1,712,774			1,712,774
Technology Equipment	11,305			11,305
General Equipment	835,631	122,698		958,329
TOTALS AT HISTORICAL COST	2,559,710	122,698	-	2,682,408
LESS ACCUMULATED DEPRECIATION FOR:				
Land	-			-
Buildings & Building Improvements	752,346	34,255		786,601
Technology Equipment	11,305			11,305
General Equipment	674,318	25,386		699,704
TOTAL ACCUMULATED DEPRECIATION	1,437,969	59,641	-	1,497,610
PROPRIETARY ACTIVITIES CAPITAL NET	1,121,741	63,057	-	1,184,798
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				664,961
Student Support Service				80
Staff Support Service				332
District Administration				50
Business Support Services				23,401
Plant Operation & Maintenance				292,949
Student Transportation				142,305
Community Service Operations				64,000
TOTAL				1,188,078

NOTE G – 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 covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

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 At least 25 years service and any age
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 or 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 is 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. Five years’ 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 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

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

General information about the Teachers' Retirement System of the State of Kentucky ("TRS")

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 (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the 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 http://www.TRS.ky.gov/05_publications/index.htm.

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

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

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. Effective July 1, 2008, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% 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 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, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2023, the District reported a liability of \$9,277,354 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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 9,277,354
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>41,364,166</u>
	<u>\$ 50,641,520</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 0.128335% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$789,519 related to CERS and \$3,774,108 related to TRS. The District also recognized revenue of \$3,774,108 for TRS support provided by the Commonwealth. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,919	\$ 82,619
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,262,370	1,024,532
Changes in proportion and differences between District contributions and proportionate share of contributions	243,607	294,707
District contributions subsequent to the measurement date	<u>914,957</u>	<u>-</u>
Total	<u>\$ 2,430,853</u>	<u>\$ 1,401,858</u>

\$914,957 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	53,762
2025	(125,312)
2026	(77,962)
2027	263,550
2028	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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:

Teachers' Retirement System (TRS)

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:

Valuation Date	June 30, 2021
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	2.19%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.50%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Large Cap U.S. Equity	37.40%	4.20%
Small Cap U.S. Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.1%
High Yield Bonds	2.00%	1.70%
Other Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.0%
Private Equity	7.00%	6.9%
Cash	2.0%	-0.3%
Total	100.0%	

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

County Employees' Retirement System (CERS)

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:

Valuation Date	June 30, 2020
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% per annum.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	5.00%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		7.30%

Discount rate—For CERS, projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	11,595,542	9,277,354	7,360,021
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	0	0	0

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

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

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

Medical Insurance Plan

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

At June 30, 2023, the Monroe County District reported a liability of \$4,388,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was .2335 percent, compared to .2330 percent at June 30, 2021.

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

District’s proportionate share of the net OPEB liability	\$ 4,388,000
State’s proportionate share of the net OPEB liability associated with the District	<u>1,442,000</u>
Total	<u>\$ 5,830,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$217,656 and revenue of \$77,048 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 1,845,000
Changes of assumptions	891,000	-
Net difference between projected and actual earnings on pension plan investments	233,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,243,000	58,000
District contributions subsequent to the measurement date	<u>298,983</u>	<u>-</u>
Total	<u>2,665,983</u>	<u>1,903,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$298,983 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows:

Year ended June 30:	
2024	\$ (64,000)
2025	(40,000)
2026	(12,000)
2027	264,000
2028	225,000
Thereafter	91,000

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:

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Under 65	7.00% for FY 2021 decreasing to an ultimate rate of 4.50% by FY 2031
Ages 65 and Older	5.00% for FY 2022* decreasing to an ultimate rate of 4.50% by FY 2024
Medicare Part B Premiums	4.40% for FY 2021 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	2.13%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2022 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2022 valuation. The health care cost trend assumption was updated for the June 30, 2022 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust 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's investment consultant, are summarized in the following table:

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

Discount rate (SEIR)- The discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021.

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	Current Discount Rate	1% Increase
TRS	6.1%	7.1%	8.1%
District's proportionate share of net OPEB liability	5,506,000	4,388,000	3,463,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of net OPEB liability	3,290,000	4,388,000	5,754,000

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

Life Insurance Plan

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

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.

At June 30, 2023, the Kentucky 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	-0-
State's proportionate share of the net OPEB liability associated with the District	<u>72,000</u>
Total	<u>\$ 72,000</u>

Actuarial assumptions – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Global Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
	100.00%	

Discount rate (SEIR) - 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 was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2021.

