

SHELBY COUNTY BOARD OF EDUCATION

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Shelby County Board of Education
Shelbyville, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shelby County Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board'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 Board 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 Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board'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 on pages 7 through 18 and budgetary comparison information on pages 65 and 66 ; the Schedules of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions on pages 67 and 68; the Schedule of Proportionate Share of the Net OPEB Liability and Schedule of OPEB Contributions on pages 69 and 70, 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 Board's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As described in Note E to the financial statements, the Board adopted new accounting guidance, *GASB Statement No. 96, Subscription Based Information Technology Arrangement (SBITA)*. The objective of this statement is to better meet the information needs of financial statement users. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023 on our consideration of the Board'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 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 Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2023

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2023

As management of the Shelby County Public School District (District), we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place over the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$82.8 million in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$73.9 million in General Fund revenues for the prior year, which is an increase of \$8.9 million. \$5 million of the increase in revenues is attributable to an increase in the on-behalf payments received from the State.
- Net General Fund SEEK revenue for the year was \$21.9 million compared to \$21.5 million for the prior year. This represents a 1.9% increase from the previous year. The State continued to fund SEEK at the 2018-19 End of Year Average Annual Daily Attendance in response to declining enrollment and attendance caused by the impact of Covid-19.
- Construction is ending on a large-scale renovation project at Shelby County High School. The project is expected to be completed during the 2023-24 fiscal year.
- The District's bonding potential at June 30, 2023 is approximately \$50.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this

statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The entity-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital outlay fund, the Facilities Support Program of Kentucky (FSPK) fund, the school construction fund, and the debt service fund, all of which are considered major funds.

Proprietary funds. Proprietary funds are used to account for food services and day care programs which are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the entity-wide financial statements because the District cannot use these funds to finance its operations.

The fund financial statements can be found on pages 21-29 of this report.

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

The notes to the financial statements can be found on pages 30-63 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$68,835,531 at the close of the most recent fiscal year. Unrestricted net position is (\$22,959,707) due to the recognition of the district's proportionate share of the pension and other post-employment benefits (OPEB) liabilities. Without the effect of the pension and OPEB liabilities, unrestricted net position would be approximately \$27.0 million. Net position is summarized in Table 1.

- The largest portion of the District's net position, or 114.7%, reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position, or 18.9%, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- Unrestricted net position of (\$22,959,808), or (33.6%), represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. GASB Statements 68 and 75 impacted the district's net position in governmental funds negatively by approximately \$24.74 million in net pension liability and \$114 thousand in pension expense and by approximately \$25.3 million in net other post-employment benefits liability and (\$144) thousand in other post-employment benefits expense. The proprietary funds' net assets were negatively impacted by approximately \$1.9 million in net pension liability and (\$90) thousand in pension expense and by approximately \$523 thousand in net other post-employment benefits liability and \$52 thousand in other post-employment benefits expense.

Table 1
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
June 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current and other assets | \$ 37,934,195 | \$ 2,824,043 | \$ 40,758,238 |
| Capital assets | 179,837,829 | 453,941 | 180,291,770 |
| Deferred outflows of resources | 22,897,683 | 895,206 | 23,792,889 |
| Total assets and deferred outflows of resources | <u>240,669,707</u> | <u>4,173,190</u> | <u>244,842,897</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities and deferred inflows of resources: | | | |
| Current and other liabilities | \$ 9,516,672 | \$ 32,972 | \$ 9,549,644 |
| Long-term liabilities outstanding | 146,686,922 | 2,438,472 | 149,125,394 |
| Deferred inflows of resources | 16,136,935 | 633,021 | 16,769,956 |
| Total liabilities and deferred inflows of resources | <u>172,340,529</u> | <u>3,104,465</u> | <u>175,444,994</u> |
| Net position: | | | |
| Net Investment in Capital Assets | 78,383,923 | 453,941 | 78,837,864 |
| Restricted | 12,904,962 | (544,180) | 12,360,782 |
| Unrestricted | (22,959,707) | 1,158,964 | (21,800,743) |
| Total net position | <u>68,329,178</u> | <u>1,068,725</u> | <u>69,397,903</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 240,669,707</u> | <u>\$ 4,173,190</u> | <u>\$ 244,842,897</u> |

Table 2 presents a summary of the District's revenues for the year:

Table 2
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
REVENUES
For the Year Ended June 30, 2023

| | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Total</u> | <u>Percent</u> |
|------------------------|-------------------------------|------------------------------|---------------------------|----------------------|
| Property taxes | \$ 34,740,656 | \$ - | \$ 34,740,656 | 29.8% |
| Motor vehicle taxes | 2,794,568 | - | 2,794,568 | 2.4% |
| Utilities taxes | 3,901,498 | - | 3,901,498 | 3.3% |
| Earnings on investment | 1,518,517 | - | 1,518,517 | 1.3% |
| Other local revenues | 2,917,094 | 79,013 | 2,996,107 | 2.6% |
| State revenue | 53,184,563 | 344,741 | 53,529,304 | 46.0% |
| Federal revenue | 11,353,370 | 4,573,048 | 15,926,418 | 13.7% |
| Lunchroom sales | - | 232,190 | 232,190 | 0.2% |
| Child care fees | - | 793,326 | 793,326 | 0.7% |
| Total | <u><u>110,410,266</u></u> | <u><u>6,084,182</u></u> | <u><u>116,494,448</u></u> | <u><u>100.0%</u></u> |

2022-2023 Revenues

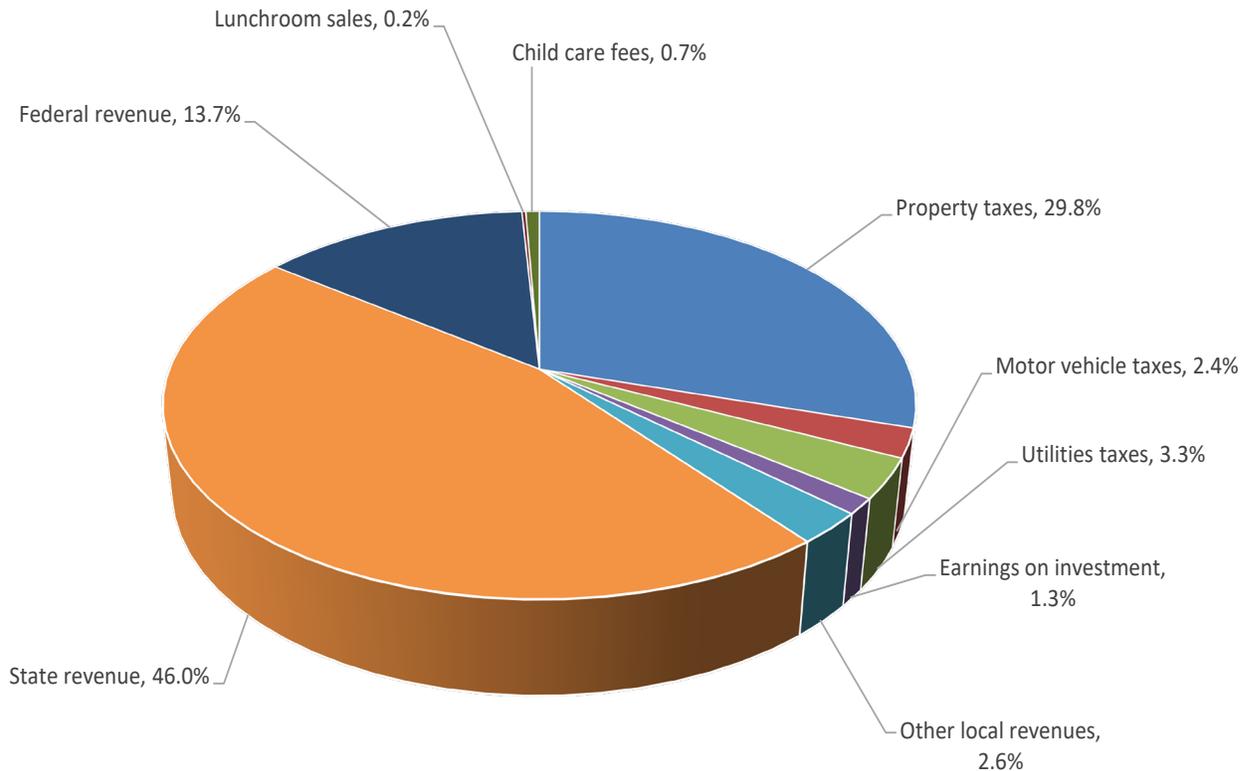


Table 3 presents a summary of the District's expenditures for the year.

