

**PADUCH INDEPENDENT  
SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
With Independent Auditor's Reports**

**YEAR ENDED JUNE 30, 2023**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School  
District Audits  
Members of the Board of Education  
Paducah Independent School District  
Paducah, Kentucky

### Opinions

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

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

### Basis for Opinions

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

### Responsibilities of Management for the Financial Statements

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

100 South 4<sup>th</sup> Street ▪ Suite 300 ▪ Paducah, KY 42001

Phone: (270)443-4400 Fax: (270)443-0963 [kempercpa.com](http://kempercpa.com)

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of net pension and OPEB liabilities and contributions on pages 4 through 8 and 51 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of the Paducah Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Paducah Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Paducah Independent School District's internal control over financial reporting and compliance.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
November 15, 2023

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2023**

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

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2023, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29.47 million. The deficit unrestricted net position of \$13.03 million is due to the cumulative adjustments to net position for GASB No. 68 and GASB No. 75 related to the net pension and net postemployment benefits other than pensions liabilities of \$21,137,509. Excluding these cumulative adjustments, net position at June 30, 2023, is \$50,611,111.
- The District had fund balances on the fund financial statements at July 1, 2022, of \$24.58 million. By the end of the school year, June 30, 2023, the balance had decreased to \$21.34 million. The decrease was largely due to construction projects being completed. These totals incorporate all funds including Governmental, Proprietary, and Fiduciary. Of the \$21.24 million, \$12.33 million is investments with fiscal agents.
- The General Fund had \$40,672,213 in revenue (receipts and transfers in plus beginning balance) primarily from the state program (SEEK), property taxes, local occupational license taxes, utility taxes, motor vehicle taxes, and state insurance and retirement on-behalf payments. On-behalf payments are payments made directly by the state for our staff (i.e. retirement and insurance). Subtracting the \$11,124,234 in on-behalf payments, General Fund revenue amounted to \$29,547,979. This is an increase from last year of \$2,073,573. The increase in receipts were a result of an increase local and state revenues.
- General Fund had total expenditures and transfers equaling \$23,606,211 excluding the on-behalf expenses.
- The District's carry forward balance in General Fund increased from \$2,908,138 (amount prior to restricted sick leave adjustment) at the start of the year to \$3,347,859 by the end of the year.
- The District continues to renovate facilities consistent with a long-range facilities plan established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District is still constructing a new Head Start building with construction to be finished in January 2024. The total estimated cost of it is \$22.14 million to be financed with an \$5.14 million bond issue, ARP ESSER funds, and a \$13 million Federal Disaster grant.
- There were no significant changes in any of the individual funds affecting the use of resources.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. The District's basic financial statements are comprised of 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.

**Government-wide financial statements:** The government-wide financial statements are intended to provide the reader with a broad overview of the District's finances. They are organized much like those of a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, the changes in net

(Continued)

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2022**

position, both increases and decreases, may serve as an indicator of the District's financial position. Increases in net position indicate an improving financial position and decreases indicate a deteriorating position. However, the reader must understand that the District's goal is to provide quality services to our students, not to generate profits as commercial entities strive to do. Many non-financial factors must be considered when looking at the position of the District, such as the property tax base, current property tax laws in Kentucky restricting revenue growth, required educational programs, and other factors.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. The District uses an accrual basis of accounting commonly used by private-sector businesses. This accounting practice takes into account all of the current year's revenues and expenses, regardless of when cash is received and paid.

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

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

**Fund financial statements:** A fund is a grouping of related accounts used to maintain control over resources set aside for specific activities or objectives. This is a state-mandated uniform system and establishes a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to guarantee and exhibit compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our only proprietary fund is food service operations. Fiduciary funds are held as trust funds established by benefactors to aid in student education. The District does not have any Fiduciary funds with the implementation of GASB 84. All other activities and resources are included in the governmental funds.

The basic fund financial statements can be found on pages 11-17 of this report.

**Notes to the financial statements:** The notes provide additional information and are useful in fully understanding the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 18-50 of this report.

**COMMENTS ON AFR BUDGET COMPARISONS**

- During the fiscal year ended June 30, 2023, the District amended its General Fund budget numerous times. Most amendments were due to changes in expenditure priorities.
- The District's General Fund total revenues (receipts plus beginning balance) for the fiscal year ended June 30, 2023, net of state on-behalf payments, were \$29.55 million. This includes a beginning balance of \$2.90 million and receipts of \$26.65 million.
- General Fund budget, compared to actual revenue, excluding on-behalf payments, varied slightly from line item to line item; with the ending actual fund balance \$439,721 more than budget.
- The total cost of all General Fund programs and services was \$23.60 million excluding transfers and state on-behalf payments.
- General Fund actual expenditures, compared to budgeted appropriations, were \$1,578,571 less.
- Actual expenditures of \$26.20 million including transfers but excluding on-behalf payments were \$3,347,859 million less than the actual receipts and beginning balance of \$2.90 million.
- By comparing actual receipts of \$29.55 million and expenditures of \$26.20 million, the District increased its beginning balance by \$439 thousand from \$2.90 million (this figure reflects a restricted sick leave adjustment) to \$3.35 million.

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**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. See the first item under financial highlights on page 4.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment) less any related debt used to acquire those assets that is still outstanding and restrictions for capital projects. The District uses these capital assets to provide services to its students; as a result, 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 cannot be used to liquidate these liabilities.

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

**Net Position for the Years Ended June 30**

GASB 34 allows the District to compare this year's assets with last year's assets.

	<u>2023</u>	<u>2022</u>
Current assets	\$13,848,468	\$19,241,028
Non-current assets	<u>110,979,565</u>	<u>89,591,854</u>
Total assets	<u>124,828,033</u>	<u>108,832,882</u>
Deferred outflows of resources	<u>9,509,226</u>	<u>5,869,304</u>
Current liabilities	6,543,964	7,854,676
Non-current liabilities	<u>92,534,680</u>	<u>89,811,179</u>
Total liabilities	<u>99,078,644</u>	<u>97,665,855</u>
Deferred inflows of resources	<u>5,785,297</u>	<u>7,248,247</u>
<b>Net Position:</b>		
Investment in capital assets	26,608,338	2,238,179
Restricted	15,898,487	19,703,618
Unrestricted net position	<u>(13,033,507)</u>	<u>(12,153,713)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 29,473,318</u>	<u>\$ 9,788,084</u>

As a comparison for the year ended June 30, 2023, total net position has increased by \$19,685,234.

The following are significant current year transactions that have had an impact on the statement of net position:

- Vehicle purchases to replace older units.
- The construction-in-progress of the Paducah Headstart and other smaller projects has resulted in higher assets of \$22.3 million.

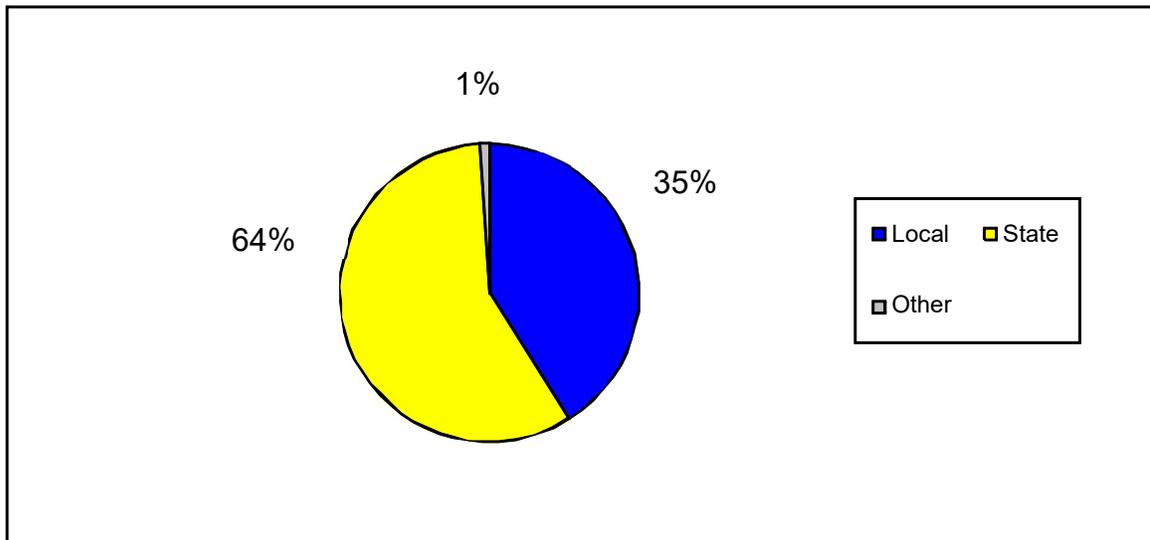
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**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2023**

The following table presents a summary of government-wide revenues and expenses for the fiscal years ended June 30:

<b>Revenues:</b>	<u>2023</u>	<u>2022</u>
Charges for services	\$ 353,011	\$ 307,145
Operating grants and contributions	16,254,725	12,984,467
Capital grants and contributions	15,272,532	3,286,695
Taxes	14,693,255	13,682,504
State aid	11,665,202	11,589,444
Investment earnings	769,038	91,680
On-behalf payments	12,219,173	13,322,483
Gain on sale of equipment	140,294	16,788
Student groups and donations	1,771,763	1,069,687
Other	<u>288,695</u>	<u>126,762</u>
Total revenues	<u>73,427,688</u>	<u>56,477,924</u>
<b>Expenses:</b>		
Instruction	27,922,545	28,999,972
Student support services	2,036,400	1,899,072
Instructional staff support	1,250,521	1,123,452
District administration	2,301,917	2,404,878
School administration	4,072,583	3,708,440
Business support	1,286,410	1,172,544
Plant operations	6,232,550	5,912,405
Student transportation	1,790,035	1,682,027
Community service support	858,262	691,788
Food service operations	3,154,128	2,703,966
Facility acquisition and construction	1,874	(6,671)
Other	<u>2,835,229</u>	<u>2,473,614</u>
Total expenses	<u>53,742,454</u>	<u>52,765,487</u>
CHANGE IN NET POSITION	<u>\$ 19,685,234</u>	<u>\$ 3,712,437</u>

**General Fund Revenue Chart 1**

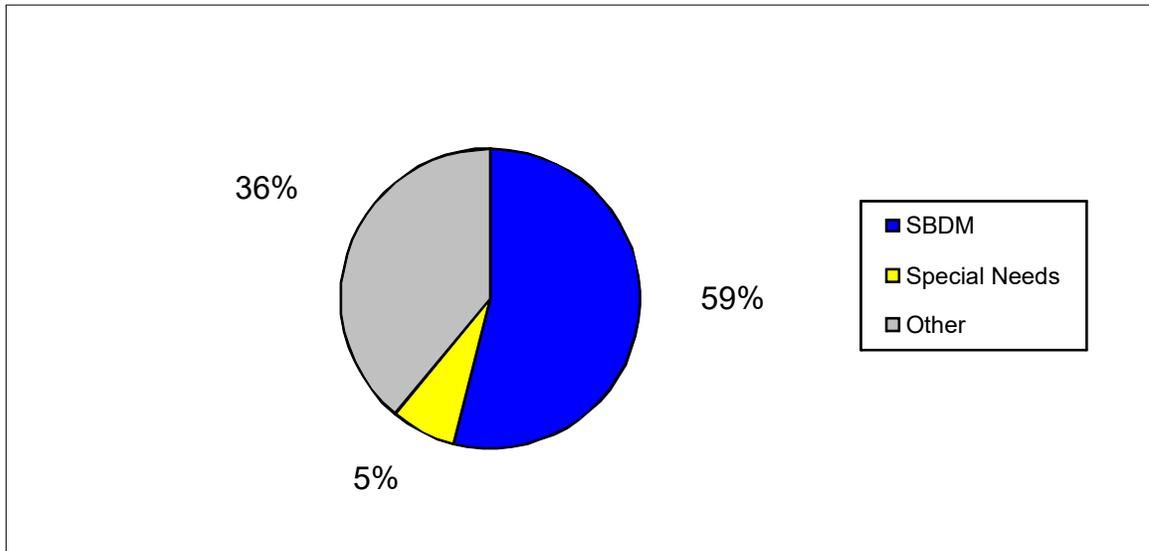


The majority of revenue was derived from state funding at 64% and local funding at 35%. All other funding sources accounted for less than 1% of total General Fund revenue.

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**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**YEAR ENDED JUNE 30, 2023**

**General Fund Budget Allocation Chart**



Site Based Decision Making Councils expended 59% or \$20.50 million of the General Fund budget. An additional \$1.32 million or 6% of Non-SBDM money was spent serving children with special needs. The remaining 35% was expended in district-wide support services.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2023, the District had \$97,678,121 invested in land, buildings, and equipment. Of that amount, \$97,523,996 is in governmental activities.

See Footnote G on pages 29-30 for a breakdown of additions by class.

**Debt Administration**

The District had \$69,512,479 in bonds outstanding on June 30, 2023. A total of \$1,940,179 is due within one year.

See Notes H and I on pages 30-32 for details of the District's debt obligations.

**BUDGETARY IMPLICATIONS**

In Kentucky, the fiscal year for public schools runs from July 1 through June 30; other programs, e.g., federal programs such as Head Start, operate on a different fiscal calendar, but are reflected in the District overall budget.