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

County Employees’ Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>

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 CERS Medical Insurance. The following information is about the CERS plans:

Medical Insurance Plan

Plan description –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Monroe County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

Benefits provided – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

Contributions – In order to fund the post-retirement healthcare benefit, three and thirty-nine one hundredths percent (3.39%) of the gross annual payroll of members is contributed for the year ended June 30, 2022 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2023, the Monroe County District reported a liability of \$2,532,472 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was .128323 percent, compared to .135029 percent at June 30, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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	\$ 2,532,472
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 2,532,472</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$371,384. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 254,914	\$ 580,755
Changes of assumptions	400,528	330,033
Net difference between projected and actual earnings on pension plan investments	471,572	368,786
Changes in proportion and differences between District contributions and proportionate share of contributions	118,784	122,445
District contributions subsequent to the measurement date	<u>233,909</u>	<u>-</u>
Total	<u>1,479,707</u>	<u>1,402,019</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$233,909 resulting from District contributions of \$132,603 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$91,306, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ 10,234
2025	(4,410)
2026	(149,837)
2027	(12,208)
2028	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (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:

Valuation Date	June 30, 2021
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Post - 65	Initial trend starting at 9.00% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
U.S. Equity	21.75%	5.70%
Non-U.S. Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Specialty Credit/High Yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.0%	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Discount rate - The discount rate used to measure the total OPEB liability was 5.70%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.7%	5.7%	6.7%
District's proportionate share of net OPEB liability	3,385,511	2,532,472	1,827,837

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	1,882,837	2,532,472	3,312,561

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – 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 is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers’ Compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently, the District maintains insurance coverage through Liberty Mutual Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING BALANCES

The Day Care Fund had a deficit fund balance in the amount of \$186,587 at June 30, 2023. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

School Activity	15,225
Construction	6,996,033
Debt Service	1,989,550

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	77,230
Operating	Special Revenue	General	Indirect Costs	182,428
Operating	Building	General	Operations	164,958
Operating	Capital Outlay	Debt Service	Debt Service	164,958
Operating	School Activity	Special Revenue	Operations	10,431
Operating	General	Debt Service	Debt Service	313,577
Operating	Special Revenue	Construction	Construction	2,838,406
Operating	Building Fund	Debt Service	Debt Service	<u>1,511,016</u>
		Subtotal Governmental Funds Transferred		5,263,004
Operating	Food Service	General Fund	Indirect Costs	<u>188,771</u>
		Total Transferred Funds		<u>5,451,775</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$1,048,583

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through November 15, 2023, the date the financial statements were available for release. There are no material subsequent events to disclose.

NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2023, \$6,819,502 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$3,774,108
Teachers Retirement System (GASB 75)	82,521
Health Insurance	2,986,383
Life Insurance	4,222
Administrative Fee	33,696
HRA/Dental/Vision	150,071
Federal Reimbursement	(541,837)
Technology	146,010
SFCC Debt Service Payments	<u>184,328</u>
Total	<u>\$6,819,502</u>

NOTE R – LEASES

The District is committed under a noncancellable operating leases for copiers and technology equipment with an annual payment amount of \$68,349. The total lease liability measured at present value is \$395,472. The ending balance at June 30, 2023 is \$123,781. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the assets at the end of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

Year	Principal	Interest
2024	64,090	4,259
2025	55,855	1,420
2026	<u>3,836</u>	<u>14</u>
Total	<u>123,781</u>	<u>5,693</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The following assets and amortization have been recognized.

Intangible Right of Use Assets – Copiers and Technology Equipment	\$395,472
Accumulated Amortization	<u>(279,724)</u>
Net Ending Balance	<u>115,748</u>

NOTE S – NET POSITION AND FUND BALANCE, AS RESTATED

The beginning net position of the Governmental Activities was decreased by \$565,079 due to the Teacher Retirement System’s deferred outflows and deferred inflows being understated. Below are the details of the restatement:

	Government
	<u>Activities</u>
Net Position June 30, 2022	\$ 5,851,056
Understatement:	
Deferred Outflows	352,670
Deferred Inflows	<u>(917,749)</u>
Beginning Net Position, As Restated	<u>\$ 5,285,977</u>