Table 3
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
EXPENDITURES
For the Year Ended June 30, 2023

| | <u>Governmental Funds</u> | <u>Proprietary Funds</u> | <u>Total</u> | <u>Percent</u> |
|---|-------------------------------|------------------------------|--------------------|----------------|
| Instruction | \$ 56,477,044 | \$ - | \$ 56,477,044 | 48.0% |
| Student support | 4,922,073 | - | 4,922,073 | 4.2% |
| Instructional staff support | 7,624,039 | - | 7,624,039 | 6.5% |
| District administration | 1,804,064 | - | 1,804,064 | 1.5% |
| School administration | 5,990,539 | - | 5,990,539 | 5.1% |
| Business support | 1,952,239 | - | 1,952,239 | 1.7% |
| Operation and maintenance of facilities | 9,204,394 | - | 9,204,394 | 7.8% |
| Student transportation | 4,408,063 | - | 4,408,063 | 3.7% |
| Food service operations | 234,373 | 4,976,839 | 5,211,212 | 4.4% |
| Day care operations | 506,353 | 352,558 | 858,911 | 0.7% |
| Community services | 760,423 | - | 760,423 | 0.6% |
| Education foundation operations | - | 7,748 | 7,748 | 0.0% |
| Capital outlay | 10,138,887 | - | 10,138,887 | 8.6% |
| Debt service | 8,359,791 | - | 8,359,791 | 7.1% |
| Total | <u>112,382,282</u> | <u>5,337,145</u> | <u>117,719,427</u> | <u>100.0%</u> |

2022-2023 Expenditures

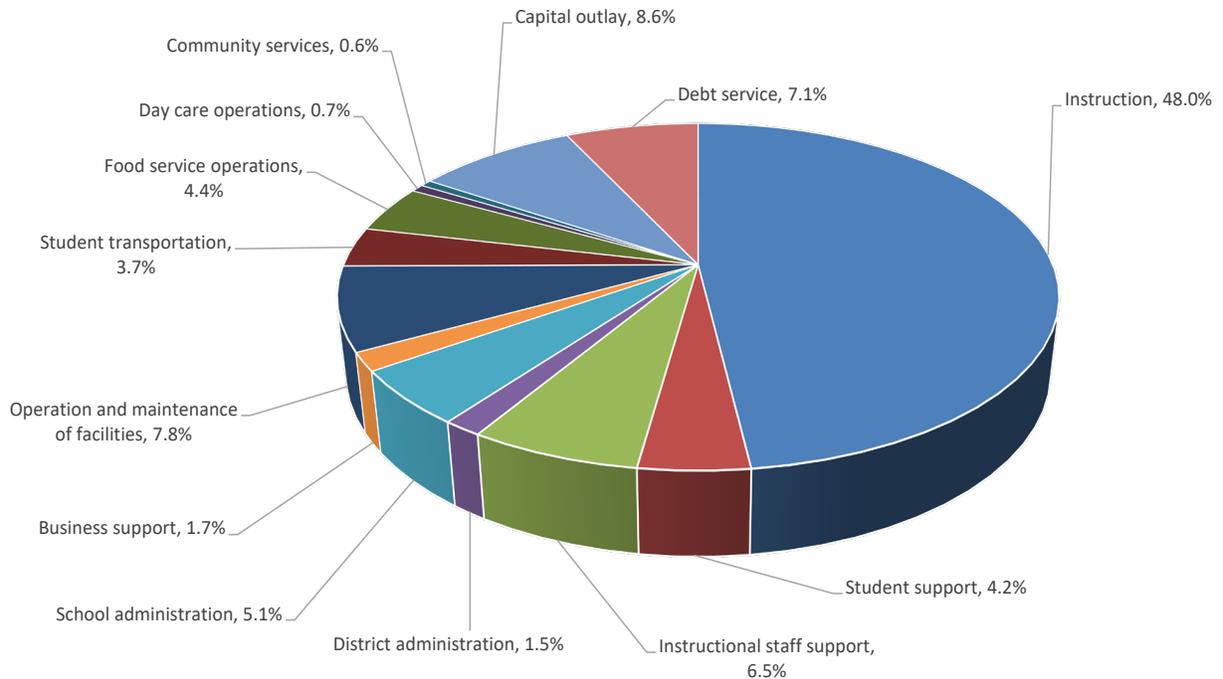


Table 4
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
For the Years Ended June 30, 2023 and June 30, 2022

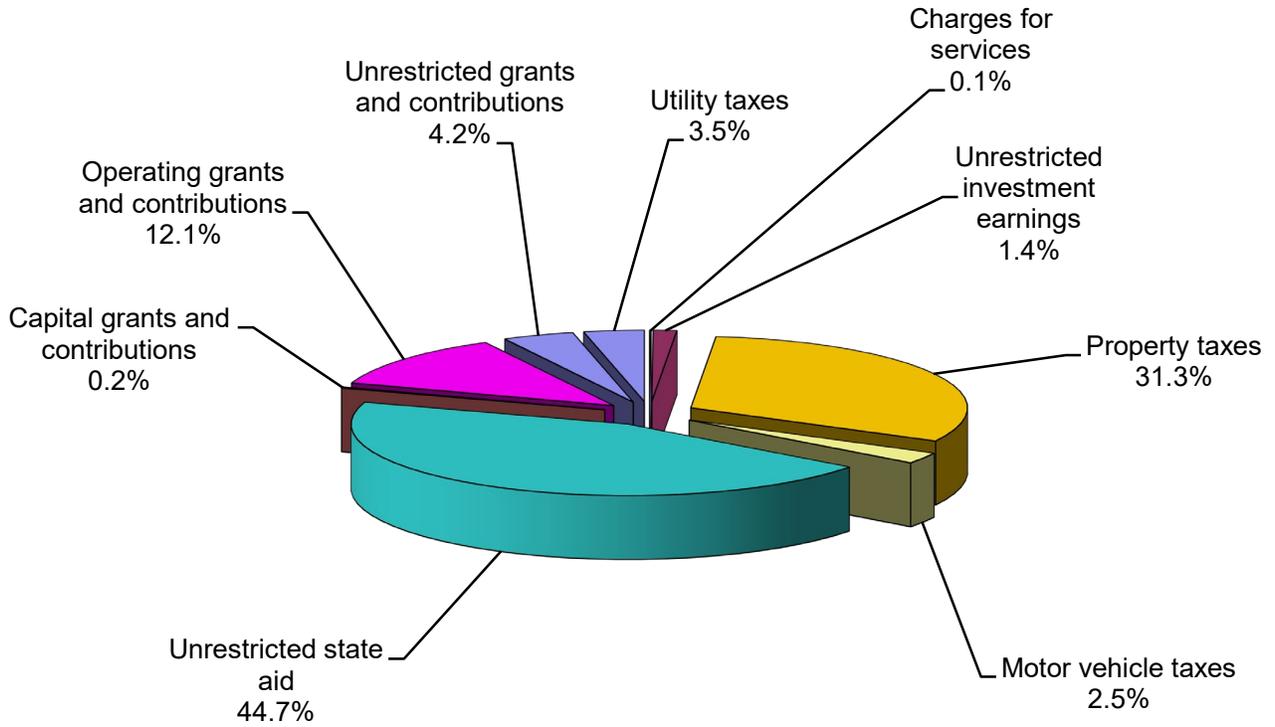
| | 2023 | 2022 | |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental | Governmental | Variance |
| | Activities | Activities | |
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current and other assets | \$ 37,934,195 | \$ 42,164,735 | \$ (4,230,540) |
| Capital assets | 179,837,829 | 174,934,511 | 4,903,318 |
| Deferred outflows of resources | 22,897,683 | 13,991,459 | 8,906,224 |
| Total assets and deferred outflows of resources | <u>240,669,707</u> | <u>231,090,705</u> | <u>9,579,002</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities and deferred inflows of resources: | | | |
| Current and other liabilities | \$ 9,516,672 | \$ 12,777,310 | \$ (3,260,638) |
| Long-term liabilities outstanding | 146,686,922 | 140,098,322 | 6,588,600 |
| Deferred inflows of resources | 16,136,935 | 18,736,137 | (2,599,202) |
| Total liabilities and deferred inflows of resources | <u>172,340,529</u> | <u>171,611,769</u> | <u>728,760</u> |
| Net position: | | | |
| Net Investment in Capital Assets | 78,383,923 | 68,326,152 | 10,057,771 |
| Restricted | 12,904,962 | 18,878,483 | (5,973,521) |
| Unrestricted | <u>(22,959,707)</u> | <u>(27,725,699)</u> | <u>4,765,992</u> |
| Total net position | <u>68,329,178</u> | <u>59,478,936</u> | <u>8,850,242</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 240,669,707</u> | <u>\$ 231,090,705</u> | <u>\$ 9,579,002</u> |