By law, the District must maintain a 2% contingency. The District ended the year with a 10.59% contingency. The District has developed a working budget for the next fiscal year that contains a 12.00 % contingency. Significant Board, State, and Federal actions may impact this budget during the year.

Questions regarding this report should be directed to the Superintendent, Donald Shively (270-444-5600), or Angela Copeland, Director of Finance (270-444-5600 Ext. 1040), or by mail at P. O. Box 2550, Paducah, KY 42002-2550.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**GOVERNMENT WIDE**  
**As of June 30, 2023**

<b>ASSETS</b>	Governmental Activities	Business-type Activities	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 5,039,259	\$ 1,471,550	\$ 6,510,809
Receivables	7,009,618	276,969	7,286,587
Inventory	-	51,072	51,072
Interfund receivable/payable	(93,025)	93,025	-
<b>Total current assets</b>	<u>11,955,852</u>	<u>1,892,616</u>	<u>13,848,468</u>
<b>Noncurrent Assets</b>			
Investments	13,301,444	-	13,301,444
Capital assets			
Nondepreciable	35,285,294	-	35,285,294
Depreciable, net of accumulated depreciation	62,238,702	154,125	62,392,827
<b>Total noncurrent assets</b>	<u>110,825,440</u>	<u>154,125</u>	<u>110,979,565</u>
<b>Total assets</b>	<u>122,781,292</u>	<u>2,046,741</u>	<u>124,828,033</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension related outflows	1,270,365	236,422	1,506,787
Deferred other post employment benefits outflows	7,557,726	180,215	7,737,941
Deferred charge on refunding	264,498	-	264,498
<b>Total deferred outflows of resources</b>	<u>9,092,589</u>	<u>416,637</u>	<u>9,509,226</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	1,832,923	79,857	1,912,780
Construction retainage payable	574,240	-	574,240
Accrued interest payable	436,943	-	436,943
Current portion of accrued sick leave	107,515	-	107,515
Current portion of bond obligations	1,940,179	-	1,940,179
Current portion of financing leases	26,472	-	26,472
Unearned revenue	1,545,835	-	1,545,835
<b>Total current liabilities</b>	<u>6,464,107</u>	<u>79,857</u>	<u>6,543,964</u>
<b>Noncurrent Liabilities</b>			
Pension obligations	10,883,847	1,626,322	12,510,169
Other post employment benefits	11,642,851	443,920	12,086,771
Noncurrent portion of bond obligations	67,572,300	-	67,572,300
Noncurrent portion of financing leases	13,690	-	13,690
Noncurrent portion of accrued sick leave	351,750	-	351,750
<b>Total noncurrent liabilities</b>	<u>90,464,438</u>	<u>2,070,242</u>	<u>92,534,680</u>
<b>Total liabilities</b>	<u>96,928,545</u>	<u>2,150,099</u>	<u>99,078,644</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension related inflows	505,005	75,460	580,465
Deferred other post employment benefits inflows	5,005,174	199,658	5,204,832
<b>Total deferred inflows of resources</b>	<u>5,510,179</u>	<u>275,118</u>	<u>5,785,297</u>
<b>NET POSITION</b>			
Net invested in capital assets	26,454,213	154,125	26,608,338
Restricted for:			
Debt service	13,204,433	-	13,204,433
Capital projects	1,754,425	-	1,754,425
Other purposes	939,629	-	939,629
Unrestricted (deficit)	(12,917,543)	(115,964)	(13,033,507)
<b>Total net position (deficit)</b>	<u>\$ 29,435,157</u>	<u>\$ 38,161</u>	<u>\$ 29,473,318</u>

The notes to the financial statements are an integral part of this statement.



**PADUCAH INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2023**

	General Fund	Special Revenue	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ -	\$ 2,697,327	\$ 411,770	\$ 1,930,162	\$ 5,039,259
Other receivables	499,191	5,353,172	-	462,420	156,335	6,471,118
Investments	-	-	-	-	971,201	971,201
Investments with fiscal agents	-	-	-	12,330,243	-	12,330,243
Due from other funds	3,583,480	-	-	-	-	3,583,480
<b>Total assets</b>	<u>\$ 4,082,671</u>	<u>\$ 5,353,172</u>	<u>\$ 2,697,327</u>	<u>\$ 13,204,433</u>	<u>\$ 3,057,698</u>	<u>\$ 28,395,301</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 641,787	\$ 230,357	\$ 942,902	\$ -	\$ 17,877	\$ 1,832,923
Due to other funds	93,025	3,583,480	-	-	-	3,676,505
Unearned revenue	-	1,539,335	-	-	6,500	1,545,835
<b>Total liabilities</b>	<u>734,812</u>	<u>5,353,172</u>	<u>942,902</u>	<u>-</u>	<u>24,377</u>	<u>7,055,263</u>
<b>Fund Balances</b>						
Restricted:						
KSFCC debt service	-	-	-	13,204,433	-	13,204,433
Capital projects	-	-	1,754,425	-	1,273,484	3,027,909
District and student activities	-	-	-	-	939,629	939,629
Committed:						
Future construction projects	152,678	-	-	-	-	152,678
Assigned	-	-	-	-	820,208	820,208
Unassigned	3,195,181	-	-	-	-	3,195,181
<b>Total fund balances</b>	<u>3,347,859</u>	<u>-</u>	<u>1,754,425</u>	<u>13,204,433</u>	<u>3,033,321</u>	<u>21,340,038</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,082,671</u>	<u>\$ 5,353,172</u>	<u>\$ 2,697,327</u>	<u>\$ 13,204,433</u>	<u>\$ 3,057,698</u>	<u>\$ 28,395,301</u>

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
As of June 30, 2023**

Total fund balances per fund financial statements \$ 21,340,038

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

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 97,523,996

Certain assets are not reported in this fund financial statements because they are not available to pay current-period expenditures, but they are reported in the statement of net position. These assets are as follows:

Delinquent taxes	\$	538,500	
Deferred pension related outflows		1,270,365	
Deferred other post employment benefits outflows		7,557,726	
Deferred charge on refunding		264,498	
			9,631,089

Certain liabilities are not reported in the fund financial statement because they are not due and payable with current resources, but they are presented in the statement of net position. These liabilities are as follows:

Accrued interest payable	\$	436,943	
Accrued construction retainage payable		574,240	
Accrued sick leave		459,265	
Bond obligations		69,512,479	
Financing leases		40,162	
Deferred pension related inflows		505,005	
Deferred other post employment benefits inflows		5,005,174	
Pension and OPEB obligations		22,526,698	
			(99,059,966)

Net position for governmental activities \$ 29,435,157

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

<b>Revenues</b>	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
From local sources						
Property taxes	\$ 9,189,762	\$ -	\$ -	\$ -	\$ 1,268,832	\$ 10,458,594
Motor vehicle taxes	982,618	-	-	-	-	982,618
Utility taxes	2,069,776	-	-	-	-	2,069,776
Other taxes	206,015	-	-	-	110,320	316,335
Tuition and fees	16,843	-	-	-	-	16,843
Earnings on investments	54,322	-	251,882	228,406	186,874	721,484
Other local revenues	70,355	52,603	-	-	-	122,958
State sources						
SEEK	11,512,955	-	-	-	1,719,345	13,232,300
On-behalf payments	11,124,234	-	-	849,956	-	11,974,190
Other	152,247	1,533,900	-	-	-	1,686,147
Federal	201,983	11,130,900	12,502,785	1,050,402	-	24,886,070
Revenue in lieu of taxes	867,332	-	-	-	-	867,332
Other revenues	376,386	-	-	-	1,771,763	2,148,149
<b>Total revenues</b>	<u>36,824,828</u>	<u>12,717,403</u>	<u>12,754,667</u>	<u>2,128,764</u>	<u>5,057,134</u>	<u>69,482,796</u>
<b>Expenditures</b>						
Instruction	20,661,163	6,665,803	-	-	770,860	28,097,826
Support services						
Student	1,722,326	283,781	-	-	1,060	2,007,167
Instruction staff	934,949	312,376	-	-	3,196	1,250,521
District administration	2,328,402	-	-	-	-	2,328,402
School administration	2,566,416	1,506,010	-	-	-	4,072,426
Business and central office	1,209,960	67,896	-	-	-	1,277,856
Plant operation and maintenance	2,887,976	1,377,776	-	-	-	4,265,752
Student transportation	1,904,655	40,558	-	-	7,491	1,952,704
Facilities acquisition and construction	-	-	22,116,518	-	-	22,116,518
Community service activities	-	699,598	-	-	186,120	885,718
Debt service	514,598	-	-	4,172,427	-	4,687,025
<b>Total expenditures</b>	<u>34,730,445</u>	<u>10,953,798</u>	<u>22,116,518</u>	<u>4,172,427</u>	<u>968,727</u>	<u>72,941,915</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>2,094,383</u>	<u>1,763,605</u>	<u>(9,361,851)</u>	<u>(2,043,663)</u>	<u>4,088,407</u>	<u>(3,459,119)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from debt issues	-	-	-	-	-	-
Bond issuance premium (discount)	-	-	-	-	-	-
Payment to bond refunding escrow	-	-	-	-	-	-
Operating transfers in	939,247	307,306	3,931,140	3,660,859	477,146	9,315,698
Operating transfers out	(2,593,909)	(2,070,911)	-	-	(4,436,764)	(9,101,584)
<b>Total other financing sources (uses)</b>	<u>(1,654,662)</u>	<u>(1,763,605)</u>	<u>3,931,140</u>	<u>3,660,859</u>	<u>(3,959,618)</u>	<u>214,114</u>
<b>Net change in fund balances</b>	439,721	-	(5,430,711)	1,617,196	128,789	(3,245,005)
<b>Fund balance, July 1, 2022</b>	<u>2,908,138</u>	<u>-</u>	<u>7,185,136</u>	<u>11,587,237</u>	<u>2,904,532</u>	<u>24,585,043</u>
<b>Fund balance, June 30, 2023</b>	<u>\$ 3,347,859</u>	<u>\$ -</u>	<u>\$ 1,754,425</u>	<u>\$ 13,204,433</u>	<u>\$ 3,033,321</u>	<u>\$ 21,340,038</u>

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2023**

Net change in total fund balances per fund financial statements \$ (3,245,005)

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

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlays of \$22,798,282 exceeds depreciation expense of \$2,518,148 for the year. 20,280,134

Collection on property taxes are recognized as revenue in governmental funds when available as current resources but are recognized as revenues in the statement of activities in the period earned. (1,400)

The proceeds for the issuance of debt provide current financial resources and are reported in this fund financial statement but they are presented as liabilities in the statement of net position. -

Bond and financing lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position. 2,001,847

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are as follows:

Amorization of refunding costs	\$ (71,099)	
Amorization of bond discounts	(56,320)	
Amorization of bond premiums	<u>6,645</u>	(120,774)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These amounts are as follows:

Accrued payables	\$ (231,783)	
Accrued other post employment benefits	(45,168)	
Accrued pension expense	540,400	
Accrued leave	<u>(71,065)</u>	<u>192,384</u>

Change in net position per statement of activities \$ 19,107,186

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
As of June 30, 2023

<b>ASSETS</b>	<u>Food Service Fund</u>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,471,550
Other receivables	276,969
Due from other funds	93,025
Inventory	51,072
<b>Total current assets</b>	<u>1,892,616</u>
<b>Noncurrent Assets</b>	
Capital assets, net of accumulated depreciation	154,125
<b>Total noncurrent assets</b>	<u>154,125</u>
<b>Total assets</b>	<u>2,046,741</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension related outflows	236,422
Deferred other post employment benefits outflows	180,215
<b>Total deferred outflows of resources</b>	<u>416,637</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	79,857
<b>Total current liabilities</b>	<u>79,857</u>
<b>Noncurrent Liabilities</b>	
Pension obligations	1,626,322
Other post employment benefits	443,920
<b>Total noncurrent liabilities</b>	<u>2,070,242</u>
<b>Total liabilities</b>	<u>2,150,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension related inflows	75,460
Deferred other post employment benefits inflows	199,658
<b>Total deferred inflows of resources</b>	<u>275,118</u>
<b>NET POSITION</b>	
Net invested in capital assets	154,125
Unrestricted (deficit)	<u>(115,964)</u>
<b>Total net position (deficit)</b>	<u><u>\$ 38,161</u></u>

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2023**

	Food Service Fund
<b>Operating Revenues</b>	
Food service sales	\$ 127,996
Other operating revenues	137,817
<b>Total operating revenues</b>	265,813
<b>Operating Expenses</b>	
Salaries and wages	1,396,271
Professional and contract services	30,413
Supplies and materials	1,654,657
Depreciation	22,722
Other operating expenses	50,065
<b>Total operating expenses</b>	3,154,128
<b>Operating income (loss)</b>	(2,888,315)
<b>Nonoperating revenues (expenses)</b>	
Federal grants	3,182,632
Donated commodities	185,593
State grants	19,715
On-behalf state contributions	244,983
Interest income	47,554
<b>Total nonoperating revenues (expenses)</b>	3,680,477
<b>Income (loss) before capital contributions and transfers</b>	792,162
Transfers in	-
Transfers out	(214,114)
	(214,114)
<b>Change in net position (deficit)</b>	578,048
<b>Total net position (deficit), July 1, 2022</b>	(539,887)
<b>Total net position (deficit), June 30, 2023</b>	\$ 38,161