NOTE T – COMMITMENTS

Monroe County School District is the process of replacing the HVAC systems at Monroe County High School it is anticipated the completion of this projects will cost \$451,346. Additionally, Monroe County School District is in the process of building a physical education facility with an anticipated cot to complete the project of \$544,771.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	4,035,016	4,035,016	4,599,671	564,655
Other Local Sources	59,063	59,063	395,512	336,449
State Sources	8,307,525	8,307,525	14,855,472	6,547,947
Federal Sources	43,000	43,000	71,038	28,038
Other Sources	998,915	998,915	724,508	(274,407)
TOTAL REVENUES	13,443,519	13,443,519	20,646,201	7,202,682
EXPENDITURES:				
Instructional	6,777,343	6,777,343	10,330,099	(3,552,756)
Student Support Services	596,564	596,564	751,750	(155,186)
Staff Support Services	883,447	883,447	1,144,722	(261,275)
District Administration	615,649	615,649	694,658	(79,009)
School Administration	1,335,831	1,335,831	2,159,314	(823,483)
Business Support Services	972,016	972,016	837,709	134,307
Plant Operation & Maintenance	2,591,570	2,591,570	2,418,430	173,140
Student Transportation	1,100,624	1,100,624	1,027,392	73,232
Community Service Operations	20,200	20,200	25,423	(5,223)
Debt Service:				
Principal	0	0	12,835	(12,835)
Interest	0	0	795	(795)
Other	1,678,784	1,678,784	390,807	1,287,977
TOTAL EXPENDITURES	16,572,028	16,572,028	19,793,934	(3,221,906)
NET CHANGE IN FUND BALANCE	(3,128,509)	(3,128,509)	852,267	3,980,776
FUND BALANCES - BEGINNING	3,128,509	3,128,509	4,580,626	1,452,117
FUND BALANCES - ENDING	0	0	5,432,893	5,432,893

On-behalf payments totaling \$6,345,842 are not budgeted by the Monroe County School District.

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

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	43,082	43,082	422,676	379,594
State Sources	1,569,826	1,569,826	1,405,817	(164,009)
Federal Sources	9,190,279	9,190,279	8,270,405	(919,874)
Other Sources	62,384	62,384	87,662	25,278
TOTAL REVENUES	<u>10,865,571</u>	<u>10,865,571</u>	<u>10,186,560</u>	<u>(679,011)</u>
EXPENDITURES:				
Instructional	5,483,068	5,483,068	5,007,306	475,762
Student Support Services	527,847	527,847	397,870	129,977
Staff Support Services	357,574	357,574	465,841	(108,267)
District Admin Support Services	2,856	2,856	3,389	(533)
Business Support Services	458,023	458,023	230,623	227,400
Plant Operation & Maintenance	278,213	278,213	375,691	(97,478)
Student Transportation	174,461	174,461	131,407	43,054
Day Care Operations	42,518	42,518	117,486	(74,968)
Community Service Operations	248,270	248,270	436,113	(187,843)
Other	3,292,741	3,292,741	3,020,834	271,907
TOTAL EXPENDITURES	<u>10,865,571</u>	<u>10,865,571</u>	<u>10,186,560</u>	<u>679,011</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