| | 2023 | 2022 | |
|---|----------------------|----------------------|-------------------|
| | Business-Type | Business-Type | |
| | Activities | Activities | Variance |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current and other assets | \$ 2,824,043 | \$ 2,268,932 | \$ 555,111 |
| Capital assets | 453,941 | 462,371 | (8,430) |
| Deferred outflows of resources | 895,206 | 660,575 | 234,631 |
| Total assets and deferred outflows of resources | <u>4,173,190</u> | <u>3,391,878</u> | <u>781,312</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | | |
| Liabilities and deferred inflows of resources: | | | |
| Current and other liabilities | \$ 32,972 | \$ 37,871 | \$ (4,899) |
| Long-term liabilities outstanding | 2,438,472 | 1,953,584 | 484,888 |
| Deferred inflows of resources | 633,021 | 740,418 | (107,397) |
| Total liabilities and deferred inflows of resources | <u>3,104,465</u> | <u>2,731,873</u> | <u>372,592</u> |
| Net position: | | | |
| Net Investment in Capital Assets | 453,941 | 462,371 | (8,430) |
| Restricted | (544,180) | (582,766) | 38,586 |
| Unrestricted | 1,158,964 | 780,400 | 378,564 |
| Total net position | <u>1,068,725</u> | <u>660,005</u> | <u>408,720</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 4,173,190</u> | <u>\$ 3,391,878</u> | <u>\$ 781,312</u> |

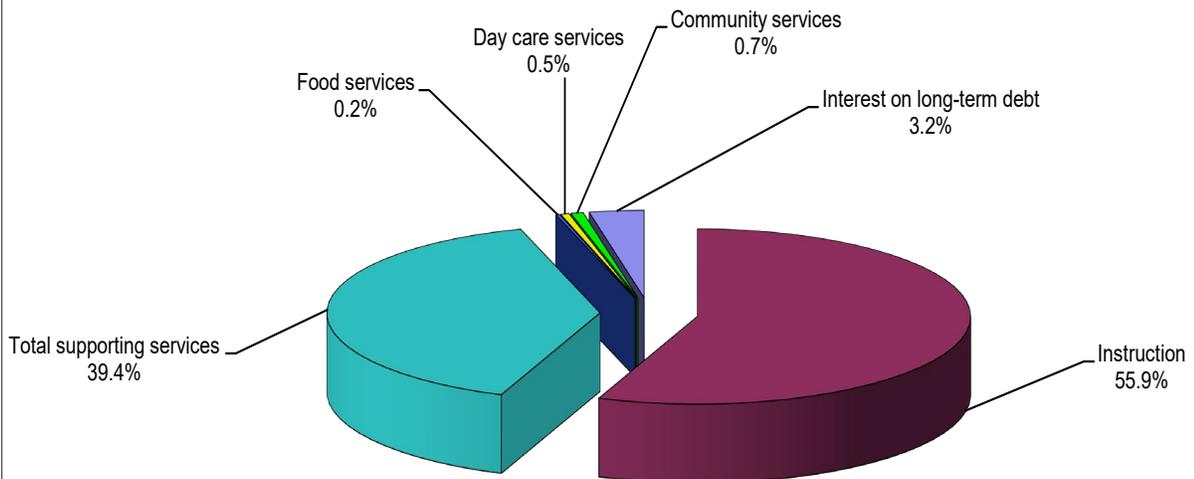
Table 5
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2023 and June 30, 2022

| | 2023 | 2022 | |
|--|----------------------|----------------------|---------------------|
| | Governmental | Governmental | |
| | Activities | Activities | Variance |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 91,446 | \$ 41,199 | \$ 50,247 |
| Operating grants and contributions | 13,479,328 | 14,364,280 | (884,952) |
| Capital grants and contributions | 226,898 | 245,585 | (18,687) |
| General revenues: | | | |
| Property taxes | 34,740,656 | 32,739,293 | 2,001,363 |
| Motor vehicle taxes | 2,794,568 | 2,464,065 | 330,503 |
| Utilities taxes | 3,901,498 | 3,621,489 | 280,009 |
| Earnings on investment | 1,518,517 | 402,541 | 1,115,976 |
| State grants | 49,652,778 | 43,518,431 | 6,134,347 |
| Federal grants | 1,178,929 | 824,686 | 354,243 |
| Other local amounts | 3,452,382 | 2,496,544 | 955,838 |
| Total revenues | 111,037,000 | 100,718,113 | 10,318,887 |
| Expenses: | | | |
| Instruction | 57,282,397 | 51,200,330 | 6,082,067 |
| Supporting services: | | | |
| Students | 4,936,671 | 3,927,766 | 1,008,905 |
| Instructional staff | 7,624,039 | 6,530,469 | 1,093,570 |
| District admin. | 1,843,339 | 1,806,559 | 36,780 |
| School admin. | 6,330,217 | 5,023,740 | 1,306,477 |
| Business services | 1,953,333 | 1,681,971 | 271,362 |
| Operation and Maint. | 12,872,287 | 11,138,806 | 1,733,481 |
| Transportation | 4,866,005 | 4,718,578 | 147,427 |
| Total supporting services | 40,425,891 | 34,827,889 | 5,598,002 |
| Food services | 234,373 | 197,093 | 37,280 |
| Day care services | 506,353 | - | 506,353 |
| Community services | 760,423 | 3,871,545 | (3,111,122) |
| Interest on long-term debt | 3,315,638 | 3,442,699 | (127,061) |
| Total expenses | 102,525,075 | 93,539,556 | 8,985,519 |
| Change in net position before transfers | 8,511,925 | 7,178,557 | 1,333,368 |
| Transfers | 338,317 | 65,196 | 273,121 |
| Change in net position with transfers and other items | 8,850,242 | 7,243,753 | 1,606,489 |
| Net position - beginning | 59,478,936 | 52,235,183 | 7,243,753 |
| Net position - Ending | \$ 68,329,178 | \$ 59,478,936 | \$ 8,850,242 |

Revenues by Source



Expenditures by Function



BUDGET COMPARISONS – (SEE PAGE 65 FOR THE COMPLETE SCHEDULE)

Revenues – General fund revenues exceeded the amount budgeted by approximately \$8.7 million. The difference is primarily due to receiving \$5 million more in on-behalf revenue from the state and \$900 thousand more in interest revenue than the estimated amounts included in the budget. Property tax revenues were budgeted with 98% accuracy.