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2023**

	Food Service Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from lunchroom sales	\$ 127,996
Cash received from other activities	137,817
Cash payments to employees for services	(1,228,426)
Cash payments to suppliers for goods and services	(1,434,042)
Cash payments for other operating activities	(50,065)
<b>Net cash used for operating activities</b>	<b>(2,446,720)</b>
<b>Cash Flows from Capital Financing Activities</b>	
Acquisition of capital assets	(29,905)
<b>Net cash used for capital financing activities</b>	<b>(29,905)</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Cash received from government grants	3,393,759
Due from other funds	(93,025)
Transfer to other funds	(214,114)
<b>Net cash provided by noncapital financing activities</b>	<b>3,086,620</b>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	47,554
<b>Net cash flows provided by investing activities</b>	<b>47,554</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	657,549
<b>Cash and cash equivalents - beginning</b>	814,001
<b>Cash and cash equivalents - ending</b>	<b>\$ 1,471,550</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating income (loss)	\$ (2,888,315)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Depreciation	22,722
Donated commodities & on-behalf state contributions	430,576
Changes in assets and liabilities:	
Inventory	(15,561)
Accounts payable	80,996
Accrued OPEB liabilities and related deferred inflows and outflows	21,978
Accrued pension liabilities and related deferred inflows and outflows	(99,116)
<b>Net Cash Used for Operating Activities</b>	<b>\$ (2,446,720)</b>
<b>Schedule of non-cash transactions:</b>	
Donated commodities and on-behalf state contributions	<b>\$ 430,576</b>

The notes to the financial statements are an integral part of this statement.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE A - ENTITY**

**Reporting Entity**

The Paducah Independent Board of Education, a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Paducah Independent School District (District). The District receives funding from local, state, and federal government sources and must comply with the commitment requirement of these funding source entities. However, the District is not included in any other government "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards* because 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 accompanying financial statements present the District's primary government and the component units discussed below for which the Board exercises significant influence or financial accountability. Significant influence or financial accountability is based primarily on financial relationships with the District (as distinct from legal relationships). Therefore, the financial statements presented herein do not include funds of certain legally separate groups and organizations associated with the school system, such as Booster Clubs, over which the Board does not exercise significant influence or financial accountability.

**Blended Component Units:**

**Paducah Independent School District Finance Corporation** – In 1989, the Paducah Independent School District resolved to authorize the establishment of the Paducah Independent School Board Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Paducah Independent School District also comprise the Corporation's Board of Directors. The financial transactions of this entity are included in the accounts and records of the Paducah Independent School District. There are no audited financial statements issued separately for this component unit.

**Paducah Public Schools Foundation, Inc** – The Paducah Public Schools Foundation, Inc. (Foundation) was organized as a nonprofit corporation under Chapter 273 of the Kentucky Revised Statutes. The Foundation was formed the purpose of establishing an education endowment fund to support education programs of the Paducah Public Schools. Resources for activities of the Foundation are primarily provided by contributions from the public. The Foundation is financially accountable to the District. The financial transactions of this entity are included in the non-major fund statements as special revenue funds. Copies of the Foundation's audit can be obtained by contacting the board office of the Paducah Independent School District.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Paducah Independent School District substantially comply with the rules prescribed by the Kentucky Department of Education for local school boards. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

**Basis of Presentation**

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental activities, and other non-exchange revenues. Business-type activities are financed in part by fees charged to external parties for goods or services and federal reimbursement grants based on number of meals served.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues 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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

**Fund Accounting**

The District maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds. A description for each class of funds, along with the associated restrictions, follows:

a. Major Governmental Fund Types

The *General Fund* is the primary operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

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

The *Construction Fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction.

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related costs; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Accounting (continued)**

b. Non-major Governmental Fund Types

The *District Activity Fund* accounts for proceeds of specific revenue sources, such as donations, grants, non-student fundraisers, etc., that are restricted by the individual schools. Project accounting is employed to maintain integrity for the various sources of funds.

The *Special District Foundation Fund* reports the transactions and activities of the Paducah Public School Foundation, Inc. (Foundation). The Foundation was formed the purpose of establishing an education endowment fund to support education programs of the Paducah Public Schools. Resources for activities of the Foundation are primarily provided by contributions from the public. Project accounting is employed to maintain integrity for the various sources of funds.

The *School Activity Fund* accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with *Accounting Procedures for Kentucky School Activity Funds*.

The Support Education Excellence in Kentucky (SEEK) *Capital Outlay Fund* receives those funds designated by the State as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.

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

c. Proprietary Funds

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

**Basis of Accounting**

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

Revenues – Exchange and Non-Exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are 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 Board, available means expected to be received within sixty days of the fiscal year-end.

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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

**Property Taxes**

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 school district. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they are levied. All taxes collected are initially recorded in the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2023, to finance General Fund operations were \$.846 per \$100 valuation for real property, \$.864 per \$100 valuation for business personal property and \$.566 per \$100 valuation for motor vehicles.

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

Board property tax revenues are recognized when levied to the extent that they result in current receivables.

**Encumbrance Accounting**

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances at year end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year end is provided at June 30, 2023.

**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.

**Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give, due in more than one year, are reflected at the present value of estimated future cash flows using discount rate of 0.87%. The discount rates used are the applicable federal rates determined by the Internal Revenue Service at the date of the gift.

The District uses the direct write-off method to charge off unconditional promises to give when management determines promises to be uncollectible. This method approximates the allowance method.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Accounts Receivable**

Accounts receivable consist of various taxes, grants and other sources of revenues that are measurable, and receipt is certain.

**Investments**

The debt service fund records investments at their quoted market prices in the balance sheet - governmental funds. All realized gains or losses are recorded in the statement of revenues, expenditures, and changes in fund balances - governmental funds.

**Inventories**

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary fund which records inventory on its balance sheet. On the government wide and fund financial statements, inventory is stated at cost.

**Capital Assets**

General capital assets not specifically related to activities reported in the proprietary funds are reported in the governmental activities of the government wide statement of net position. 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 as assets 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 proprietary fund balance sheets.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Capital assets donated are recorded at their fair market values at the date received. The District maintains a capitalization threshold of five thousand dollars with the exception of real property for which there is no threshold. The District does not possess any infrastructure. Improvements adding value and economical life to an asset are capitalized. Normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not capitalized. Technology assets acquired through E-rate are capitalized at full cost with the portion paid by E-rate treated as donated assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives for both governmental and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service and equipment	12 years
Furniture and fixtures	10 years
Rolling stock	15 years
Other general assets	10 years

**Prepaid Assets**

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items that qualify for reporting in the category. These are deferred charge on refunding and deferred pension and other post-employment benefits (OPEB) related outflows reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The deferred pension and OPEB outflows results from pension and OPEB contributions subsequent to the measurement date of the pension plan and various changes resulting from actuarial pension and OPEB measurements. The pension and OPEB contribution amounts are deferred and recognized as a component of the change in pension and OPEB plan liabilities in the next measurement period. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item related to the Board's participation in the County Employee Retirement System pension and OPEB plans that qualifies for reporting in this category – deferred pension and OPEB related inflows. The various changes resulting from actuarial pension and OPEB liability measurements are deferred and amortized in future periods as a component of the pension and OPEB expenses.

**Interfund Activity**

Each fund is a fiscal and accounting entity. 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 non-operating revenues/expenses in proprietary funds.

Interfund receivables and payables for the District arise generally when payments are made from a fund that does not have the legal liability for the expenditure, thus a payable from the fund having the legal liability is established at such time. For the year ended June 30, 2023, interfund receivables/payables consist of reimbursements of \$3,583,480 due to the general fund for special revenue project expenditures and \$93,205 due to food service from the general fund. All interfund receivables and payables have been eliminated on the government-wide statement of net position.

**Accumulated Unpaid Sick Leave Benefits**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated vested 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 Board's past experience of making termination payments.

The estimated entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the accrued sick leave payable is the amount earned by retired employees unpaid as of year-end expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Fund Balance**

Fund balances are reported pursuant to GASB Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", which defines how fund balances of the governmental funds, are presented in the financial statements. Fund balances are classified as follows:

Nonspendable fund balances are amounts that cannot be spent either because they are not in spendable form (such as inventory) or because they are legally or contractually required to be maintained intact.

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

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

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purpose (such as encumbrances) but are neither restricted nor committed. The Board of Education allows the District's Superintendent or his designee to complete purchase orders which result in the encumbrance of funds. Assigned fund balances also include 1) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted or committed and 2) amounts in the general fund that are intended to be used for a specific purpose.

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenues and Expenses**

Operating revenues are those revenues generated directly from the primary activity of the proprietary funds. For the Board, operating revenues, within the School Food Service Fund, are primarily charges for student lunches and non-operating revenues are primarily reimbursements from federal and state agencies for meals provided by the various schools. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Use of Estimates**

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

**Budgetary Process**

Budgetary Basis of Accounting: The budgetary process accounts for transactions on the same basis as the fund financial statements.

The budgetary process begins in October for the next fiscal year. As of May 30, a tentative working budget is submitted to each Board member for discussion and amendment. The Board must adopt a final budget and submit to the Kentucky Department of Education by September 30 of each fiscal year. 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.

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.

**Pensions**

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

**Other Post-employment Benefits (OPEB)**

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New Accounting Guidance**

During the fiscal year June 30, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The implementation of GASB Statement No. 96 had no significant impact on the financial statements of the District.

**Subsequent Events**

Management has evaluated subsequent events through November 15, 2023, the date which the financial statements were available to be issued.

**NOTE C – DEPOSITS AND INVESTMENTS**

**Custodial credit risk** for deposits and investments is the risk that in the event of a failure of the counterparty, the District’s deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District’s investment policy requires all investments be made in accordance with applicable legal requirements with consideration of investment safety.

Deposits are 100% secured with collateral valued at market or par, whichever is lower. However, some agency fund accounts are maintained at other financial institutions due to various District locations in the city, and at times, demand deposits exceed depository insurance at these locations. The District has incurred no losses in the past as a result of bank balances in excess of FDIC insurance coverage.

**Credit risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the District’s investing activities are managed under the custody of the District’s Finance Director. Investing is performed in accordance with investment policies adopted by the Board of Directors.

At June 30, 2023, the District’s deposits were in commercial bank demand deposit accounts. At year-end, the carrying amount and the bank balance of the District’s cash and cash equivalents was \$6,510,809 and 7,589,634, respectively. As of June 30, 2023, the District’s bank balance was as follows:

<i>Governmental &amp; Proprietary Funds</i>	
Balance covered by FDIC insurance	\$ 926,456
Collateral held by pledging financial institutions’ trust department not in the Board’s name	6,663,178
Uncollateralized	<u>-</u>
Total	<u>\$ 7,589,634</u>

Investments consist of United States agency obligations and mutual funds held in escrow agent accounts, Bond Fund accounts, and a Federated U.S. Government Bond Fund account at various financial institutions and reported in the Governmental Activities. These obligations have various interest rates and maturity dates greater than 90 days. Such investments are stated at fair value as of June 30, 2023. These investments are covered by collateral held by the pledging bank’s agent, not in the District’s name. As of June 30, 2023, the District had the following investments:

<u>Fund Type</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody’s Rating</u>	<u>Weighted Average Maturity in Years</u>
Governmental	U.S. Agency Obligations	\$ 12,330,243	AAA	7.26
Governmental	Mutual Funds	971,201	N/A	

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE C – DEPOSITS AND INVESTMENTS (continued)**

GASB No. 40, *Deposits and Investment Risk Disclosures*, requires the District to address the following risks related to its investments:

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. In an effort to minimize the likelihood that an issuer will default, Kentucky Revised Statutes authorize the District to invest in the following:

1. Obligations of the United States and of its agencies, national corporations, and instrumentalities, including repurchase agreements,
2. Certificates of deposit issued by banks or savings and loan institutions,
3. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and municipalities,
4. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, but only if fully defeased by direct obligations of or guaranteed by the United States of America, or
5. Interest bearing deposits in national and state banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank shall pledge as security obligations having a current quoted market value at least equal to any uninsured deposits.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by the District are insured or collateralized with securities held by the pledging bank's agent, not in the District's name.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District has no formal policy regarding interest rate risk.

Concentration of Credit Risk - The District's investment policy places no limit on the amount the District may invest in any one issuer; however, all holdings must be collateralized.

Fair Value Measurement - The District's investments are measured and reported at fair value and classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets.

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Securities classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor.