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

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-	-	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>56,674,920</u>	<u>57,678,003</u>	<u>74,631,733</u>	<u>67,268,791</u>	<u>32,731,049</u>	<u>33,770,565</u>	<u>79,068,544</u>	<u>31,856,322</u>	<u>41,364,166</u>
TOTAL	<u>\$ 56,674,920</u>	<u>\$ 57,678,003</u>	<u>\$ 74,631,733</u>	<u>67,268,791</u>	<u>32,731,049</u>	<u>33,770,565</u>	<u>79,068,544</u>	<u>31,856,322</u>	<u>41,364,166</u>
District's covered-employee payroll	\$ 8,466,286	8,641,190	8,536,460	\$ 8,216,156	\$ 8,703,432	\$ 8,691,240	\$ 8,966,967	\$ 9,353,587	\$ 9,966,086
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%	39.80%	59.30%	58.80%	58.27%	65.59%	56.41%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net pension liability	0.122975%	0.122000%	0.115240%	0.120596%	0.125548%	0.124682%	0.125609%	0.135061%	0.128335%
District's proportionate share of the net pension liability	\$ 3,990,000	5,245,438	5,673,734	7,058,269	7,646,256	8,768,941	9,634,106	8,611,198	9,277,354
State of Kentucky's share of the net pension liability associated with the district	\$ -	-	-	-	-	-	-	-	-
TOTAL	<u>3,990,000</u>	<u>5,245,438</u>	<u>5,673,734</u>	<u>7,058,269</u>	<u>7,646,256</u>	<u>8,768,941</u>	<u>9,634,106</u>	<u>8,611,198</u>	<u>9,277,354</u>
District's covered-employee payroll	\$ 2,848,529	2,749,758	2,936,556	3,119,291	3,160,043	3,237,887	3,484,157	3,606,606	3,921,837
District's proportionate share of the net pension liability as a percentage of its covered-payroll	140.07%	190.76%	193.21%	226.28%	214.97%	270.82%	276.51%	238.76%	236.56%
Plan fiduciary net position as a percentage of the total pension liability	66.801%	63.46%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,466,286	8,641,190	8,536,460	\$ 8,216,156	\$ 8,703,432	\$ 8,691,240	\$ 8,966,967	\$ 9,353,587	\$ 9,966,086
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 363,187	\$ 341,520	\$ 409,650	\$ 451,673	\$ 512,559	\$ 624,912	\$ 672,442	\$ 763,519	\$ 914,957
Contributions in relation to the actuarially determined contributions	<u>363,187</u>	<u>341,520</u>	<u>409,650</u>	<u>451,673</u>	<u>512,559</u>	<u>624,912</u>	<u>672,442</u>	<u>763,519</u>	<u>914,957</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,848,529	\$ 2,749,758	\$ 2,936,556	\$ 3,119,291	\$ 3,160,043	\$ 3,237,887	\$ 3,484,157	\$ 3,606,606	\$ 3,921,837
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	21.17%	23.40%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY - MEDICAL INSURANCE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.120586%	0.125544%	0.124650%	0.125573%	0.135029%	0.128323%
District's proportionate share of the net OPEB liability	2,424,191	2,229,009	2,096,557	3,032,206	2,585,063	2,532,472
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-	-
TOTAL	<u><u>2,424,191</u></u>	<u><u>2,229,009</u></u>	<u><u>2,096,557</u></u>	<u><u>3,032,206</u></u>	<u><u>2,585,063</u></u>	<u><u>2,532,472</u></u>
District's covered-employee payroll	3,119,291	3,160,043	3,237,887	3,484,157	3,606,606	3,921,837
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	77.70%	70.54%	64.75%	87.03%	71.68%	64.57%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%	47.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.1324%	0.1309%	0.1325%	0.2330%	0.2335%	0.2316%
District's proportionate share of the net OPEB liability	4,720,000	4,507,000	3,879,000	3,311,000	2,803,000	4,388,000
State of Kentucky's share of the net OPEB liability associated with the district	<u>3,856,000</u>	<u>3,884,000</u>	<u>3,133,000</u>	<u>2,652,000</u>	<u>2,276,000</u>	<u>1,442,000</u>
TOTAL	<u>8,576,000</u>	<u>8,391,000</u>	<u>7,012,000</u>	<u>5,963,000</u>	<u>5,079,000</u>	<u>5,830,000</u>
District's covered-employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587	9,966,086
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	57.45%	51.78%	44.60%	36.92%	29.97%	44.03%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%	47.76%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN
TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	<u>52,000</u>	<u>67,000</u>	<u>73,000</u>	<u>80,000</u>	<u>30,000</u>	<u>72,000</u>
TOTAL	<u><u>52,000</u></u>	<u><u>67,000</u></u>	<u><u>73,000</u></u>	<u><u>80,000</u></u>	<u><u>30,000</u></u>	<u><u>72,000</u></u>
District's covered-employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587	9,966,086
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%	73.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 146,607	\$ 166,218	\$ 154,123	\$ 165,846	\$ 208,462	\$ 132,603
Contributions in relation to the actuarially determined contributions	<u>146,607</u>	<u>166,218</u>	<u>154,123</u>	<u>165,846</u>	<u>208,462</u>	<u>132,603</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,119,291	\$ 3,160,043	\$ 3,237,887	\$ 3,484,157	\$ 3,606,606	\$3,921,837
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%	3.39%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ 246,485	\$ 261,103	\$ 260,737	\$ 269,009	\$ 280,608	\$ 298,983
Contributions in relation to the actuarially determined contributions	<u>246,485</u>	<u>261,103</u>	<u>260,737</u>	<u>269,009</u>	<u>280,608</u>	<u>298,983</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587	9,966,086
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,216,156	8,703,432	8,691,240	8,966,967	9,353,587	9,966,086
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. • In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

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

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

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

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

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

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

MONROE COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

The projected salary increase was changed to 3.3-11.5% from 3.05%

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

2022

There were no changes of assumptions for the year ended June 30, 2022.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2020
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-11.50 percent, varies by service
Investment Rate of Return	6.25 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS non-hazardous pensions.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2022

There were no changes in assumptions.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

MONROE COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022

The Initial trend rate for Pre-65 was changes to 6.20% and for Post-65 the change was to 9.00%.

MONROE COUNTY SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET OPEB LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2023

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

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, 2021
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30%-10.30%, varies by service
Investment Rate of Return	6.25 %
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post - 65	Initial trend starting at 9.00% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for CERS, non-hazardous OPEB.