Expenditures – Actual general fund expenditures were less than budgeted by approximately \$9.2 million. This is primarily due to net effect of 1) contingency of \$11.4 million included in budget but not actual; 2) additional \$5 million for on-behalf expenditures beyond the amount budgeted; 3) nonrecurring projects which were incomplete at June 30, 2023; and 4) carryforward purchase orders.

By law the District must have at least a 2% contingency for budgetary purposes but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with \$11.4 million remaining in budgeted contingency or 13.6% of actual expenditures in the general and food service funds combined.

Budget Approach – The District prepares its budget in a conservative manner. A sizable fund balance at the beginning of the fiscal year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. Adequate funds must be maintained in contingency to continue services to students in the event of unforeseen events including natural disaster, fire, or pandemic.

In addition, the District receives nearly half its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and downward adjustments to state SEEK allocations.

FACTORS AFFECTING THE DISTRICT'S FINANCIAL OUTLOOK

The following factors may affect the District's financial position in the upcoming fiscal year:

- Tax rates for 2023-24 were set at 71.4 for real estate and personal property, a slight **decrease** from the 2022-23 rates of 71.5 for real estate and 72.0 for personal property. The rates adopted are the maximum rates (4% increase with exonerations) allowed without being subject to recall due to an increase in property assessments.

Property assessments are expected to continue to rise. This limits the District's ability to generate additional tax revenue.

Over the past five years, the percentage of calculated base funding for SEEK provided by the state has decreased from 64% to 55%. Taxpayers continue to bear more of the cost for public education in the District each year.

- The General Assembly will be considering a biennial budget at the upcoming legislative session. Discontinuation of funding for full-day kindergarten would significantly negatively impact the District's state revenues.

Transportation has been underfunded historically by the legislature. Despite an uptick in the current biennial budget, the District is funded at only 69% of the calculated entitlement for the 2023-24 year.

The District has a significant student population of English Learners. State funding for these students is about 42% of the actual expenditures budgeted to support their learning in the 2023-24 year.

- Enrollment is projected to steadily grow over the next five years, however actual enrollment has declined significantly due to transfers and home schooling as a result of

Covid-19. Enrollment has improved but still has not yet returned to normal levels as of October 2023.

- The large scale renovation project at Shelby County High School is nearing completion. Planning has begun for a large scale renovation project at Heritage Elementary. The District expects to sell bonds to finance the project during the 2023-24 fiscal year.
- \$1.8 million in committed funds for construction remains available as of June 30, 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability of the public funds it receives. If you have questions about this report or need additional information, contact Susan Barkley, Chief Financial Officer, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. She can also be reached by electronic mail at susan.barkley@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Assets: | | | |
| Cash and cash equivalents | 33,631,128 | \$ 2,707,262 | \$ 36,338,390 |
| Investments | 36,195 | - | 36,195 |
| Accounts Receivable | | | |
| Taxes | 822,692 | - | 822,692 |
| Intergovernmental | 3,334,922 | - | 3,334,922 |
| Other | 109,258 | 80,641 | 189,899 |
| Prepaid workers' compensation premiums | - | - | - |
| Inventory | - | 36,140 | 36,140 |
| Total capital assets, net of depreciation | <u>179,837,829</u> | <u>453,941</u> | <u>180,291,770</u> |
| Total assets | <u>217,772,024</u> | <u>3,277,984</u> | <u>221,050,008</u> |
| Deferred outflows of resources: | | | |
| Deferred outflows - pension contributions | 2,484,948 | 192,798 | 2,677,746 |
| Deferred outflows - OPEB contributions | 1,663,578 | 42,284 | 1,705,862 |
| Deferred outflows - pension changes in assumptions, expectations | 4,702,105 | 364,818 | 5,066,923 |
| Deferred outflows - OPEB changes in assumptions, expectations | 14,109,169 | 295,306 | 14,404,475 |
| Deferred outflows from advanced bond refundings | (62,117) | - | (62,117) |
| Total deferred outflows of resources | <u>22,897,683</u> | <u>895,206</u> | <u>23,792,889</u> |
| Total assets and deferred outflows of resources | <u>\$ 240,669,707</u> | <u>\$ 4,173,190</u> | <u>\$ 244,842,897</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | | |
| Liabilities: | | | |
| Bank overdraft | \$ - | \$ - | \$ - |
| Accounts payable | 1,417,132 | 19,678 | 1,436,810 |
| Unearned revenue | 1,606,403 | 13,294 | 1,619,697 |
| Current maturities of bond obligations | 5,010,000 | - | 5,010,000 |
| Current portion of lease liability | 148,938 | - | 148,938 |
| Current portion of accumulated sick leave | 186,157 | - | 186,157 |
| Interest payable | 1,148,042 | - | 1,148,042 |
| Noncurrent maturities of bond obligations | 96,275,000 | - | 96,275,000 |
| Noncurrent portion of lease liability | 19,968 | - | 19,968 |
| Net pension liability | 24,689,652 | 1,915,576 | 26,605,228 |
| Net OPEB liability | 25,268,555 | 522,896 | 25,791,451 |
| Noncurrent portion of accumulated sick leave | 433,747 | - | 433,747 |
| Total liabilities | <u>156,203,594</u> | <u>2,471,444</u> | <u>158,675,038</u> |
| Deferred inflows of resources: | | | |
| Deferred inflows of resources - pension | 3,985,917 | 309,252 | 4,295,169 |
| Deferred inflows of resources - OPEB | 12,151,018 | 323,769 | 12,474,787 |
| Total deferred inflows of resources | <u>16,136,935</u> | <u>633,021</u> | <u>16,769,956</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 172,340,529</u> | <u>\$ 3,104,465</u> | <u>\$ 175,444,994</u> |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 78,383,923 | \$ 453,941 | 78,837,864 |
| Restricted for: | | | |
| Special projects | 1,137,137 | (544,180) | 592,957 |
| Capital projects/debt service | 11,767,825 | - | 11,767,825 |
| Unrestricted | (22,959,707) | 1,158,964 | (21,800,743) |
| Total net position | <u>\$ 68,329,178</u> | <u>\$ 1,068,725</u> | <u>\$ 69,397,903</u> |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