**Investment by Fair Value Level:**

	<u>Fair Value Measurements Using</u>		
	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>
U.S. Agency Obligations	\$ -	\$ 12,330,243	\$ -
Mutual Funds	-	<u>971,201</u>	-
<b>TOTAL INVESTMENTS</b>	<u>\$ -</u>	<u>\$ 13,301,444</u>	<u>\$ -</u>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE D – ACCOUNTS RECEIVABLE**

The summary of accounts receivable as of June 30, 2023 consist of the following:

<u>Description</u>	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Food Service</u>	<u>Other Funds</u>	<u>Total</u>
Taxes:						
Property – current	\$ 250,741	\$ -	\$ -	\$ -	\$ -	\$ 250,741
Property– delinquent	559,126	-	-	-	-	559,126
Utilities	143,167	-	-	-	-	143,167
State grants	64,612	10,769	-	-	-	75,381
Federal grants	-	5,334,886	-	236,217	-	5,571,103
Other	<u>20,045</u>	<u>7,517</u>	<u>462,420</u>	<u>40,752</u>	<u>156,335</u>	<u>687,069</u>
 Total	 <u>\$ 1,037,691</u>	 <u>\$ 5,353,172</u>	 <u>\$ 462,420</u>	 <u>\$ 276,969</u>	 <u>\$ 156,335</u>	 <u>\$ 7,286,587</u>

**NOTE E – PROMISES TO GIVE**

Unconditional promises to give consist of the following:

Unconditional promises to give, donor restricted for specific purposes	\$ 76,000
Less: unamortized discount	<u>(515)</u>
Net unconditional promises to give, donor restricted for specific purposes	<u>\$ 75,485</u>
Amounts due in:	
Less than one year	\$ 47,000
One to five years	<u>29,000</u>
Total	<u>\$ 76,000</u>

**NOTE F – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

For the year ended June 30, 2023, the District has investment funds with the Community Foundation of West Kentucky, Inc. (the Community Foundation). The primary funds are non-endowed accounts which the District has un-restricted access. The other funds are endowed agency accounts and named itself as the beneficiary of the fund. Income earned is added back to the funds at least quarterly, and administrative fees are deducted from the funds on a quarterly basis. The Board of Directors of the Community Foundation has the power to modify any restriction or condition on the distribution of agency endowed fund for any specified charitable purposes or to a specified organization if, in the sole judgment of the Community Foundation, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served. The Board of the District, however, can petition the Community Foundation for distributions or return of the fund balance, and consent will not be unreasonably withheld. These investments are reflected on the nonmajor governmental funds combining balance sheet at its fair value of \$971,201 as provided by the Foundation.

The District also shares an allocated portion of a permanent donor endowment fund that is under the Community Foundation’s sole control. The District’s allocation of this fund is comprised of matching funds related to its participation in the Community Foundation’s fundraising events plus realized and unrealized earnings on the matching funds. Under the terms of the spending agreement with the Community Foundation, a portion of these allocated funds is available for the District’s use; however, these funds are not reflected on the books of the District. As of June 30, 2023, the market value of the District’s portion of the endowment fund totaled \$97,629. The District’s available to grant portion of the endowment fund totaled \$5,694 as of June 30, 2023.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G – CAPITAL ASSETS**

A summary of the capital asset activity for the fiscal year ended at June 30, 2023, was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
<u>Capital assets, not being depreciated:</u>				
Land	\$ 3,701,015	\$ -	\$ -	\$ 3,701,015
Construction in Progress	<u>9,235,282</u>	<u>22,348,997</u>	<u>-</u>	<u>31,584,279</u>
Total capital assets, not being depreciated:	<u>12,936,297</u>	<u>22,348,997</u>	<u>-</u>	<u>35,285,294</u>
<u>Capital assets, being depreciated:</u>				
Land improvements	2,104,167	8,900	-	2,113,067
Buildings and improvements	92,520,590	47,940	-	92,568,530
Technology equipment	4,169,166	13,542	-	4,182,708
Vehicles	3,975,505	311,543	(200,700)	4,086,348
General Equipment	<u>2,017,973</u>	<u>67,360</u>	<u>-</u>	<u>2,085,333</u>
Totals at historical cost	<u>104,787,401</u>	<u>449,285</u>	<u>(200,700)</u>	<u>105,035,986</u>
Less: Accumulated depreciation				
Land improvements	1,228,015	64,864	-	1,292,879
Buildings and improvements	31,468,443	2,104,246	-	33,572,689
Technology equipment	3,698,671	33,068	-	3,731,739
Vehicles	3,012,085	174,927	(200,700)	2,986,312
General Equipment	<u>1,072,622</u>	<u>141,043</u>	<u>-</u>	<u>1,213,665</u>
Total accumulated depreciation	<u>40,479,836</u>	<u>2,518,148</u>	<u>(200,700)</u>	<u>42,797,284</u>
Total capital assets, being depreciated, net:	<u>64,307,565</u>	<u>(2,068,863)</u>	<u>-</u>	<u>62,238,702</u>
Governmental Activities Capital Assets – Net	<u>\$ 77,243,862</u>	<u>\$ 20,280,134</u>	<u>\$ -</u>	<u>\$ 97,523,996</u>
<u>Business-Type Activities</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2023</u>
Food service and equipment	\$ 687,005	\$ 29,905	\$ -	\$ 716,910
Technology equipment	<u>12,235</u>	<u>-</u>	<u>-</u>	<u>12,235</u>
Totals at historical cost	<u>699,240</u>	<u>29,905</u>	<u>-</u>	<u>729,145</u>
Less: Accumulated depreciation				
Food service and equipment	540,063	22,722	-	562,785
Technology equipment	<u>12,235</u>	<u>-</u>	<u>-</u>	<u>12,235</u>
Total accumulated depreciation	<u>552,298</u>	<u>22,722</u>	<u>-</u>	<u>575,020</u>
Business-Type Activities Capital Assets – Net	<u>\$ 146,942</u>	<u>\$ 7,183</u>	<u>\$ -</u>	<u>\$ 154,125</u>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE G – CAPITAL ASSETS (continued)**

Depreciation expense, by function, was as follows:

Instructional	\$	248,886
Student		259
District administration		2,587
School administration		156
Plant operation and maintenance		2,074,567
Student transportation		190,175
Community services		1,518
		<u>\$ 2,518,148</u>
Food service	\$	<u>22,722</u>

**NOTE H– BOND 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 Paducah Independent School Board Finance Corporation.

**Bonds**

The District, through the General Fund, the SEEK Capital Outlay Fund, and the Facility Support Program Levy Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Paducah Independent School Board Finance corporation to construct school facilities.

The bond issues provide for a statutory mortgage lien on the school buildings and appurtenances in favor of the holders of the bonds and coupons.

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

<u>Issue Date</u>	<u>Original Amount/ Proceeds</u>	<u>Outstanding Balance</u>	<u>Rates</u>
April 9, 2009	\$ 6,720,000	\$ 490,000	2.00% - 4.25%
June 29, 2011 QZAB	3,950,000	3,950,000	4.80%
December 22, 2011 QSCB	18,312,000	18,312,000	5.00%
November 27, 2012	3,965,000	3,610,000	1.50% - 2.60%
December 2, 2014	4,655,000	2,800,000	1.00% - 3.00%
February 23, 2016	3,910,000	1,930,000	1.00% - 3.00%
May 10, 2016	2,630,000	1,785,000	1.00% - 2.25%
June 16, 2016	3,070,000	2,880,000	2.00% - 3.00%
September 28, 2018	18,705,000	17,920,000	3.00% - 5.00%
October 13, 2020	1,935,000	1,535,000	0.40% - 2.00%
May 31, 2022 SBR	5,145,000	5,100,000	3.00% - 4.10%
May 31, 2022 ECR	9,995,000	9,770,000	4.00%
	<u>\$ 82,992,000</u>	<u>\$ 70,082,000</u>	

**Call Provision**

All bonds may be called prior to maturity at dates and subject to redemption premiums specified in each bond issue.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE H – BOND OBLIGATIONS (continued)**

**Schedule of Maturities of Obligations**

During the fiscal years ended June 30, 2011, 2016 and 2018 the District entered into “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table below sets forth the amount to be paid by the District and Commission for each year until maturity of all related bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. For the year June 30, 2023, the Commission provided escrow, principal, and interest payments of \$604,522, \$129,337, and \$116,097, respectively.

Assuming no issues are called prior to schedule maturity, the minimum obligation of the District including amounts to be paid by the Commission, at June 30, 2023, for debt service (principal and interest) are as follows:

<u>Fiscal Year</u>	<u>Paducah Independent School District</u>		<u>US Treasury Subsidy Interest</u>	<u>Kentucky School Facilities Construction Commission</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	
2023-2024	\$ 1,856,907	\$ 2,600,814	\$ (1,042,204)	\$ 133,093	\$ 112,342	\$ 3,660,952
2024-2025	1,921,872	2,550,487	(1,042,204)	138,128	107,307	3,675,590
2025-2026	1,987,165	2,504,152	(1,042,204)	142,835	102,600	3,694,548
2026-2027	6,011,780	2,448,596	(1,042,204)	148,220	97,214	7,663,606
2027-2028	1,886,348	2,196,765	(863,411)	153,652	91,782	3,465,136
2028-2033	14,636,408	7,910,861	(3,885,349)	14,980,592	280,508	33,923,020
2033-2038	13,862,328	3,647,079	-	532,672	80,114	18,122,193
2038-2043	11,540,990	1,101,480	-	149,010	8,557	12,800,037
<b>TOTALS</b>	<u>\$ 53,703,798</u>	<u>\$ 24,960,234</u>	<u>\$ (8,917,576)</u>	<u>\$ 16,378,202</u>	<u>\$ 880,424</u>	<u>\$ 87,005,082</u>

**Prior year defeasance of debt**

In prior years, the District has issued revenue refunding bonds by placing the proceeds of the new issue in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. As of June 30, 2023, none of these defeased bonds remain outstanding.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE I – CAPITAL LEASE PAYABLE**

The District entered into a five-year lease agreement for technology equipment beginning March 31, 2020. The District has the right to the present service capacity from the use of the equipment and the right to determine the nature and manner of its use. The District is responsible for all maintenance, insurance, and other costs necessary to maintain the equipment in operational order. The fixed payments are due quarterly and the term is renewable annually over the District’s budget year. If the District doesn’t have the funds in their budget to continue to renew the lease, it is cancellable with all equipment to be surrendered. However, this clause is not expected to be exercised. There is a purchase option to purchase the equipment for one dollar at the end of the five-year lease term. The server is recorded at the present value of payments expected to be made during the lease term which is valued at \$125,933. Accumulated amortization under the lease agreement is \$94,643. Amortization is included in depreciation expense.

Future minimum lease payments at June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	
2024	\$ 27,509
2025	<u>13,866</u>
Total minimum lease payments	41,375
Less: deferred interest	<u>(1,213)</u>
Present value minimum lease payments	<u>\$ 40,162</u>

**NOTE J – CHANGES IN LONG-TERM LIABILITIES**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Revenue bonds	\$ 72,052,000	\$ -	\$ (1,970,000)	\$ 70,082,000	\$ 1,990,000
Deferred amounts:					
Premiums	28,830	-	(6,645)	22,185	5,999
Discounts	<u>(648,026)</u>	-	<u>56,320</u>	<u>(591,706)</u>	<u>(55,820)</u>
Total bonds payable	71,432,804	-	(1,920,325)	69,512,479	1,940,179
Capital leases	72,009	-	(31,847)	40,162	26,472
Accumulated sick leave	<u>388,200</u>	<u>139,703</u>	<u>(68,638)</u>	<u>459,265</u>	<u>107,515</u>
Governmental activity					
Long-term liabilities	<u>\$ 71,893,013</u>	<u>\$ 139,703</u>	<u>\$ (2,020,810)</u>	<u>\$ 70,011,906</u>	<u>\$ 2,074,166</u>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2023</u>
Governmental Activities				
Deferred outflows of resources				
<i>Deferred charge on refunding</i>	\$ 335,597	\$ -	\$ (71,099)	\$ 264,498
Pensions				
<i>Deferred pension contributions</i>	\$ 868,535	\$ 979,707	\$ (868,535)	\$ 979,707
<i>Differences between expected and actual experience</i>	115,888	-	(104,252)	11,636
<i>Change of assumptions</i>	135,448	-	(135,448)	-
<i>Difference between projected and actuarial earnings</i>	-	3,183,515	(2,904,493)	279,022
<i>Pension related deferred outflows</i>	<u>\$ 1,119,871</u>	<u>\$ 4,163,222</u>	<u>\$ (4,012,728)</u>	<u>\$ 1,270,365</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 243,612	\$ 164,468	\$ -	\$ 408,080
<i>Differences between expected and actual experience</i>	97,951	153,288	(154,314)	96,925
<i>Difference between projected and actuarial earnings</i>	1,345,106	-	(1,345,106)	-
<i>Pension related deferred inflows</i>	<u>\$ 1,686,669</u>	<u>\$ 317,756</u>	<u>\$ (1,499,420)</u>	<u>\$ 505,005</u>
Other Post-Employment Benefits (OPEB)				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 1,201,541	\$ 1,148,244	\$ (1,201,541)	\$ 1,148,244
<i>Change of assumptions</i>	2,088,211	476,000	(333,350)	2,230,861
<i>Differences between expected and actual experience</i>	476,409	-	(177,368)	299,041
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	204,000	3,094,000	-	3,298,000
<i>Difference between projected and actuarial earnings</i>	-	1,033,241	(451,661)	581,580
<i>OPEB related deferred outflows</i>	<u>\$ 3,970,161</u>	<u>\$ 5,751,485</u>	<u>\$ (2,163,920)</u>	<u>\$ 7,557,726</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 246,442	\$ 45,285	\$ -	\$ 291,727
<i>Differences between expected and actual experience</i>	3,825,545	826,532	(325,792)	4,326,285
<i>Change of assumptions</i>	2,817	486,603	(102,258)	387,162
<i>Difference between projected and actuarial earnings</i>	997,942	-	(997,942)	-
<i>OPEB related deferred inflows</i>	<u>\$ 5,072,746</u>	<u>\$ 1,358,420</u>	<u>\$ (1,425,992)</u>	<u>\$ 5,005,174</u>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE K – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (Continued)**