OTHER SUPPLEMENTARY
INFORMATION

MONROE COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE FUND</u>	<u>SCHOOL ACTIVITY FUND</u>	<u>BUILDING FUND</u>	<u>TOTAL NON-MAJOR GOVERNMENT FUNDS</u>
ASSETS:					
Cash & Cash Equivalents	<u>0</u>	<u>0</u>	<u>360,724</u>	<u>0</u>	<u>360,724</u>
TOTAL ASSETS	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>360,724</u></u>	<u><u>0</u></u>	<u><u>360,724</u></u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
Restricted for:					
School Activities			<u>360,724</u>		<u>360,724</u>
Total Fund Balances	<u>0</u>	<u>0</u>	<u>360,724</u>	<u>0</u>	<u>360,724</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>360,724</u></u>	<u><u>0</u></u>	<u><u>360,724</u></u>

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

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

	CAPITAL OUTLAY FUND	DEBT SERVICE FUND	SCHOOL ACTIVITY FUND	BUILDING FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes:					
Property				736,814	736,814
Earnings on Investments		909	12,758		13,667
Intergovernmental - State	164,958	184,328		939,160	1,288,446
Other Sources			789,926		789,926
TOTAL REVENUES	<u>164,958</u>	<u>185,237</u>	<u>802,684</u>	<u>1,675,974</u>	<u>2,828,853</u>
EXPENDITURES:					
Instructional			817,909		817,909
Debt Service:					
Principal		1,825,594			1,825,594
Interest		349,193			349,193
TOTAL EXPENDITURES	<u>0</u>	<u>2,174,787</u>	<u>817,909</u>	<u>0</u>	<u>2,992,696</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	164,958	(1,989,550)	(15,225)	1,675,974	(163,843)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In		1,989,550			1,989,550
Operating Transfers Out	(164,958)		(10,431)	(1,675,974)	(1,851,363)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(164,958)</u>	<u>1,989,550</u>	<u>(10,431)</u>	<u>(1,675,974)</u>	<u>138,187</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>0</u>	<u>(25,656)</u>	<u>0</u>	<u>(25,656)</u>
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>386,380</u>	<u>0</u>	<u>386,380</u>
FUND BALANCES - ENDING	<u>0</u>	<u>0</u>	<u>360,724</u>	<u>0</u>	<u>360,724</u>

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

MONROE COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	FUND BALANCE JULY 1, 2022	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2023
Monroe County High School	102,258	264,952	281,405	85,805
Monroe County Middle School	111,299	178,236	184,418	105,117
Tomkinsville Elementary	44,813	127,270	123,372	48,711
J.H. Cater Elementary	81,380	114,208	111,538	84,050
Gamaliel Elementary	45,997	117,088	126,734	36,351
Community Resource Center	633	930	873	690
	<hr/>	<hr/>	<hr/>	<hr/>
Total Activity Funds (Due to Student Groups)	<u>386,380</u>	<u>802,684</u>	<u>828,340</u>	<u>360,724</u>

See independent accountant's report and accompanying notes to financial statements.

MONROE COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	CASH BALANCE JULY 1, 2022	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2023	ACCOUNTS RECEIVABLE JUNE 30, 2023	ACCOUNTS PAYABLE JUNE 30, 2023	FUND BALANCE JUNE 30, 2023
Sweep - General	0			0	0	0	0
Sweep - Technology Fee	0			0	0	0	0
Academic Team	1,470	6	1,259	217	0	0	217
Ag Achiever Grant	2,977		2,705	272	0	0	272
Annual Staff	0	20,369	18,938	1,431	0	0	1,431
Art Club	51	180	227	4	0	0	4
Athletic Department	3,118	37,222	40,339	1	0	0	1
Band	594	41	316	319	0	0	319
Art Department	291	100	265	126	0	0	126
Baseball	(501)	9,786	9,285	0	0	0	0
Beta Club	711	9,170	9,524	357	0	0	357
Boys Basketball	4,943	18,729	23,672	0	0	0	0
Cheerleaders	2,090	3,815	4,322	1,583	0	0	1,583
Cola - Lounge	177	146	160	163	0	0	163
Athletic Dept. Donations	900			900	0	0	900
Cross Country	1,271		379	892	0	0	892
Drama Club	362	467	419	410	0	0	410
English Dept.	203		203	0	0	0	0
ESPORTS	1,241		848	393	0	0	393
FCA	194	1,080	653	621	0	0	621
FCCLA	2,889	6,490	3,683	5,696	0	0	5,696
FFA	2,173	6,018	2,316	5,875	0	0	5,875
FFA Greenhouse	667	32,200	4,831	28,036	0	0	28,036
Fishing Team	1,571	250	479	1,342	0	0	1,342
FMD Department	593	14,284	14,854	23	0	0	23
Football	0	18,819	17,919	900	0	0	900
General	367	6,154	6,521	0	0	0	0
Girls Basketball	15,439	25,746	41,185	0	0	0	0
Golf - Girls	994	2,561	2,160	1,395	0	0	1,395
Guidance Department	982	382	1,249	115	0	0	115
Interest Account	119	6,043	860	5,302	0	0	5,302
International Club	621	160	199	582	0	0	582
Library	4,398	3,954	6,698	1,654	0	0	1,654
Pep Club	135	1,973	2,050	58	0	0	58
Republican Club	1,610	250	163	1,697	0	0	1,697
Snack Cart	0			0	0	0	0
Soccer - Girls	3,669	6,094	9,762	1	0	0	1
Softball	5,510	30,186	35,695	1	0	0	1
STLP	72	160	82	150	0	0	150
Tennis	613	2,132	2,744	1	0	0	1
Track	3,242	931	3,358	815	0	0	815
Volleyball	7,625	6,358	13,982	1	0	0	1
Soccer - Boys	3,136	2,827	5,926	37	0	0	37
Yclub	119	220	86	253	0	0	253
Graphics	0			0	0	0	0
Media Class	3,436	2,915	4,352	1,999	0	0	1,999