| FUNCTIONS/PROGRAMS | Program Revenues | | | Net (Expense), Revenue and Changes in Net Position | | | |
|---|--------------------|----------------------|------------------------------------|--|-------------------------|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| Instruction | 57,282,397 | 55,458 | 7,782,810 | - | (49,444,129) | - | (49,444,129) |
| Supporting services: | | | | | | | |
| Students | 4,936,671 | 54 | 670,733 | - | (4,265,884) | - | (4,265,884) |
| Instructional staff | 7,624,039 | - | 1,035,858 | - | (6,588,181) | - | (6,588,181) |
| District administration | 1,843,339 | - | 250,450 | - | (1,592,889) | - | (1,592,889) |
| School administration | 6,330,217 | - | 860,070 | - | (5,470,147) | - | (5,470,147) |
| Business support services | 1,953,333 | - | 265,394 | - | (1,687,939) | - | (1,687,939) |
| Operation and maintenance of facilities | 12,872,287 | 35,934 | 1,748,924 | - | (11,087,429) | - | (11,087,429) |
| Student transportation | 4,866,005 | - | 661,131 | - | (4,204,874) | - | (4,204,874) |
| Food services | 234,373 | - | 31,844 | - | (202,529) | - | (202,529) |
| Day care operations | 506,353 | - | 68,797 | - | (437,556) | - | (437,556) |
| Community services | 760,423 | - | 103,317 | - | (657,106) | - | (657,106) |
| Interest on long-term debt | 3,315,638 | - | - | 226,898 | (3,088,740) | - | (3,088,740) |
| Total governmental activities | 102,525,075 | 91,446 | 13,479,328 | 226,898 | (88,727,403) | - | (88,727,403) |
| Business-type activities: | | | | | | | |
| Food services | 4,976,839 | 232,190 | 4,917,789 | 61,864 | - | 235,004 | 235,004 |
| Child care | 352,558 | 793,326 | - | - | - | 440,768 | 440,768 |
| Education Foundation Operating Fund | 7,748 | - | - | - | - | (7,748) | (7,748) |
| Total business-type activities | 5,337,145 | 1,025,516 | 4,917,789 | 61,864 | - | 668,024 | 668,024 |
| Total Primary Government | 107,862,220 | 1,116,962 | 18,397,117 | 288,762 | (88,727,403) | 668,024 | (88,059,379) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 34,740,656 | - | 34,740,656 |
| Motor vehicle taxes | | | | | 2,794,568 | - | 2,794,568 |
| Utilities taxes | | | | | 3,901,498 | - | 3,901,498 |
| Earnings on investment | | | | | 1,518,517 | - | 1,518,517 |
| State grants | | | | | 49,652,778 | - | 49,652,778 |
| Federal grants | | | | | 1,178,929 | - | 1,178,929 |
| Proceeds from disposal of assets | | | | | 626,734 | - | 626,734 |
| Other local amounts | | | | | 2,825,648 | 79,013 | 2,904,661 |
| Total general revenues | | | | | 97,239,328 | 79,013 | 97,318,341 |
| Transfers in (out) | | | | | 338,317 | (338,317) | - |
| Change in net position | | | | | 8,850,242 | 408,720 | 9,258,962 |
| Net position - beginning | | | | | 59,478,936 | 660,005 | 60,138,941 |
| Net position - ending | | | | | 68,329,178 | 1,068,725 | 69,397,903 |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2023

| | 1 | 2 | 21 | 25 | 310 | 320 | 360 | 400 | Total |
|--|----------------------|---------------------|-------------------|-------------------|---------------------|-------------------|----------------------|-------------|----------------------|
| | General | Special | District | School | SEEK | Facility Support | School | Debt | Total |
| | Current Expense | Revenue | Activity | Activity | Capital Outlay | Program (FSPK) | Construction | Service | Governmental |
| | Fund | Fund | Fund | Fund | Fund | Fund | Fund | Fund | |
| ASSETS | | | | | | | | | |
| Assets: | | | | | | | | | |
| Cash and cash equivalents | \$ 21,939,530 | \$ (1,700,309) | \$ 425,843 | \$ 724,442 | \$ 1,324,752 | \$ 227,180 | \$ 10,689,690 | \$ - | \$ 33,631,128 |
| Investments | 36,195 | - | - | - | - | - | - | - | 36,195 |
| Taxes | 822,692 | - | - | - | - | - | - | - | 822,692 |
| Intergovernmental | - | 3,334,922 | - | - | - | - | - | - | 3,334,922 |
| Other receivables | 109,258 | - | - | - | - | - | - | - | 109,258 |
| Prepaid workers' compensation premiums | - | - | - | - | - | - | - | - | - |
| Total assets | 22,907,675 | 1,634,613 | 425,843 | 724,442 | 1,324,752 | 227,180 | 10,689,690 | - | 37,934,195 |
| TOTAL ASSETS | \$ 22,907,675 | \$ 1,634,613 | \$ 425,843 | \$ 724,442 | \$ 1,324,752 | \$ 227,180 | \$ 10,689,690 | \$ - | \$ 37,934,195 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | 901,977 | \$ 28,210 | \$ 3,726 | \$ 9,422 | \$ - | \$ - | \$ 473,797 | \$ - | 1,417,132 |
| Unearned revenue | - | 1,606,403 | - | - | - | - | - | - | 1,606,403 |
| Current portion of accumulated sick leave | 41,138 | - | - | - | - | - | - | - | 41,138 |
| Total liabilities | 943,115 | 1,634,613 | 3,726 | 9,422 | - | - | 473,797 | - | 3,064,673 |
| Fund Balances: | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | 715,020 | 1,324,752 | 227,180 | 10,215,893 | - | 12,482,845 |
| Committed | 1,843,424 | - | - | - | - | - | - | - | 1,843,424 |
| Assigned | 2,648,939 | - | 422,117 | - | - | - | - | - | 3,071,056 |
| Unassigned | 17,472,197 | - | - | - | - | - | - | - | 17,472,197 |
| Total fund balances | 21,964,560 | - | 422,117 | 715,020 | 1,324,752 | 227,180 | 10,215,893 | - | 34,869,522 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 22,907,675 | \$ 1,634,613 | \$ 425,843 | \$ 724,442 | \$ 1,324,752 | \$ 227,180 | \$ 10,689,690 | \$ - | \$ 37,934,195 |

See Notes to Financial Statements

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2023**

| | |
|---|----------------------|
| Total fund balances - governmental funds | \$ 34,869,522 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The historical cost of the assets is \$263,205,594 and the accumulated depreciation is \$83,367,764. | 179,837,829 |
| Deferred outflows are not reported in the governmental funds because they are not current financial resources, but they are reported in the statement of net position. | 22,897,683 |
| Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are reported in the statement of net position. | (16,136,935) |
| Bonds payable are not reported in the governmental funds balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position | (101,285,000) |
| The noncurrent portion of accumulated sick leave is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. | (578,766) |
| Interest payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. | (1,148,042) |
| Pension liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. | (24,689,652) |
| Other post-employment benefit liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. | (25,268,555) |
| Lease payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position. | <u>(168,906)</u> |
| Total net position - governmental activities | <u>\$ 68,329,178</u> |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