A summary of change in deferred outflows/inflows of resources is as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>
<b>Business-Type Activities</b>				
Pensions				
Deferred outflows of resources				
<i>Deferred pension contributions</i>	\$ 158,012	\$ 192,990	\$ (158,012)	\$ 192,990
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	-	-	-	-
<i>Differences between expected and actual experience</i>	17,317	-	(15,578)	1,739
<i>Change of assumptions</i>	20,239	-	(20,239)	-
<i>Difference between projected and actuarial earnings</i>	-	475,698	(434,005)	41,693
<i>Pension related deferred outflows</i>	<u>\$ 195,568</u>	<u>\$ 668,688</u>	<u>\$ (627,834)</u>	<u>\$ 236,422</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 36,402	\$ 24,575	\$ -	\$ 60,977
<i>Difference between expected and actual experience</i>	14,636	22,905	(23,058)	14,483
<i>Difference between projected and actuarial earnings</i>	200,993	-	(200,993)	-
<i>Pension related deferred inflows</i>	<u>\$ 252,031</u>	<u>\$ 47,480</u>	<u>\$ (224,051)</u>	<u>\$ 75,460</u>
<b>Other Post-Employment Benefits (OPEB)</b>				
Deferred outflows of resources				
<i>Deferred OPEB contributions</i>	\$ 56,899	\$ 47,305	\$ (56,899)	\$ 47,305
<i>Difference between expected and actual experience</i>	71,188	-	(26,504)	44,684
<i>Change of assumptions</i>	120,020	-	(49,811)	70,209
<i>Difference between projected and actuarial earnings</i>	-	85,507	(67,490)	18,017
<i>OPEB related deferred outflows</i>	<u>\$ 248,107</u>	<u>\$ 132,812</u>	<u>\$ (200,704)</u>	<u>\$ 180,215</u>
Deferred inflows of resources				
<i>Changes in proportion and differences between employer contributions and proportionate share of contributions</i>	\$ 30,399	\$ 9,606	\$ -	\$ 40,005
<i>Differences between expected and actual experience</i>	135,162	15,321	(48,682)	101,801
<i>Change of assumptions</i>	421	72,711	(15,280)	57,852
<i>Difference between projected and actuarial earnings</i>	70,819	-	(70,819)	-
<i>OPEB related deferred inflows</i>	<u>\$ 236,801</u>	<u>\$ 97,638</u>	<u>\$ (134,781)</u>	<u>\$ 199,658</u>

**NOTE L – 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.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

**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	Prior to September 1, 2008
	Unreduced retirement	27 years of service or 65 years old
	Reduced retirement	Minimum 5 years of service and 55 years old Minimum 25 years of service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older and sum of service years plus age equal 87
	Reduced retirement	Minimum 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	Minimum 5 years of service and 65 years old Age of 57 or older 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 non-service related disability benefits.

*Contributions* - Required contributions by the employee are based on the tier:

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

The District’s required contribution rate was 26.79% for the year ended June 30, 2023.

**PADUACH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

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

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

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

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

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

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the Kentucky 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 8.185% of their salaries.

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.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District’s proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District.

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

District’s proportionate share of the CERS net pension liability	\$	12,510,169
Commonwealth’s proportionate share of the KTRS net pension liability associated with the District		<u>82,109,281</u>
Total net pension liability associated with the District	\$	<u>94,619,450</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 0.173055% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$596,737 related to CERS and \$2,994,835 related to KTRS. The District also recognized revenue of \$2,994,835 for KTRS support provided by the Commonwealth’s on-behalf payments. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between District contributions and proportionate share of contributions	\$ -	\$ 469,057
Difference between expected and actual experience	13,375	111,408
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	320,715	-
District contributions subsequent to the measurement date	<u>1,172,697</u>	<u>-</u>
Total	<u>\$ 1,506,787</u>	<u>\$ 580,465</u>

The District reported \$1,172,697 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2023	\$ (306,210)
2024	\$ (190,423)
2025	\$ (105,128)
2026	\$ 355,386

*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:

	<u>CERS</u>	<u>KTRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.30-10.30%	3.00-7.50%
Investment rate of return, net of investment expense & inflation	6.25%	7.10%

For CERS, the mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for non-disabled retired members was 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. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2018.

For KTRS, mortality rates were based on the Pub-2010 (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 period July 1, 2015 – June 30, 2020.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estate	7.00%	3.67%
Real Return	13.00%	4.07%
Cash	<u>0.00%</u>	(0.91%)
Total	<u>100.00%</u>	

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.20 – 4.70%
Non U.S. Equity	22.00%	5.30 – 5.40%
Fixed Income	15.00%	(0.10%)
High Yield Bonds	2.00%	1.70%
Additional Categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	<u>2.00%</u>	(0.30%)
Total	<u>100.00%</u>	

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

For KTRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. 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 employees. The Single Equivalent Interest Rate (SEIR) of 7.10% was calculated using the Municipal Bond Index Rate (3.37%) as of the measurement date.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE L – RETIREMENT PLANS (continued)**

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate* - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>CERS</b>	5.25%	6.25%	7.25%
District’s proportionate share of net pension liability	\$ 15,636,159	\$ 12,510,169	\$ 9,924,716
<b>KTRS</b>	6.10%	7.10%	8.10%
District’s proportionate share of net pension liability	\$ -	\$ -	\$ -

*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 KTRS.

The Paducah Independent School District makes available 401(k) and 403(b) defined contribution pension plans for all employees. Employees are allowed to contribute to the plans up to the Internal Revenue Code maximum allowable amount. The Paducah Independent School District does not contribute to these Plans.

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

*Plan description* – Teaching-certified employees of the District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (KTRS)—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. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. KTRS issues a publicly available financial report that can be obtained at <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 KTRS Medical Insurance and Life Insurance Plans. The following information is about the KTRS plans:

**KTRS Medical Insurance Plan**

*Plan description* - In addition to the pension benefits described in Note L, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS 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 KTRS 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. KTRS 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 KTRS 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 KTRS Medicare Eligible Health Plan.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

*Contributions* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (0.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

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

At June 30, 2023, the District reported a liability of \$8,672,000 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 0.349309 percent, which was an increase of .120348 from its proportion measured as of June 30, 2021.

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

District’s proportionate share of the KTRS medical insurance liability	\$	8,672,000
Commonwealth’s proportionate share of the KTRS medical insurance liability associated with the District		<u>2,849,000</u>
Total KTRS medical insurance liability associated with the District	\$	<u>11,521,000</u>

For the year ended June 30, 2023, the District recognized OPEB expense of \$524,752 and revenue of \$152,263 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>
Difference between expected and actual experience	\$ -	\$ 3,645,000
Changes in assumptions	1,761,000	-
Net difference between projected and actual earnings on pension plan investments	461,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,298,000	24,000
District contributions subsequent to the measurement date	<u>897,202</u>	<u>-</u>
Total	<u>\$ 6,417,202</u>	<u>\$ 3,669,000</u>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The District reported \$897,202 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to OPEB will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	
2024	\$ 60,000
2025	\$ 103,000
2026	\$ 152,000
2027	\$ 708,000
2028	\$ 584,000
Thereafter	\$ 244,000

*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:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00% – 7.50%, including inflation
Inflation rate	2.50%
Healthcare cost trend rates	
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034
Municipal Bond Index Rate	3.37%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study from the system, which covered the 5-year period ending June 30, 2020. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

The following table presents the District's 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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>KTRS</b>	6.10%	7.10%	8.10%
District proportionate share of net OPEB liability	\$ 10,880,000	\$ 8,672,000	\$ 6,843,000

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>KTRS</b>	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 6,501,000	\$ 8,672,000	\$ 11,372,000

*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 KTRS.

**CERS Medical Insurance Plan**

*Plan description* – The District contributes to the Kentucky Retirement Systems Insurance fund (Insurance Fund), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Kentucky Retirement Systems (KRS). The Insurance Fund was established to provide hospital and medical insurance for members for receiving benefits from the Kentucky Employees Retirement Systems (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS).

*Benefits provided* – The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky General Assembly. KRS issues a publicly available financial report that can be obtained at [www.kyret.ky.gov](http://www.kyret.ky.gov).

*Contributions* – Per Kentucky Revised Statutes 78.545 (33), contribution requirements are established and may be amended by the KRS Board. The District was required to contribute at actuarially determined rates of 3.39% of covered payroll for the fiscal years ended June 30, 2023.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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

At June 30, 2023, the District reported a liability for its proportionate share of the net OPEB liability for the CERS Insurance Trust. 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 0.173030 percent.

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

District’s proportionate share of the CERS medical insurance liability                      \$ 3,414,771

For the year ended June 30, 2023, the District recognized OPEB expense of \$405,268. 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>
Difference between expected and actual experience	\$ 343,725	\$ 783,086
Changes in assumptions	540,070	445,014
Net difference between projected and actual earnings on pension plan investments	138,597	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	307,732
District contributions subsequent to the measurement date	<u>298,347</u>	<u>-</u>
Total	<u>\$ 1,320,739</u>	<u>\$ 1,535,832</u>

The District reported \$298,347, including \$123,116 implicit subsidy, as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date which will be recognized as a reduction of the net OPEB 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>Fiscal Year Ending June 30</u>	
2023	\$ (118,890)
2024	\$ (115,604)
2025	\$ (263,079)
2026	\$ (15,867)

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

Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.30% - 10.30%, varies by service for CERS non-hazardous
Inflation rate	2.30%
Healthcare cost trend rates under 65	6.45% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Municipal Bond Index Rate	3.69%
Discount Rate	5.70%
Single Equivalent Interest Rate	5.80%, net of OPEB plan investment expense, including inflation

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous Plans, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for non-disabled retired members was 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.

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 CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Specialty Credit/High Yield	10.00%	2.28%
Core Bonds	10.00%	0.28%
Real Estate	7.00%	3.67%
Opportunistic	0.00%	0.00%
Real Return	13.00%	4.07%
Cash	<u>0.00%</u>	(0.91%)
Total	<u>100.00%</u>	

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 4,565,004	\$ 3,414,771	\$ 2,463,911

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
District’s proportionate share of net OPEB liability	4.70%	5.70%	6.70%
	\$ 2,538,806	\$ 3,414,771	\$ 4,466,639

**Life Insurance Plan**

*Plan description – Life Insurance Plan* – KTRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The KTRS 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 KTRS Board of Trustees and the General Assembly.

*Benefits provided* – KTRS provides a life insurance benefit of five thousand dollars (\$5,000) payable for members who retire based on service or disability. KTRS provides a life insurance benefit of two thousand dollars (\$2,000) payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member’s estate or to a party designated by the member.

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

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

At June 30, 2023, the 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 KTRS 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 KTRS life insurance liability	\$ -
Commonwealth’s proportionate share of the KTRS life insurance liability associated with the District	142,000
Total KTRS life insurance liability associated with the District	\$ 142,000

For the year ended June 30, 2023, the District recognized OPEB expense of \$10,815 and revenue of \$10,815 for support provided by the State for life insurance.

**PADUACH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (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:

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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally based on Projection Scale 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 remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	(0.10%)
Additional Categories	6.00%	2.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Cash	2.00%	(0.30%)
Total	<u>100.00%</u>	

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

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE M – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

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:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>KTRS</b>	6.10%	7.10%	8.10%
District’s proportionate share of net OPEB liability	\$ -	\$ -	\$ -

*OPEB plan fiduciary net position* - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

**NOTE N – DEFERRED COMPENSATION**

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

**NOTE O – CONTINGENCIES**

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

In addition, during the fiscal year ended June 30, 2023, the District received \$867,332 of revenue in lieu of taxes through the State of Kentucky primarily collected from two entities within the city. Due to recent economic changes, collection from this source of revenue may be significantly effected in future periods. Loss of this revenue would significantly impact the District.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The District carries 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 four fiscal years.

**NOTE P – INTEREST EXPENSE**

For the year ended June 30, 2023, cash expenditures for interest totaled \$2,717,021. Expenditures consist of interest expenditures on capital leases of \$2,538 and interest expenditures on bond issues of \$2,714,483.

For the year ended June 30, 2023, amortization expense of deferred charge on refunding, bond issue discounts and call premiums reflected as components of interest expense in the statement of net position were \$71,099, \$56,320 and (\$6,646), respectively.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE Q – RISK MANAGEMENT**

The Paducah Independent School District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, fiduciary responsibility, etc. In addition, the District is exposed to various risks of loss related to torts; errors and omissions; injuries to employees; and natural disasters. Each of these risk areas is currently covered through the purchase of commercial insurance.

**NOTE R - LITIGATION**

The District is subject to various legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

**NOTE S – ON-BEHALF PAYMENTS**

Payments are made by the Kentucky Department of Education for the benefit of the District’s students and employees. On-behalf payments consist of employee fringe benefits for health insurance and flex spending accounts of \$3,610,853, KTRS retirement and other post-employment benefit contributions of \$7,491,748 and \$163,078, technology support of \$103,538 and donated commodities of \$185,593. These non-monetary amounts are reflected within the general fund and the business-type activities in the statements as on-behalf payment state revenues and instructional/support expenses. In accordance with Kentucky Department of Education guidelines, these revenues and expenditures are not budgeted by the Board.