Swim	2,940	4,931	6,921	950	0	0	950
Golf - Boys	8,105	1,042	4,397	4,750	0	0	4,750
Little League - Boys Bask	496			496	0	0	496
Special - Softball	0			0	0	0	0
2022 Seniors	1,612		1,612	0	0	0	0
2023 Seniors	5,680	11,952	17,632	0	0	0	0
2024 Seniors	709	7,714	1,166	7,257	0	0	7,257
2025 Seniors	2,644	16,165	11,242	7,567			7,567
2026 Seniors	0	3,661	2,498	1,163	0	0	1,163
Total All Funds	<u>102,258</u>	<u>323,683</u>	<u>340,136</u>	<u>85,805</u>	<u>0</u>	<u>0</u>	<u>85,805</u>
Interfund Transfers		(58,731)	(58,731)				0
	<u>102,258</u>	<u>264,952</u>	<u>281,405</u>	<u>85,805</u>	<u>0</u>	<u>0</u>	<u>85,805</u>
Total	<u><u>102,258</u></u>	<u><u>264,952</u></u>	<u><u>281,405</u></u>	<u><u>85,805</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>85,805</u></u>

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

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002	310I	113,497
Title I - Parent Involvement	84.010	3100002	310IM	5,780
Title I - Parent Involvement	84.010	3100002	310JM	2,461
Title I - Grants to Local Educational Agencies	84.010	3100002	310J	560,370
Title I Grants to Local Educational Agencies Total				682,108
Migrant Education - State Grant Program	84.011	3110002	311GS	18,390
Migrant Education - State Grant Program	84.011	3110002	311GY	75,155
Migrant Education - State Grant Program	84.011	3110002	311I	21,187
Migrant Education - State Grant Program	84.011	3110002	311J	91,894
Migrant Education Total				206,626
Title IV - Rural and Low Income Schools	84.358	3140002	350I	19,446
Title IV - Rural and Low Income Schools	84.358	3140002	350J	27,069
Title IV - Rural and Low Income Schools Total				46,515
Supporting Effective Instruction State Grants	84.367	3230002	401I	24,862
Supporting Effective Instruction State Grants	84.367	3230002	401J	80,839
Supporting Effective Instruction State Grants Total				105,701
Perkins Voc.	84.048	3710002	348IA	590
Perkins Voc.	84.048	3710002	348J	11,827
Perkins Voc. - Total				12,417
Title III - English Language Acquisition State Grants	84.365	3960002	345J	6,364
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IS	27,697
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IT	5,593
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552IW	243
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552JS	46,362
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002	552JT	42
Title IV, Part A. - Total				79,937
21st Century Learning Center	84.287	3400002	550GC	81,995
21st Century Learning Center	84.287	3400002	550IC	452,654
21st Century Learning Center Total				534,649
Striving Readers Comprehensive Literacy Program	84.371C	466IA	466IA	220,248
Striving Readers Comprehensive Literacy Program	84.371C	466JA	466JA	123,043
Striving Readers Comprehensive Literacy Program Total				343,291
Adult Education - Basic Grants To States	84.002	365J	365J	11,774
Adult Education - Basic Grants To States	84.002	373I	373I	20
Adult Education - Basic Grants To States	84.002	373J	373J	23,510
Adult Education - Basic Grants To States Total				35,304
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300002	473G	3,324,526
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300005	473GB	2,313
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4300005	473GD	2,566
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425U	4200003	563J	13,194
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4000002	473GI	125,865
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200002	473GL	691,901
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200002	554G	204,592
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	554GD	326,656
COVID-19 - Elementary and Secondary School Emergency Relief Funds	84.425D	4200003	554GS	98,949
COVID-19 - Governor's Emergency Education Relief Funds	84.425C	GEER-20	564GC	102,352
COVID-19 - Governor's Emergency Education Relief Funds	84.425C	GEER-20	564GF	180,017
				5,072,931