| | 1 | 2 | 21 | 25 | 310 | 320 | 360 | 400 | Total |
|---|----------------------|---------------|----------------|----------------|---------------------|---------------------|-------------------|--------------|---------------|
| | General | Special | District | School | SEEK | Facility Support | School | Debt | Governmental |
| | Current Expense Fund | Revenue Funds | Activity Funds | Activity Funds | Capital Outlay Fund | Program (FSPK) Fund | Construction Fund | Service Fund | |
| Revenues: | | | | | | | | | |
| Local sources: | | | | | | | | | |
| Property taxes | \$ 26,593,495 | \$ - | \$ - | \$ - | \$ - | \$ 8,147,161 | \$ - | \$ - | \$ 34,740,656 |
| Motor vehicle taxes | 2,794,568 | - | - | - | - | - | - | - | 2,794,568 |
| Utility taxes | 3,901,498 | - | - | - | - | - | - | - | 3,901,498 |
| Earnings on investments | 1,109,509 | 3,709 | 16,937 | - | - | - | 388,362 | - | 1,518,517 |
| Other local | 850,019 | 329,143 | 80,470 | 1,657,462 | - | - | - | - | 2,917,094 |
| State sources | 46,337,653 | 3,304,887 | - | - | 662,376 | 1,947,457 | - | 932,190 | 53,184,563 |
| Federal sources | 1,178,929 | 10,174,441 | - | - | - | - | - | - | 11,353,370 |
| Total revenues | 82,765,671 | 13,812,180 | 97,407 | 1,657,462 | 662,376 | 10,094,618 | 388,362 | 932,190 | 110,410,266 |
| Expenditures: | | | | | | | | | |
| Instruction | 45,630,178 | 9,186,296 | 477,215 | 1,183,355 | - | - | - | - | 56,477,044 |
| Supporting services: | | | | | | | | | |
| Students | 4,671,901 | 250,172 | - | - | - | - | - | - | 4,922,073 |
| Instructional staff | 5,624,731 | 1,971,560 | 27,748 | - | - | - | - | - | 7,624,039 |
| District administration | 1,804,064 | - | - | - | - | - | - | - | 1,804,064 |
| School administration | 5,948,631 | 41,908 | - | - | - | - | - | - | 5,990,539 |
| Business support services | 1,952,239 | - | - | - | - | - | - | - | 1,952,239 |
| Operation and maintenance of facilities | 8,864,905 | 334,370 | 5,119 | - | - | - | - | - | 9,204,394 |
| Student transportation | 4,202,268 | 174,472 | 31,323 | - | - | - | - | - | 4,408,063 |
| Food services | 187,591 | 46,782 | - | - | - | - | - | - | 234,373 |
| Day care operations | - | 506,353 | - | - | - | - | - | - | 506,353 |
| Community services | - | 760,423 | - | - | - | - | - | - | 760,423 |
| Capital outlay | - | - | - | - | - | - | 10,138,887 | - | 10,138,887 |
| Debt service | - | - | - | - | - | - | - | 8,359,791 | 8,359,791 |
| Total expenditures | 78,886,508 | 13,272,336 | 541,405 | 1,183,355 | - | - | 10,138,887 | 8,359,791 | 112,382,282 |
| Excess (deficiency) of revenues over expenditures | 3,879,163 | 539,844 | (443,998) | 474,107 | 662,376 | 10,094,618 | (9,750,525) | (7,427,601) | (1,972,016) |
| Other financing sources (uses): | | | | | | | | | |
| Proceeds from loss of assets | 626,734 | - | - | - | - | - | - | - | 626,734 |
| Proceeds from the sale of bonds | - | - | - | - | - | - | - | - | - |
| Transfers in | 828,957 | 18 | 462,481 | - | - | - | 4,269,920 | 7,427,601 | 12,988,977 |
| Transfers (out) | (368,298) | (539,862) | (8,400) | (444,948) | - | (11,289,152) | - | - | (12,650,660) |
| Total other financing sources (uses) | 1,087,393 | (539,844) | 454,081 | (444,948) | - | (11,289,152) | 4,269,920 | 7,427,601 | 965,051 |
| Net change in fund balances | 4,966,556 | - | 10,083 | 29,159 | 662,376 | (1,194,534) | (5,480,605) | - | (1,006,965) |
| Fund balances - beginning | 16,998,004 | - | 412,034 | 685,861 | 662,376 | 1,421,714 | 15,696,498 | - | 35,876,487 |
| Fund balances - ending | \$ 21,964,560 | \$ - | \$ 422,117 | \$ 715,020 | \$ 1,324,752 | \$ 227,180 | \$ 10,215,893 | \$ - | \$ 34,869,522 |

See Notes to Financial Statements

**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 fund balances - governmental funds \$ (1,006,965)

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

Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation. 4,903,318

Deferred loss on bond refundings are not reported as expenditures in the governmental funds but are capitalized and amortized over the life of the related bonds on the statement of activities. This is the amount by which the deferred loss on bond refundings has increased/(decreased). (54,509)

The repayment of the principal of long-term debt is shown as expenditures in the governmental funds financial statements at the time the payments are made. However, these payments are shown as a reduction of long-term debt in the statement of net position. 5,010,000

Lease liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which lease liability has (increased)/decreased. 144,453

Deferred outflows from pensions. This is the amount by which deferred outflows from pensions has increased/(decreased). 2,320,669

Deferred outflows from other post-employment benefits. This is the amount by which deferred outflows from other post-employment benefits has increased/(decreased). 6,640,064

Deferred inflows from pensions. This is the amount by which deferred inflows from pensions has (increased)/decreased. 1,886,853

Deferred inflows from other post-employment benefits. This is the amount by which deferred inflows from other post-employment benefits has (increased)/decreased. 712,349

Accumulated sick leave is reported as a liability in the statement of net position, but is only reported in the governmental funds to the extent that the amounts will be paid with current financial resources. This is the amount by which accumulated sick leave has (increased)/decreased (210,792)

Pension liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which pension liability has (increased)/decreased. (4,321,327)

Other post-employment benefits liability is recognized in the statement of activities but not in the governmental fund financial statements because it is not paid with existing financial resources. This is the amount by which other post-employment benefits liability has (increased)/decreased. (7,208,024)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due but in the statement of activities, interest expense is recognized as the interest accrues. This is the amount by which accrued interest has (increased)/decreased. 34,153

Change in net position of governmental activities \$ 8,850,242

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2023

| | School Food Service Fund | Child Care Fund | Education Foundation Operating Fund | Total Proprietary Funds |
|--|-----------------------------|---------------------|--|----------------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 1,542,855 | \$ 1,138,441 | \$ 25,966 | \$ 2,707,262 |
| Accounts receivable | 65,049 | 15,592 | - | 80,641 |
| Inventory | 36,140 | - | - | 36,140 |
| Noncurrent Assets | | | | |
| Capital assets, net of depreciation | 453,941 | - | - | 453,941 |
| Total assets | 2,097,985 | 1,154,033 | 25,966 | 3,277,984 |
| Deferred outflows of resources: | | | | |
| Deferred outflows - pension contributions | 192,798 | - | - | 192,798 |
| Deferred outflows - OPEB contributions | 42,284 | - | - | 42,284 |
| Deferred outflows - pension changes in assumptions, expectations | 364,818 | - | - | 364,818 |
| Deferred outflows - OPEB changes in assumptions, expectations | 295,306 | - | - | 295,306 |
| Total deferred outflows of resources | 895,206 | - | - | 895,206 |
| Total assets and deferred outflows of resources | \$ 2,993,191 | \$ 1,154,033 | \$ 25,966 | \$ 4,173,190 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 841 | 18,542 | 295 | 19,678 |
| Unearned revenue | 11,096 | 2,198 | - | 13,294 |
| Net pension liability | 1,915,576 | - | - | 1,915,576 |
| Net OPEB liability | 522,896 | - | - | 522,896 |
| Total liabilities | 2,450,409 | 20,740 | 295 | 2,471,444 |
| Deferred inflows of resources: | | | | |
| Deferred inflows of resources - pension | 309,252 | - | - | 309,252 |
| Deferred inflows of resources - OPEB | 323,769 | - | - | 323,769 |
| Total deferred inflows of resources | 633,021 | - | - | 633,021 |
| Total liabilities and deferred inflows of resources | \$ 3,083,430 | \$ 20,740 | \$ 295 | \$ 3,104,465 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 453,941 | - | - | 453,941 |
| Restricted for special projects | (544,180) | - | - | (544,180) |
| Unrestricted | - | 1,133,293 | 25,671 | 1,158,964 |
| Total net position | \$ (90,239) | \$ 1,133,293 | \$ 25,671 | \$ 1,068,725 |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2023