Debt service payments are made by the Kentucky School Facility Construction Commission for school construction related bond issues for part of the District’s bond principal and interest debt service. Non-monetary principal and interest payments of \$849,956 are reflected within the debt service fund as on-behalf payment state revenues and debt service expenses. These revenues and expenditures are not budgeted by the District.

**NOTE T – TRANSFER OF FUNDS**

The following inter-fund transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	KETS & other projects	\$ 307,306
Operating	General	Construction	Construction projects	\$ 1,809,457
Operating	Special Revenue	Construction	Construction projects	\$ 1,345,778
Operating	Special Revenue	General	Indirect cost allocation	\$ 725,133
Operating	General	Capital Outlay	Debt service	\$ 452,256
Operating	Capital Outlay	Debt Service	Debt service	\$ 732,172
Operating	Building	Debt Service	Debt service	\$ 2,928,687
Operating	Food Service	General	Indirect cost allocation	\$ 214,114
Operating	Special District	Construction	Construction projects	\$ 775,905
Operating	General	District Activity	Projects	\$ 24,890

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS**

**NOTE U – CONSTRUCTION COMMITMENTS**

The District has four major construction projects for the year ended June 30, 2023. The construction commitments were as follows:

	<b><u>Cumulative Costs to Date</u></b>	<b><u>Estimated Total Cost</u></b>
Headstart Preschool Building	\$ 19,910,974	\$ 27,759,000
Energy Savings	10,584,917	10,585,000
Turf and Track	1,848,940	1,850,000
Soccer Complex	162,801	516,000

**REQUIRED SUPPLEMENTAL INFORMATION**

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
From local sources				
Property taxes	\$ 8,704,953	\$ 8,823,208	\$ 9,189,762	\$ 366,554
Motor vehicle taxes	700,000	700,000	982,618	282,618
Utility taxes	1,975,000	1,975,000	2,069,776	94,776
Other taxes	50,000	50,000	206,015	156,015
Tuition and fees	101,000	101,000	16,843	(84,157)
Earnings on investments	25,000	27,000	54,322	27,322
Other local revenues	43,633	48,633	70,355	21,722
State sources				
SEEK	12,000,000	12,000,000	11,512,955	(487,045)
On-behalf payments	7,724,500	7,724,500	11,124,234	3,399,734
Other	-	-	152,247	152,247
Federal - indirect	120,000	120,000	201,983	81,983
Revenue in lieu of taxes	975,000	975,000	867,332	(107,668)
Other revenues	79,000	180,900	376,386	195,486
<b>Total revenues</b>	<u>32,498,086</u>	<u>32,725,241</u>	<u>36,824,828</u>	<u>4,099,587</u>
<b>Expenditures</b>				
Instruction	17,419,885	17,457,344	20,661,163	(3,203,819)
Support services				
Student	1,553,175	1,552,941	1,722,326	(169,385)
Instruction staff	1,022,679	1,023,902	934,949	88,953
District administration	2,975,862	2,928,762	2,328,402	600,360
School administration	2,650,481	2,651,247	2,566,416	84,831
Business and central office	1,206,623	1,213,123	1,209,960	3,163
Plant operation and maintenance	4,320,111	4,588,652	2,887,976	1,700,676
Student transportation	1,768,045	1,733,045	1,904,655	(171,610)
Facilities acquisition and construction	10,000	10,000	-	10,000
Contingency	3,000,000	3,000,000	-	3,000,000
Debt service	150,000	150,000	514,598	(364,598)
<b>Total expenditures</b>	<u>36,076,861</u>	<u>36,309,016</u>	<u>34,730,445</u>	<u>1,578,571</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>(3,578,775)</u>	<u>(3,583,775)</u>	<u>2,094,383</u>	<u>5,678,158</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	1,522,788	1,522,788	939,247	(583,541)
Operating transfers out	(1,522,788)	(1,522,788)	(2,593,909)	(1,071,121)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(1,654,662)</u>	<u>(1,654,662)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(3,578,775)</u>	<u>(3,583,775)</u>	<u>439,721</u>	<u>4,023,496</u>
<b>Net change in fund balances</b>	<u>(3,578,775)</u>	<u>(3,583,775)</u>	<u>439,721</u>	<u>4,023,496</u>
<b>Fund balance, July 1, 2022</b>	<u>3,737,295</u>	<u>3,737,295</u>	<u>2,908,138</u>	<u>(829,157)</u>
<b>Fund balance, June 30, 2023</b>	<u>\$ 158,520</u>	<u>\$ 153,520</u>	<u>\$ 3,347,859</u>	<u>\$ 3,194,339</u>

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL**  
**SPECIAL REVENUE FUND**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		with Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
From local sources				
Other local revenues	\$ -	\$ -	\$ 52,603	\$ 52,603
State sources				
SEEK	-	-	-	-
Other	1,810,433	1,763,212	1,533,900	(229,312)
Federal	5,872,754	6,019,662	11,130,900	5,111,238
<b>Total revenues</b>	<u>7,683,187</u>	<u>7,782,874</u>	<u>12,717,403</u>	<u>4,934,529</u>
<b>Expenditures</b>				
Instruction	6,124,697	6,153,413	6,665,803	(512,390)
Support services				
Student	168,375	201,405	283,781	(82,376)
Instruction staff	204,416	250,579	312,376	(61,797)
School administration	333,004	358,944	1,506,010	(1,147,066)
Business and central office	60,815	64,315	67,896	(3,581)
Plant operation and maintenance	71,244	49,560	1,377,776	(1,328,216)
Student transportation	49,924	52,924	40,558	12,366
Community service activities	670,712	714,587	699,598	14,989
<b>Total expenditures</b>	<u>7,683,187</u>	<u>7,845,727</u>	<u>10,953,798</u>	<u>(3,108,071)</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>-</u>	<u>(62,853)</u>	<u>1,763,605</u>	<u>1,826,458</u>
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	(58,335)	307,306	365,641
Operating transfers out	-	(39,493)	(2,070,911)	(2,031,418)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(97,828)</u>	<u>(1,763,605)</u>	<u>(1,665,777)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>-</u>	<u>(160,681)</u>	<u>-</u>	<u>160,681</u>
<b>Net change in fund balances</b>	-	(160,681)	-	160,681
<b>Fund balance, July 1, 2022</b>	-	-	-	-
<b>Fund balance, June 30, 2023</b>	<u>\$ -</u>	<u>\$ (160,681)</u>	<u>\$ -</u>	<u>\$ 160,681</u>

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST NINE FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	State's proportionate share of the net pension liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.0000%	\$ -	\$ 82,109,281	\$ 82,109,281	\$ 17,378,377	0.0000%	56.4062%
2022	0.0000%	\$ -	\$ 55,981,701	\$ 55,981,701	\$ 17,087,278	0.0000%	65.5912%
2021	0.0000%	\$ -	\$ 60,297,866	\$ 60,297,866	\$ 15,050,107	0.0000%	58.2723%
2020	0.0000%	\$ -	\$ 57,298,297	\$ 57,298,297	\$ 14,900,700	0.0000%	58.7649%
2019	0.0000%	\$ -	\$ 55,826,900	\$ 55,826,900	\$ 15,052,382	0.0000%	59.2776%
2018	0.0000%	\$ -	\$ 114,137,548	\$ 114,137,548	\$ 14,639,192	0.0000%	39.8317%
2017	0.0000%	\$ -	\$ 125,361,594	\$ 125,361,594	\$ 14,467,232	0.0000%	35.2198%
2016	0.0000%	\$ -	\$ 98,032,895	\$ 98,032,895	\$ 13,973,365	0.0000%	42.4918%
2015	0.0000%	\$ -	\$ 89,614,803	\$ 89,614,803	\$ 13,666,734	0.0000%	45.5907%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 407,355	\$ 407,355	\$ -	\$ 2,529,370	16.1050%
2022	\$ 401,851	\$ 401,851	\$ -	\$ 2,495,195	16.1050%
2021	\$ 351,932	\$ 351,932	\$ -	\$ 2,185,232	16.1050%
2020	\$ 305,553	\$ 305,553	\$ -	\$ 1,897,252	16.1050%
2019	\$ 305,103	\$ 305,103	\$ -	\$ 1,894,492	16.1047%
2018	\$ 317,114	\$ 317,114	\$ -	\$ 1,969,040	16.1050%
2017	\$ 301,359	\$ 301,359	\$ -	\$ 1,871,216	16.1050%
2016	\$ 284,581	\$ 284,581	\$ -	\$ 1,767,033	16.1050%
2015	\$ 245,512	\$ 245,512	\$ -	\$ 1,598,905	15.3550%
2014	\$ 253,237	\$ 253,237	\$ -	\$ 1,733,908	14.6050%

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

Municipal Bond Index Rate used in determining the discount rate changed from 2.13% to 3.37%.

The discount rate remained at 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.

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE MEDICAL INSURANCE LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS\***

Year Ended June 30	District's Proportion of the medical insurance liability	District's proportionate share of the medical ins. liability (asset)	State's proportionate share of the medical ins. liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the medical ins. liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical insurance liability
2023	0.3493%	\$ 8,672,000	\$ 2,849,000	\$ 11,521,000	\$ 17,087,278	50.7512%	47.7550%
2022	0.2290%	\$ 4,913,000	\$ 3,990,000	\$ 8,903,000	\$ 15,050,107	32.6443%	51.7408%
2021	0.2279%	\$ 5,752,000	\$ 4,608,000	\$ 10,360,000	\$ 13,419,248	42.8638%	39.0461%
2020	0.2239%	\$ 6,554,000	\$ 5,292,000	\$ 11,846,000	\$ 13,006,207	50.3913%	32.5750%
2019	0.2203%	\$ 7,642,000	\$ 6,586,000	\$ 14,228,000	\$ 13,079,991	58.4251%	25.5425%
2018	0.2236%	\$ 7,973,000	\$ 6,513,000	\$ 14,486,000	\$ 12,767,967	62.4453%	21.1838%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE FUND  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll from CY	Contributions as a percentage of covered employee payroll
2023	\$ 463,489	\$ 463,489	\$ -	\$ 17,378,377	2.6670%
2022	\$ 406,407	\$ 406,407	\$ -	\$ 17,087,278	2.3784%
2021	\$ 402,541	\$ 402,541	\$ -	\$ 15,050,107	2.6747%
2020	\$ 402,578	\$ 402,578	\$ -	\$ 13,419,248	3.0000%
2019	\$ 390,187	\$ 390,187	\$ -	\$ 13,006,207	3.0000%
2018	\$ 392,401	\$ 392,401	\$ -	\$ 13,079,991	3.0000%
2017	\$ 383,041	\$ 383,041	\$ -	\$ 12,767,967	3.0000%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

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
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	21 years, Closed
Asset valuation method	Five-year smoothed value
Payroll growth rate	3.00% to 7.50%, including wage inflation
Investment Return	7.10%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Wage inflation	2.75%
Single discount rate	7.10%, net of OPEB plan investment expense, including price inflation
Mortality	Pub 2010 (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
Healthcare trend rates (Pre-65)	7.00% for FYE 2022 and decreasing to an ultimate trend rate of 4.50% by FYE 2032
Healthcare trend rates (Post-65)	5.125% for FYE 2022 and decreasing to an ultimate trend rate of 4.50% by FYE 2025
Medicare Part B Premiums	6.97% for FYE 2022 with an ultimate trend rate of 4.50% by FYE 2034

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE LIFE INSURANCE LIABILITY  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net life insurance liability	District's proportionate share of the net life insurance liability (asset)	State's proportionate share of the net life insurance liability (asset) associated with the District	Total	District's covered employee payroll	District's share of the net life insurance liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total life insurance liability
2023	0.0000%	\$ -	\$ 142,000	\$ 142,000	\$ 17,087,278	0.0000%	73.9689%
2022	0.0000%	\$ -	\$ 53,000	\$ 53,000	\$ 15,050,107	0.0000%	89.1473%
2021	0.0000%	\$ -	\$ 139,000	\$ 139,000	\$ 13,419,248	0.0000%	71.5662%
2020	0.0000%	\$ -	\$ 123,000	\$ 123,000	\$ 13,006,207	0.0000%	73.4041%
2019	0.0000%	\$ -	\$ 113,000	\$ 113,000	\$ 13,079,991	0.0000%	74.9707%
2018	0.0000%	\$ -	\$ 87,000	\$ 87,000	\$ 12,767,967	0.0000%	79.9892%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - LIFE INSURANCE FUND  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ -	\$ -	\$ -	\$ 17,087,278	0.0000%
2022	\$ -	\$ -	\$ -	\$ 15,050,107	0.0000%
2021	\$ -	\$ -	\$ -	\$ 13,419,248	0.0000%
2020	\$ -	\$ -	\$ -	\$ 13,006,207	0.0000%
2019	\$ -	\$ -	\$ -	\$ 13,079,991	0.0000%
2018	\$ -	\$ -	\$ -	\$ 12,767,967	0.0000%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

***Changes of Benefit Terms:***

None

***Changes of assumptions:***

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The 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
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	26 years, Closed
Asset valuation method	Five-year smoothed value
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Inflation	2.50%
Payroll growth rate	0.25%
Wage inflation	2.75%
Salary increase	3.50 to 7.50%, including wage inflation
Single discount rate	7.10% - no change.