IDEA - Special Education - Grants to State	84.027	3810002	337I	232,743
IDEA - Special Education - Grants to State	84.027	3810002	337J	293,817
IDEA - Special Education - Preschool Grants	84.173	3800002	343I	20,329
IDEA - Special Education - Preschool Grants	84.173	3800002	343J	10,227
COVID-19 - IDEA Special Education - Grants to State	84.027X	4910002	478I	77,301
COVID-19 - IDEA BSpecial Education - Preschool Grants Special Education Cluster	84.173X	4910002	488I	2,476
				<u>636,893</u>
Total U.S. Department of Education				<u>7,762,736</u>
<u>U.S. Department of Justice</u>				
Passed through Kentucky Department of Education				
Public Safety Partnership and Community Policing Grants	16.710	437GS	437GS	99,536
<u>U.S. Department of Health and Human Services</u>				
COVID-19 - Child Care and Development Block Grant	93.575	Direct	576I	87,951
<u>U.S. Department of Health and Human Services</u>				
Passed-Through Kentucky Department of Education				
COVID-19 Preschool Partnership Grant	93.575	562IP	562IP	352,171
<u>U.S. Department of Health and Human Services</u>				
Passed-Through State Department of Education				
Promoting Adolescent Health	93.079	2100001	493J	397
Total U S Department of health and Human Services				<u>440,519</u>
<u>U.S. Department of Agriculture</u>				
Passed-Through State Department of Education				
School Breakfast Program	10.553	7760005-22	7760005-22	183,215
School Breakfast Program	10.553	7760005-23	7760005-23	510,223
National School Lunchroom	10.555	7750002-22	7750002-22	338,206
National School Lunchroom	10.555	7750002-23	7750002-23	964,606
National School Lunchroom	10.555	9980000-22	9980000-22	46,444
National School Lunchroom	10.555	9980000-23	9980000-23	23,034
Summer Food Service Program	10.559	7690024-22	7690024-22	7,430
Summer Food Service Program	10.559	7690024-23	7690024-23	215
Summer Food Service Program	10.559	7740023-22	7740023-22	72,197
Summer Food Service Program	10.559	7740023-23	7740023-23	2,094
PEBT Administrative Funds Child Nutrition Cluster	10.649	9990000-22	9990000-22	9,216
				<u>2,156,880</u>
Fresh Fruits and Vegetables Program	10.582	7720012-22	7720012-22	16,919
Fresh Fruits and Vegetables Program Fresh Fruits and Vegetables Program	10.582	7720012-23	7720012-23	53,658
				<u>70,577</u>
Child & Adult Care Food Program	10.558	7790021-22	7790021-22	33,102
Child & Adult Care Food Program	10.558	7790021-23	7790021-23	169,719
Child & Adult Care Food Program	10.558	7800016-22	7800016-22	2,464
Child & Adult Care Food Program Child & Adult Care Food Program Total	10.558	7800016-23	7800016-23	12,634
				<u>217,919</u>
State Administrative Expense Funds	10.560	7700001-22	7700001-22	2,531
Pass-Through State Department of Agriculture				
Food Distribution	10.565	057502-10	057502-10	100,490
Total U.S. Department of Agriculture				<u>2,548,397</u>
Total Federal Financial Assistance				<u>10,851,188</u>

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit 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 weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs?

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

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 2 CFR section 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425C/84.425D/84.425U	COVID -19 Education Stabilization Fund
84.027/84.173/84.027X/84.173X	IDEA Cluster *
93.575	COVID-19 Child Care Development Block Grant

**Includes COVID-19 IDEA and COVID-19 IDEA Preschool*

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 of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MONROE COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2023

There were no prior year audit findings.

MONTGOMERY & COMPANY, P.L.L.C

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Joseph A. Montgomery, CPA

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November 15, 2023

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

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Monroe County School District's basic financial statements, and have issued my report thereon dated November 15, 2023.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

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270-995-2474

Joseph A. Montgomery, CPA

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November 15, 2023

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

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United State 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); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

My 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 Monroe County School District's compliance based on my 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 Monroe County School District's compliance with the requirements of each major federal program as a whole.

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

- 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 Monroe County School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Monroe County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Monroe County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 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.

My 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 my audit I did not identify any deficiencies in internal control over compliance that I 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.

My 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 my 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.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

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Joseph A. Montgomery, CPA

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November 15, 2023

MANAGEMENT LETTER

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

In planning and performing my audit of the financial statements of Monroe County School District for the year ended June 30, 2023, I considered its internal control in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statements. Our professional standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. I feel that the District's financial statements are free of material misstatement. However, I offer the following suggestions that I feel will strengthen your organization's internal control structure.

Prior Year Recommendations - District:

2022-1: Prior Year Recommendation:

During 2022 payroll testing, there was one type of additional pay not noted on the salary schedule nor was their evidence of approval within the board minutes. It was determined through inquiry and review that the pay had been approved. However, the form of additional pay was not properly documented in the minutes or on the salary schedule. We recommend that all forms of additional pay be properly documented as approved by the board in the minutes or on the salary schedule.

Current Year Status:

No such instances were found during current year testing.

2022-2: Prior Year Recommendation:

During 2022 testing, one instance was noted where a purchase order was completed subsequent to the invoice date for goods. We recommend that purchases orders be properly completed and approved prior to the obligation of District funds.

Current Year Status:

No such instances were found during current year testing.

2022-3: Current Year Recommendation:

During 2022 testing, one instance was noted where a disbursement exceeded the approved purchase order by \$1,955. A standard invoice or additional purchase order for the overage was not created. I recommend that a standard invoice or additional purchase order be created for *significant* overages when invoice costs exceed purchase order amounts. A description of why the overage occurred should also be present on the documentation.

Current Year Status:

No such instances were found during current year testing.

Prior Year Recommendations – School Activity Funds:

2021-3 – Prior Year Recommendation:

During the 2021 audit, two instances were noted at Monroe County High School where invoices were approved and paid without a properly approved purchase order. We recommend that all purchases have a properly approved purchase order prior to obligation and payment of funds.

Prior Year Status and Recommendation:

During 2022 testing, one instance was found where a purchase order was not completed for a disbursement. The invoice was subsequently approved. However, a properly approved purchase order should have been obtained prior to the teacher or sponsor obligating funds. We recommend that all purchases have a properly completed and approved purchase order prior to the obligation of funds.

Current Year Status:

No such instances were found during current year testing.

Current Year Recommendations – School Activity Funds:

2023-1 – Prior Year Recommendation:

During the 2023 audit, there was one instance at Joe Harrison Carter Elementary and one instance at Monroe County High School where prenumbered tickets and the requisition and report of ticket sales form was not used at an event where gate was taken. I recommend the use of prenumbered tickets and the preparation of the requisition and report of ticket sales form be completed for all events where gate is taken.

Management Response:

We will inform staff, coaches and sponsors that any event that has gate taken is to use prenumbered tickets and that the requisition and report of ticket sales is to be properly completed.

2023-2 – Prior Year Recommendation:

During the 2023 audit, there were three instances at the Monroe County Middle School where the teacher/sponsor signed for the students. I recommend that staff, sponsors and coaches be informed that students 6th grade and above are to sign the multiple receipt form when remitting funds.

Management Response:

We will inform staff, coaches and sponsors that when collecting funds from students 6th grade and above the students are to sign the multiple receipt form.

Current Year Recommendations – District:

None

I will review the status of this comment during my next audit engagement. I have already discussed this comment and suggestion with various District personnel, and I will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

I would like to offer our assistance throughout the year if and when new or unusual situations arise. My awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

Montgomery & Company, P.S.C.

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

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Joseph A. Montgomery, CPA

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November 15, 2023

Members of the Board of Education
Monroe County School District
Tompkinsville, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Monroe County School District for the year ended June 30, 2023. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 9, 2023. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Monroe County School District are described in Note A to the financial statements. As described in Note A to the financial statements, the District changed policies related to leases by adopting Statement of Governmental Accounting Standards No. 96, Subscription-Based Information Technology Arrangements, in 2023. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Activities. No other new accounting policies were adopted and the application of existing policies was not changed during 2023. I noted no transactions entered into by Monroe County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. I evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 15, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Monroe County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Monroe County School District's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

I applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Monroe County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Montgomery & Company, L.L.C.

Certified Public Accountants