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST NINE FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net pension liability	District's proportionate share of the net pension liability (asset)	District's covered employee payroll	District's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.1731%	\$ 12,510,169	\$ 4,816,430	259.7395%	52.4175%
2022	0.1819%	\$ 11,600,102	\$ 4,657,897	249.0416%	57.3282%
2021	0.1852%	\$ 14,206,144	\$ 4,777,862	297.3327%	47.8139%
2020	0.1906%	\$ 13,406,812	\$ 4,878,899	274.7918%	50.4470%
2019	0.1975%	\$ 12,025,733	\$ 4,952,641	242.8146%	53.5420%
2018	0.2022%	\$ 11,834,276	\$ 5,008,384	236.2893%	53.3249%
2017	0.2089%	\$ 10,285,130	\$ 5,024,976	204.6802%	55.5028%
2016	0.2155%	\$ 9,264,760	\$ 5,039,304	183.8500%	59.9684%
2015	0.2146%	\$ 6,962,000	\$ 4,940,692	140.9114%	66.8010%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 1,172,697	\$ 1,172,697	\$ -	\$ 5,042,927	23.2543%
2022	\$ 1,026,547	\$ 1,026,547	\$ -	\$ 4,816,430	21.3134%
2021	\$ 899,017	\$ 899,017	\$ -	\$ 4,657,897	19.3009%
2020	\$ 922,127	\$ 922,127	\$ -	\$ 4,777,862	19.3000%
2019	\$ 791,213	\$ 791,213	\$ -	\$ 4,878,899	16.2170%
2018	\$ 717,142	\$ 717,142	\$ -	\$ 4,952,641	14.4800%
2017	\$ 698,670	\$ 698,670	\$ -	\$ 5,008,384	13.9500%
2016	\$ 624,102	\$ 624,102	\$ -	\$ 5,024,976	12.4200%
2015	\$ 642,511	\$ 643,359	\$ (848)	\$ 5,039,304	12.7668%
2014	\$ 678,851	\$ 678,851	\$ -	\$ 4,940,629	13.7402%

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

***Changes of Benefit Terms:***

None

***Methods and assumptions used in the actuarially determined contributions:***

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, closed at June 30, 2019
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	2.00%
Investment Return	6.25%
Inflation	2.30%
Single discount rate	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

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET MEDICAL  
INSURANCE PLAN - COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST SIX FISCAL YEARS\***

Year Ended June 30	District's Proportion of the net medical plan liability	District's proportionate share of the net medical plan liability (asset)	District's covered employee payroll	District's share of the net medical plan liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total medical plan liability
2023	0.1730%	\$ 3,414,771	\$ 4,816,430	70.8984%	60.9476%
2022	0.1819%	\$ 3,482,237	\$ 4,657,897	74.7599%	62.9072%
2021	0.1852%	\$ 4,471,172	\$ 4,777,862	93.5810%	51.6704%
2020	0.1906%	\$ 3,205,739	\$ 4,878,899	65.7062%	60.4382%
2019	0.1974%	\$ 3,505,668	\$ 4,952,641	70.7838%	57.6218%
2018	0.2022%	\$ 4,064,530	\$ 5,008,384	81.1545%	52.3940%

\* The amounts presented were determined as of the measurement date June 30 of the prior year.

The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
LAST SEVEN FISCAL YEARS\***

Year Ended June 30	Contractually required contribution	Contributions relative to contractually required contribution	Contribution deficiency (excess)	District's covered employee payroll	Contributions as a percentage of covered employee payroll
2023	\$ 175,231	\$ 175,231	\$ -	\$ 5,042,927	3.4748%
2022	\$ 194,914	\$ 194,914	\$ -	\$ 4,816,430	4.0469%
2021	\$ 221,672	\$ 221,672	\$ -	\$ 4,657,897	4.7591%
2020	\$ 227,426	\$ 227,426	\$ -	\$ 4,777,862	4.7600%
2019	\$ 256,630	\$ 256,630	\$ -	\$ 4,878,899	5.2600%
2018	\$ 232,774	\$ 232,774	\$ -	\$ 4,952,641	4.7000%
2017	\$ 236,897	\$ 236,897	\$ -	\$ 5,008,384	4.7300%

\* The schedule is intended to eventually show information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2023**

***Changes of Benefit Terms:***

None

***Methods and assumptions used in the actuarially determined contributions:***

The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2022:

Valuation date	June 30, 2021
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	30 years, closed at June 30, 2019
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	3.30% - 10.30%, varies by service
Investment Return	6.25%
Inflation	2.30%
Single discount rate	Increase from 5.20% to 5.70%
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 trend rates (Pre-65)	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Healthcare trend rates (Post-65)	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years

See Accompanying Independent Auditor's Report.

**OTHER SUPPLEMENTAL INFORMATION**

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
As of June 30, 2023**

	District Activity Fund	Special District Foundation Fund	School Activity Fund	Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 177,045	\$ 182,233	\$ 297,400	\$ -	\$ 1,273,484	\$ 1,930,162
Other receivables	80,850	75,485	-	-	-	156,335
Investments	95,592	875,609	-	-	-	971,201
<b>Total assets</b>	<u>\$ 353,487</u>	<u>\$ 1,133,327</u>	<u>\$ 297,400</u>	<u>\$ -</u>	<u>\$ 1,273,484</u>	<u>\$ 3,057,698</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,717	\$ 305	\$ 14,855	\$ -	\$ -	\$ 17,877
Unearned revenue	-	6,500	-	-	-	6,500
<b>Total liabilities</b>	<u>2,717</u>	<u>6,805</u>	<u>14,855</u>	<u>-</u>	<u>-</u>	<u>24,377</u>
<b>Fund Balances</b>						
Restricted:						
Capital projects	-	-	-	-	1,273,484	1,273,484
District and student activities	350,770	306,314	282,545	-	-	939,629
Assigned	-	820,208	-	-	-	820,208
<b>Total fund balances</b>	<u>350,770</u>	<u>1,126,522</u>	<u>282,545</u>	<u>-</u>	<u>1,273,484</u>	<u>3,033,321</u>
<b>Total liabilities and fund balances</b>	<u>\$ 353,487</u>	<u>\$ 1,133,327</u>	<u>\$ 297,400</u>	<u>\$ -</u>	<u>\$ 1,273,484</u>	<u>\$ 3,057,698</u>

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

<b>Revenues</b>	District Activity Fund	Special District Foundation Fund	School Activity Fund	Capital Outlay Fund	Building Fund	Total Nonmajor Governmental Funds
From local sources						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,268,832	\$ 1,268,832
Other taxes	-	-	-	-	110,320	110,320
Earnings on investments	13,951	120,400	-	2,273	50,250	186,874
State sources						
SEEK	-	-	-	277,643	1,441,702	1,719,345
Other revenues	380,875	737,469	653,419	-	-	1,771,763
<b>Total revenues</b>	<u>394,826</u>	<u>857,869</u>	<u>653,419</u>	<u>279,916</u>	<u>2,871,104</u>	<u>5,057,134</u>
<b>Expenditures</b>						
Instruction	148,588	-	622,272	-	-	770,860
Support services						
Student	-	-	1,060	-	-	1,060
Instruction staff	-	-	3,196	-	-	3,196
Student transportation	-	-	7,491	-	-	7,491
Community service activities	157,147	28,973	-	-	-	186,120
<b>Total expenditures</b>	<u>305,735</u>	<u>28,973</u>	<u>634,019</u>	<u>-</u>	<u>-</u>	<u>968,727</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>89,091</u>	<u>828,896</u>	<u>19,400</u>	<u>279,916</u>	<u>2,871,104</u>	<u>4,088,407</u>
<b>Other Financing Sources (Uses)</b>						
Operating transfers in	24,890	-	-	452,256	-	477,146
Operating transfers out	-	(775,905)	-	(732,172)	(2,928,687)	(4,436,764)
<b>Total other financing sources (uses)</b>	<u>24,890</u>	<u>(775,905)</u>	<u>-</u>	<u>(279,916)</u>	<u>(2,928,687)</u>	<u>(3,959,618)</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	<u>113,981</u>	<u>52,991</u>	<u>19,400</u>	<u>-</u>	<u>(57,583)</u>	<u>128,789</u>
<b>Net change in fund balances</b>	113,981	52,991	19,400	-	(57,583)	128,789
<b>Fund balance, July 1, 2022</b>	<u>236,789</u>	<u>1,073,531</u>	<u>263,145</u>	<u>-</u>	<u>1,331,067</u>	<u>2,904,532</u>
<b>Fund balance, June 30, 2023</b>	<u>\$ 350,770</u>	<u>\$ 1,126,522</u>	<u>\$ 282,545</u>	<u>\$ -</u>	<u>\$ 1,273,484</u>	<u>\$ 3,033,321</u>

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHOOL ACTIVITY FUNDS**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2023**

	Cash Balances 7/1/2022	Receipts	Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2023	Accounts Receivable 6/30/2023	Accounts Payable 6/30/2023	Amounts Due to Student Groups 6/30/2023
				To	From				
<b>High Schools</b>									
Paducah Tilghman	\$ 189,641	\$ 418,135	\$ 391,800	\$ 133,155	\$ (133,155)	\$ 215,976	\$ -	\$ -	\$ 215,976
<b>Middle Schools</b>									
Paducah	42,080	184,296	183,159	10,701	(10,701)	43,217	-	8,833	34,384
<b>Elementary Schools</b>									
Clark	5,405	22,049	13,985	244	(244)	13,469	-	6,022	7,447
McNabb	2,028	6,512	5,716	-	-	2,824	-	-	2,824
Morgan	24,430	22,427	24,943	254	(254)	21,914	-	-	21,914
<b>Totals</b>	<u>\$ 263,584</u>	<u>\$ 653,419</u>	<u>\$ 619,603</u>	<u>\$ 144,354</u>	<u>\$ (144,354)</u>	<u>\$ 297,400</u>	<u>\$ -</u>	<u>\$ 14,855</u>	<u>\$ 282,545</u>

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
PADUCAH TILGHMAN HIGH SCHOOL ACTIVITY FUNDS**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2023**

	Cash		Disburse- ments	(Interfund Transfers)		Cash Balances 6/30/2023	Accounts Receivable 6/30/2023	Accounts Payable 6/30/2023	Amounts Due to Student Groups 6/30/2023
	Balances	Receipts		To	From				
	7/1/2022								
2022-2023 AP Test Fees	\$ 740	\$ 342	\$ -	\$ -	\$ (1,082)	\$ -	\$ -	\$ -	\$ -
2023-2024 American Studies	-	47,425	49,010	1,585	-	-	-	-	-
Academic Team	1,619	625	1,003	-	-	1,241	-	-	1,241
African American Leaders	2,265	6,283	4,223	100	-	4,425	-	-	4,425
American Studies	50	1,333	-	-	(1,250)	133	-	-	133
AP Reimbursement Fees	11,830	-	(1,045)	-	(12,875)	-	-	-	-
AP Test Fees	627	-	-	-	(627)	-	-	-	-
Archery	1,046	2,571	1,508	1,000	-	3,109	-	-	3,109
Athletic Trainer	1,226	-	1,533	2,000	-	1,693	-	-	1,693
Athletics	25,433	122,729	51,015	-	(68,717)	28,430	-	-	28,430
B.A.B.E.S.	532	-	42	-	(389)	101	-	-	101
Band	-	356	-	-	-	356	-	-	356
Baseball	-	5,549	9,616	4,067	-	-	-	-	-
Basketball - Boys	-	1,887	1,292	5,000	-	5,595	-	-	5,595
Basketball - Girls	437	1,089	4,538	6,500	-	3,488	-	-	3,488
Basketball - Reserved Seats	5,940	4,500	3,802	100	-	6,738	-	-	6,738
Basketball - Season Tickets	-	100	-	-	(100)	-	-	-	-
Bell	1,287	438	859	-	-	866	-	-	866
Beta Club	347	720	992	-	-	75	-	-	75
Bowling	1,602	250	4,765	3,000	-	87	-	-	87
Building Rentals	2,550	4,095	327	-	(3,500)	2,818	-	-	2,818
Change Fund	-	4,000	4,000	-	-	-	-	-	-
Chess	399	1,324	2,287	1,170	-	606	-	-	606
Cheerleaders	1,005	-	540	2,000	-	2,465	-	-	2,465
Choir	-	3,793	3,130	80	-	743	-	-	743
Concessions	14,540	48,152	28,974	-	(18,323)	15,395	-	-	15,395
Cross Country	-	305	1,895	1,800	-	210	-	-	210
DDA Interest	3,813	9,476	-	-	(6,025)	7,264	-	-	7,264
Drama Club	96	-	-	-	-	96	-	-	96
E-Sports	-	-	888	1,000	-	112	-	-	112
FACS	90	-	28	-	-	62	-	-	62
FBLA	42	3,344	3,510	124	-	-	-	-	-
FCA	-	375	52	-	-	323	-	-	323
FCCLA	336	550	435	-	-	451	-	-	451
Football	11,270	9,272	33,963	17,000	-	3,579	-	-	3,579
Football - Box Seats	7,629	12,920	4,610	-	-	15,939	-	-	15,939
General Fund	4,272	5,322	15,462	15,000	(125)	9,007	-	-	9,007
Golf	-	3,139	6,088	2,950	-	1	-	-	1
Guidance Department	316	-	292	-	-	24	-	-	24
Ice Cream Social/Band	876	-	-	-	-	876	-	-	876
Interact	465	4,474	4,502	-	-	437	-	-	437
Landscaping	-	-	2,900	7,000	-	4,100	-	-	4,100
Library Café	1,695	2,250	3,047	-	-	898	-	-	898
Maker Space On-The-Road	-	-	700	2,525	-	1,825	-	-	1,825
Marching Band	1,936	20,930	20,156	-	-	2,710	-	-	2,710
Math Day	150	-	-	-	-	150	-	-	150
Mayfield Week	7	-	-	-	(7)	-	-	-	-
Mock Trial	155	-	-	-	-	155	-	-	155
National History Day	63	-	-	-	-	63	-	-	63
National Honor Society	94	2,122	1,933	-	-	283	-	-	283
NJROTC Activity Fund	17,946	28,065	20,285	1,729	(37)	27,418	-	-	27,418
Orchestra	11,456	-	11,310	-	-	146	-	-	146
Pathways	6,992	4,175	12,805	6,000	-	4,362	-	-	4,362
Pep Club	370	393	750	44	-	57	-	-	57
Prom	5,674	6,010	5,755	-	(5,000)	929	-	-	929
PSAT Fund	115	220	-	-	(335)	-	-	-	-
PT Track Invitational	-	-	-	-	-	-	-	-	-
SEAC	650	5,935	2,524	-	-	4,061	-	-	4,061
Senior Trip	687	4,160	3,389	-	-	1,458	-	-	1,458
Soccer - Boys	4,514	-	510	4,000	-	8,004	-	-	8,004
Soccer - Girls	2,071	-	250	4,000	-	5,821	-	-	5,821
Social Account	-	2,430	4,363	3,500	-	1,567	-	-	1,567
Softball	-	372	1,144	3,000	-	2,228	-	-	2,228
Special Golf Team	450	-	-	-	(450)	-	-	-	-

See Accompanying Independent Auditor's Report.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
PADUCAH TILGHMAN HIGH SCHOOL ACTIVITY FUNDS**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND AMOUNTS DUE TO STUDENT GROUPS**

**YEAR ENDED JUNE 30, 2022**

	Cash	Receipts	Disburse- ments	(Interfund Transfers)		Cash	Accounts	Accounts	Due to Student
	Balances 7/1/2022			To	From	Balances 6/30/2023	Receivable 6/30/2023	Payable 6/30/2023	Groups 6/30/2023
Special Swim Team	508			-	(508)	-	-	-	-
Speech Team	1,908	1,090	2,518	-	-	480	-	-	480
Student Account	1,366	499	2,757	892	-	-	-	-	-
Student Council	888	3,725	2,940	14	-	1,687	-	-	1,687
Student Fees	16,727	11,087	6,011	-	(11,144)	10,659	-	-	10,659
Student Rewards	407	-	411	4	-	-	-	-	-
Student Safety	1,100	-	1,100	-	-	-	-	-	-
Swim Team	1,234	400	644	1,508	-	2,498	-	-	2,498
Teen Link	2,241	668	2,415	389	(180)	703	-	-	703
Tennis	1,088	110	2,638	2,000	-	560	-	-	560
Testing	-	6,032	7,387	14,921	(752)	12,814	-	-	12,814
Track - Boys	-	7,171	9,116	2,000	-	55	-	-	55
Track - Girls	-	125	1,996	2,000	-	129	-	-	129
Twisters	2,169	1,635	976	-	-	2,828	-	-	2,828
Unit Maintenance	1,729	-	-	-	(1,729)	-	-	-	-
Volleyball	571	-	2,988	3,000	-	583	-	-	583
Wrestling	-	1,793	11,946	10,153	-	-	-	-	-
<b>Totals</b>	<b>\$ 189,641</b>	<b>\$ 418,135</b>	<b>\$ 391,800</b>	<b>\$ 133,155</b>	<b>\$ (133,155)</b>	<b>\$ 215,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,976</b>

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
<b>U.S. Department of Education</b>				
Passed through State Department of Education:				
Title I-Grants to Local Educational Agencies	84.010	3100002 20	\$ 56,770	
	84.010	3100002 21	199,874	
	84.010	3100102 22	<u>1,513,777</u>	\$ 1,770,421
Special Education Cluster (IDEA):				
Special Education-Grants to States	84.027	3810002 20	43,166	
	84.027	3810002 21	443,172	
	84.027	3810002 22	159,635	
	84.027	4910002 21	<u>100,575</u>	746,548
Special Education-Preschool Grants				
	84.173	3800002 18	(1,552)	
	84.173	3800002 20	2,482	
	84.173	3800002 21	5,598	
	84.173	3800002 22	<u>38,024</u>	44,552
Total Special Education Cluster				<u>791,100</u>
Rural Education				
	84.358	3140002 20	11,698	
	84.358	3140002 21	68,339	
	84.358	3140002 22	<u>2,531</u>	82,568
COVID 19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act				
	84.425	4000002 20	174,345	
	84.425	4200002 21	2,100,454	
	84.425	4200003 21	49,490	
	84.425	4300002 21	3,333,343	
	84.425	4300003 21	3,166	
	84.425	4300005 21	733	
	84.425	4980002 21	<u>5,575</u>	5,667,106
Student Support and Academic Enrichment Program				
	84.424	3420002 19	4,940	
	84.424	3420002 20	33,732	
	84.424	3420002 21	40,058	
	84.424	3420002 22	<u>30,171</u>	108,901
Education for Homeless Children and Youth				
	84.196	316I	59,406	
	84.196	316J	<u>4,944</u>	64,350
Career and Technology Education-Basic Grants to States				
	84.048	3710002 19	(11,085)	
	84.048	3710002 20	4,225	
	84.048	3710002 21	6,490	
	84.048	3710006 22	<u>15,435</u>	15,065
English Language Acquisition Grants				
	84.365	3300002 20	4,140	
	84.365	3300002 21	<u>10,748</u>	14,888
<b>Total U.S. Department of Education</b>				<u>8,514,399</u>

\* The District did not pass-through any federal awards to subrecipients.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures *</u>	<u>Totals</u>
<b>US Department of Health and Human Services</b>				
Head Start Cluster				
Head Start Disaster Recovery	93.356	546G	107,389	
	93.356	#8236	12,502,785	12,610,174
Head Start	93.600	655GP	246,829	
	93.600	655I	123,523	
	93.600	655J	2,138,760	2,509,112
<b>Total US Department of Health and Human Services and Head Start Cluster</b>				15,119,286
<b>U.S. Department of Agriculture</b>				
Passed through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7760005 22	172,330	
	10.553	7760005 23	721,356	893,686
National School Lunch Program	10.555	7750002 22	367,043	
	10.555	7750002 23	1,502,326	
	10.555	9980000 22	77,354	
	10.555	9980000 23	36,485	1,983,208
Passed through State Department of Agriculture				
National School Lunch Program:				
Non-Monetary Food Distribution (Note B)	10.555	2023	185,593	185,593
Passed through State Department of Education:				
Summer Food Service Program for Children				
	10.559	7740023 21	158,046	
	10.559	7740023 22	1,424	
	10.559	7690024 22	16,246	
	10.559	7690024 23	147	175,863
<b>Total Child Nutrition Cluster</b>				3,238,350
Child and Adult Care Food Program	10.558	7800016 22	1,221	
	10.558	7800016 23	95,555	
	10.558	7790021 22	21,625	
	10.558	7790021 23	5,229	123,630
State Pandemic Electronic Benefit Transfer (P-EBT)				
Administrative Costs Grants	10.649	9990000 22	3,135	3,135
State Administrative Expenses for Child Nutrition	10.560	7700001 20	3,110	3,110
<b>Total U.S. Department of Agriculture</b>				3,368,225
<b>Total Federal Awards</b>				<b>\$ 27,001,910</b>

\* The District did not pass-through any federal awards to subrecipients.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARD  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Paducah Independent School District and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Negative amounts reflected in the schedule represent adjustments or credits resulting from the normal course of activity to amounts reported as expenditures in prior years.

**NOTE B – COMMODITIES**

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and used.

**NOTE C – RECONCILIATION OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS**

Total Federal Awards per Schedule of Expenditures of Federal Awards	<u>\$ 27,001,910</u>
Federal Awards Revenues Reported by Fund	
General Fund	\$ -
Special Revenue Fund	11,130,900
Proprietary Fund	3,368,225
Construction Fund	<u>12,502,785</u>
Total Federal Awards Revenues Reported	<u>\$ 27,001,910</u>

Federal revenues of \$201,983 were reflected in the general fund for reimbursements for Medicaid claims and reimbursements and \$1,050,402 were reflected in the debt service fund for interest subsidies. Accordingly, these were not included in the Schedule of Expenditures of Federal Awards.

**NOTE D – INDIRECT COST RATE**

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



**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**

Kentucky State Committee for School  
District Audits  
Members of the Board of Education  
Paducah Independent School District  
Paducah, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Kentucky Public School Districts' Audit Contract and Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Paducah Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Paducah Independent School District's basic financial statements and have issued our report thereon dated November 15, 2023.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Reference No. 2023-001 that we consider to be a significant deficiency.

**Report on Compliance and Other Matters**

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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulation identified in *Kentucky Public School Districts' Audit Contract and Requirements*.

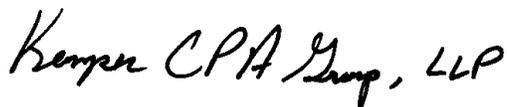
We noted certain other matters that we reported to management of the Paducah Independent School District in a separate letter dated November 15, 2023.

### **Paducah Independent School District Response to Findings**

Paducah Independent School District's responses to the findings identified in our audit is described in the accompany schedule of findings and questioned costs. Paducah Independent School District's responses were not subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of This Report**

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



Certified Public Accountants and Consultants  
Paducah, Kentucky  
November 15, 2023



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

Kentucky State Committee for School  
District Audits  
Members of the Board of Education  
Paducah Independent School District  
Paducah, Kentucky

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Paducah Independent 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 the Paducah Independent School District's major federal programs for the year ended June 30, 2023. Paducah Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the audit requirements prescribed by the Kentucky State Committee for School District audits in *Kentucky Public School Districts' Audit Contract and Requirements*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
November 15, 2023

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Summary of Auditor’s Results**

1. The independent auditor’s report expresses an unmodified opinion on whether the financial statements of the Paducah Independent School District were prepared in accordance with generally accepted accounting principles.
2. One significant deficiency, Reference No. 2023-01, relating to the audit of the financial statements is reported. No material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the Paducah Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported. No material weaknesses in internal control over major federal award programs are reported.
5. The auditor’s report on compliance for the major federal award programs for the Paducah Independent School District expresses an unmodified opinion on all major federal programs.
6. There are findings to be reported in accordance with 2 CFR Section 200.516(a) in this schedule.
7. The programs tested as major programs included:

Name	<u>CFDA</u>
Headstart Cluster:	
Headstart	93.600
Headstart Disaster Recovery	93.356
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act	84.425

8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The Paducah Independent School District did not qualify to be audited as a low-risk auditee.

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

**Findings – Financial Statements Audit**

**Reference No. 2023-001**

*Criteria:* Procedures should be in place to insure proper, complete, accurate, and timely recording of accounting transactions.

*Condition:* During the fiscal year, we noted investments and related transactions of the Special District Foundation Fund were not properly recorded and reconciled in the MUNIS financial records. Only part of the year's investment activities were recorded and reconciled.

*Cause:* Investments held at the Community Foundation of Western Kentucky may receive contributions directly from donors. Donations and investment earnings are reported no less than quarterly to the District. Controls were not present to ensure these activities were recorded in the MUNIS financial records each quarter.

*Effect:* While management may have been aware of the true value of the investments, the financial records were significantly misstated due to not properly reporting the effect of the change in value of investments.

*Recommendation:* We recommend the District improve controls over accounting for investments held by financial institutions to insure timely recording and reconciliation of investment fair value and activities.

*District Response:* The District will improve controls over accounting for investments. We will be sure to reconcile with the investment statements on a monthly or quarterly basis to ensure timely recording and reconciliation of those accounts.

**Findings and Questioned Costs – Major Federal Awards Programs**

There are no findings or questioned costs related to the major federal programs which are required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**PADUCAH INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2023**

**Findings – Financial Statements Audit**

Reference No. 2022-01 – Adjustments – Material Weakness

*Condition:* During the fiscal year, we noted investments and related transactions of the Special District Foundation Fund were not properly recorded and reconciled in the MUNIS financial records.

*Status:* This finding is still present with regards to investments.

**Findings and Questioned Costs – Major Federal Awards Programs**

Reference No. 2022-02

Federal Program Name: Head Start

CFDA No: 93.600

Federal Agency: U.S Department of Health and Human Services

*Condition:* During the fiscal year, we noted the District was unable to locate and provide 4 instances supporting documentation of expenditures.

*Status:* This finding was corrected during the current year.