| | School Food Service Fund | Child Care Fund | Education Foundation Operating Fund | Total Proprietary Funds |
|--|-----------------------------|--------------------|--|----------------------------|
| Operating Revenues | | | | |
| Lunchroom sales | \$ 232,190 | \$ - | \$ - | \$ 232,190 |
| Child care fees | - | 793,326 | - | 793,326 |
| Total operating revenues | 232,190 | 793,326 | - | 1,025,516 |
| Operating Expenses | | | | |
| Salaries and benefits | 2,387,993 | 291,714 | 50 | 2,679,757 |
| Contract services | 23,557 | 20,081 | 958 | 44,596 |
| Materials and supplies | 2,490,633 | 26,859 | 6,740 | 2,524,232 |
| Depreciation | 70,294 | - | - | 70,294 |
| Other | 4,362 | 13,904 | - | 18,266 |
| Total operating expenses | 4,976,839 | 352,558 | 7,748 | 5,337,145 |
| Operating income (loss) | (4,744,649) | 440,768 | (7,748) | (4,311,629) |
| Nonoperating Revenues | | | | |
| Federal grants | 4,210,609 | - | - | 4,210,609 |
| Donated commodities | 362,439 | - | - | 362,439 |
| State grants | 344,741 | - | - | 344,741 |
| Capital contributions | 61,864 | - | - | 61,864 |
| Gain on disposal of assets | - | - | - | - |
| Local revenues | 58,109 | - | 20,904 | 79,013 |
| Total nonoperating revenues | 5,037,762 | - | 20,904 | 5,058,666 |
| Income (loss) before operating transfers | 293,113 | 440,768 | 13,156 | 747,037 |
| Operating transfer in | - | - | - | - |
| Operating transfer out | (262,957) | (75,360) | - | (338,317) |
| Change in net position | 30,156 | 365,408 | 13,156 | 408,720 |
| Net position as of July 1, 2022 | (120,395) | 767,885 | 12,515 | 660,005 |
| Net position as of June 30, 2023 | \$ (90,239) | \$ 1,133,293 | \$ 25,671 | \$ 1,068,725 |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For the Year Ended June 30, 2023

| | School Food Service Fund | Child Care Fund | Education Foundation Operating Fund | Total Proprietary Funds |
|---|-----------------------------|---------------------|--|----------------------------|
| Cash flows from operating activities | | | | |
| Cash received from: | | | | |
| Lunchroom sales | \$ 230,984 | \$ - | \$ - | \$ 230,984 |
| Child care fees | - | 782,253 | - | 782,253 |
| Cash paid for: | | | | |
| Employees and contract services | (1,959,911) | (311,795) | (1,008) | (2,272,714) |
| Materials and supplies | (2,120,518) | (27,236) | (7,251) | (2,155,005) |
| Other | (4,362) | (13,904) | - | (18,266) |
| Net cash provided by (used in) operating activities | (3,853,807) | 429,318 | (8,259) | (3,432,748) |
| Cash flows from noncapital financing activities | | | | |
| Government grants | 4,754,339 | - | - | 4,754,339 |
| Other local revenues | 638 | - | 20,904 | 21,542 |
| Net cash provided by noncapital financing activities | 4,754,977 | - | 20,904 | 4,775,881 |
| Cash flows from capital and related financing activities | | | | |
| Gain on disposal of assets | - | - | - | - |
| Net operating transfer to general fund | (262,957) | (75,360) | - | (338,317) |
| Net cash used in capital and related financing activities | (262,957) | (75,360) | - | (338,317) |
| Cash flows from investing activities | | | | |
| Receipt of interest income | 57,471 | - | - | 57,471 |
| Net cash provided by investing activities | 57,471 | - | - | 57,471 |
| Net decrease in cash | 695,684 | 353,958 | 12,645 | 1,062,287 |
| Cash as of July 1, 2022 | 847,171 | 784,483 | 13,321 | 1,644,975 |
| Cash as of June 30, 2023 | <u>\$ 1,542,855</u> | <u>\$ 1,138,441</u> | <u>\$ 25,966</u> | <u>\$ 2,707,262</u> |
| Reconciliation of operating income (loss) to net cash used in operating activities | | | | |
| Operating income (loss) | \$ (4,744,649) | \$ 440,768 | \$ (7,748) | \$ (4,311,629) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | | |
| Depreciation | 70,294 | - | - | 70,294 |
| Donated commodities | 362,439 | - | - | 362,439 |
| On behalf payments | 308,779 | - | - | 308,779 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | - | (11,538) | - | (11,538) |
| Inventory | 10,946 | - | - | 10,946 |
| Deferred outflows | (234,631) | - | - | (234,631) |
| Unearned revenues | (1,206) | 465 | - | (741) |
| Accounts payable | (3,270) | (377) | (511) | (4,158) |
| Deferred inflows | (107,397) | - | - | (107,397) |
| Net pension liability | 413,048 | - | - | 413,048 |
| Net other post-employment benefits liability | 71,840 | - | - | 71,840 |
| Net cash provided by (used in) operating activities | <u>\$ (3,853,807)</u> | <u>\$ 429,318</u> | <u>\$ (8,259)</u> | <u>\$ (3,432,748)</u> |
| Schedule of noncash transactions | | | | |
| Donated commodities | \$ 362,439 | \$ - | \$ - | 362,439 |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2023

| | Private Purpose Trust Fund |
|--|-------------------------------|
| ASSETS | |
| Assets: | |
| Cash and cash equivalents | \$ 3,500 |
| Receivables | - |
| Total assets | <u>3,500</u> |
| Deferred outflows of resources: | |
| Total deferred outflows of resources | <u>-</u> |
| Total assets and deferred outflows of resources | <u><u>\$ 3,500</u></u> |
| LIABILITIES | |
| Liabilities: | |
| Accounts payable | - |
| Total liabilities | <u>-</u> |
| Deferred inflows of resources: | |
| Total deferred inflows of resources | <u>-</u> |
| Total liabilities and deferred inflows of resources | <u><u>\$ -</u></u> |
| Total net position | <u><u>\$ 3,500</u></u> |

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2023

| | Private Purpose Trust Fund |
|---|-------------------------------|
| <hr/> | |
| Additions | |
| Earnings on investment | \$ - |
| Contributions | 14,000 |
| | <hr/> |
| Total additions | 14,000 |
| Deductions | |
| Scholarships | 10,500 |
| | <hr/> |
| Total deductions | 10,500 |
| Income (loss) before operating transfer | 3,500 |
| Operating transfer in | - |
| | <hr/> |
| Change in net position | 3,500 |
| Net position as of July 1, 2022 | - |
| | <hr/> |
| Net position as of June 30, 2023 | <u>\$ 3,500</u> |

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

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

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

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

Shelby County School District Finance Corporation (the Corporation) – the Shelby County Board of Education has established the Shelby County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Shelby County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District’s activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid by general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include salaries and benefits, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

Accounting principles generally accepted in the United States of America require the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds, at a minimum. The District has determined all funds should be reported as major funds.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the general operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the

capital improvement costs that are not paid through other funds are paid from the General Fund.

- (B) The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
 - 1. The Special Revenue Fund accounts for the activities of restricted grants from local, state, and federal sources. This is a major fund of the District.
 - 2. The District Activity Fund accounts for funds generated by schools which are defined as district activity funds in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
 - 3. The Student Activity Fund accounts for activities of student groups in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, and to provide financial resources for debt service requirements. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for and reports 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. This is a major fund of the District.
 - 3. The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

III. Proprietary Funds (Enterprise Fund)

- 1. The School Food Service Fund accounts for and reports school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund for the District.
- 2. The Child Care Fund is used to account for and report the activities of the day care programs where a fee is charged for participating. This is a major fund of the District.
- 3. The Education Foundation Operating Fund is used to account for the operating revenues and expenses associated with the activities of the Shelby County Education Foundation, for which the District acts as a fiscal agent.

IV. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

The Private Purpose Trust Fund accounts for and reports a scholarship fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary Process

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

The Board must also adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

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.

Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

Inventories

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

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

The food service fund uses the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Deferred Loss on Bond Refundings

Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompany statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

Interfund Balances

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 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.

Unearned Revenue

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

Fund Balances

The District classifies its governmental fund balances as follows:

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted – This category includes resources that are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for specific purposes by formal action of the Board of Education. Only the Board may commit funds and modify or rescind the commitment.

Assigned Fund Balance – This category represents funds that have been assigned for a specific purpose or, in the general fund only, for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned Fund Balance – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned funds are available, the funds will first be spent from committed, then assigned, and then finally unassigned.

The Board will use restricted funds before unrestricted (committed, assigned, or unassigned) funds when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Net Position

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

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrances

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 reappropriated in the next fiscal year.

Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the

reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through November 13, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2023, have not been evaluated by the District.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$36,341,890 which was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash amount within the following funds is considered to be restricted: Special Revenue Funds, Capital Outlay Fund, Facilities Support Program (FSPK) Fund, School Construction Fund, and Private Purpose Trust Funds.

District funds are considered to be public funds. Therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2022, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

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

| | Book Balance |
|-------------------------------------|-------------------|
| General Checking Account | |
| General Fund | \$21,939,530 |
| Special Revenue Fund 2 | (1,700,309) |
| Special Revenue Fund 21 | 425,843 |
| Special Revenue Fund 25 | 724,442 |
| Capital Outlay Fund | 1,324,752 |
| FSPK Fund | 227,180 |
| School Construction Fund | 10,689,690 |
| Food Service Account | 1,542,855 |
| Day Care Fund | 1,138,441 |
| Education Foundation Operating Fund | 25,966 |
| Fiduciary Fund | 3,500 |
| Total General Checking Account | <u>36,341,890</u> |

Breakdown per financial statements:

| | |
|--------------------|-------------------|
| Governmental Funds | \$33,631,128 |
| Proprietary Funds | 2,707,262 |
| Fiduciary Funds | 3,500 |
| Total | <u>36,341,890</u> |

NOTE C – INVESTMENTS

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2023:

Securities of \$36,195 are valued using quoted market prices (Level 1 inputs)

NOTE D – 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 located in the district. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year in which they were levied.

The property tax rates assessed for the year ended June 30, 2023, to finance operations were \$.715 per \$100 valuation for real property, \$.720 per \$100 valuation for business personal property and \$.465 per \$100 valuation for motor vehicles.

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

The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

| | |
|--------------------------------|-----------------------------|
| Description | per KRS 134.015 |
| Discount, 2% | by November 1 |
| Face value amount payment date | November 2 thru December 31 |
| Delinquent date, 5% penalty | January 1 -31 |
| Delinquent date, 10% penalty | February 1 |

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE E – CAPITAL ASSETS

The District adopted GASB Statement 96, Subscription Based Information Technology Arrangements (SBITA), effective for the year ended June 30, 2023. The District did not enter into any subscriptions subject to this reporting requirement during fiscal year 2023.

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

| <u>Governmental Activities</u> | Beginning Balance | | | Ending Balance |
|---|-------------------|------------|-------------|----------------|
| | 6/30/2022 | Additions | Retirements | 6/30/2023 |
| Land | 3,360,274 | - | - | 3,360,274 |
| Land Improvements | 1,490,414 | - | (157,099) | 1,333,315 |
| Buildings & Building Improvements | 213,652,245 | 204,419 | (172,378) | 213,684,286 |
| Technology Equipment | 1,575,526 | - | - | 1,575,526 |
| Vehicles | 7,056,237 | 493,742 | (227,419) | 7,322,560 |
| Leased Vehicles | 215,466 | - | - | 215,466 |
| General Equipment | 3,757,717 | 179,944 | (164,796) | 3,772,865 |
| Construction Work in Progress | 22,316,436 | 9,624,866 | - | 31,941,302 |
| Infrastructure | 489,832 | - | - | 489,832 |
| Totals at Historical Cost | 253,914,147 | 10,502,971 | (721,692) | 263,695,426 |
| Less Accumulated Depreciation and Amortization: | | | | |
| Land | - | - | - | - |
| Land Improvements | 1,223,202 | 21,824 | (157,099) | 1,087,927 |
| Buildings & Building Improvements | 70,108,162 | 4,585,380 | (172,378) | 74,521,164 |
| Technology Equipment | 1,076,428 | 174,851 | - | 1,251,279 |
| Vehicles | 4,356,300 | 479,910 | (194,652) | 4,641,558 |
| Leased Vehicles | 6,240 | 43,093 | - | 49,333 |
| General Equipment | 1,743,963 | 236,228 | (163,688) | 1,816,503 |
| Infrastructure | 465,341 | 24,492 | - | 489,833 |
| Total Accumulated Depreciation and Amortization | 78,979,636 | 5,565,778 | (687,817) | 83,857,597 |
| Net Capital Assets - Governmental Activities | 174,934,511 | 4,937,193 | (33,875) | 179,837,829 |

Business-Type Activities

| | | | | |
|---|-----------|---------|---|-----------|
| Food Service Equipment | 1,717,175 | 61,864 | - | 1,779,039 |
| Less Accumulated Depreciation: | | | | |
| Food Service Equipment | 1,254,804 | 70,294 | - | 1,325,098 |
| | | | | |
| Net Capital Assets - Business-Type Activities | 462,371 | (8,430) | - | 453,941 |
| | | | | |

Depreciation and amortization expense was charged to functions of the governmental activities as follows:

| | |
|--|-----------|
| Instruction | 1,045,298 |
| Student Support Services | 14,598 |
| Staff Support Services | 39,275 |
| District Administration | 339,678 |
| School Administration | 1,094 |
| Plant Operations and Maintenance | 3,667,893 |
| Student Transportation | 457,942 |
| Total depreciation and amortization expense, governmental activities | 5,565,778 |

NOTE F – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make bond principal and interest payments relating to the bonds issued by the Shelby County School District Finance Corporation. The original amount of each issue, the issue date, and interest rates are summarized below:

| Issue | Proceeds | Interest Rates |
|-------|------------|----------------|
| | | |
| 2011 | 9,620,000 | 0.70 - 2.80% |
| 2012 | 5,010,000 | 0.70 - 2.55% |
| 2013 | 18,590,000 | 2.00 - 3.125% |
| 2014 | 3,405,000 | 1.00 - 2.50% |
| 2016 | 8,020,000 | 2.00 - 3.00% |
| 2016 | 31,555,000 | 1.00 - 4.00% |
| 2018 | 35,355,000 | 1.60 - 3.60% |
| 2021 | 13,700,000 | 0.20 - 2.10% |

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

The District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond

obligations and are renewable, at the Commission's option, biannually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. 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.

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

| Fiscal Year Ending | DISTRICT | | KENTUCKY SCHOOL FACILITY CONSTRUCTION COMMISSION | | Total |
|--------------------------|------------|------------|---|-----------|-------------|
| | Principal | Interest | Principal | Interest | |
| 2024 | 4,410,694 | 3,012,383 | 724,306 | 207,883 | 8,355,266 |
| 2025 | 4,530,862 | 2,889,925 | 569,138 | 188,087 | 8,178,012 |
| 2026 | 4,664,797 | 2,759,388 | 585,203 | 171,423 | 8,180,811 |
| 2027 | 4,846,525 | 2,582,282 | 603,475 | 153,150 | 8,185,433 |
| 2028 | 5,027,654 | 2,398,212 | 622,346 | 134,280 | 8,182,492 |
| 2029 | 5,218,167 | 2,207,767 | 641,833 | 114,791 | 8,182,559 |
| 2030 | 5,427,504 | 1,996,679 | 457,496 | 94,559 | 7,976,238 |
| 2031 | 5,579,683 | 1,848,060 | 470,317 | 81,739 | 7,979,799 |
| 2032 | 5,726,442 | 1,694,431 | 483,558 | 68,498 | 7,972,929 |
| 2033 | 5,887,711 | 1,536,113 | 497,289 | 54,766 | 7,975,879 |
| 2034 | 6,122,393 | 1,304,613 | 247,607 | 40,067 | 7,714,680 |
| 2035 | 6,305,307 | 1,118,023 | 254,693 | 32,981 | 7,711,004 |
| 2036 | 6,502,736 | 921,494 | 262,264 | 25,410 | 7,711,903 |
| 2037 | 6,713,194 | 710,823 | 251,806 | 17,540 | 7,693,363 |
| 2038 | 6,953,507 | 471,777 | 176,493 | 10,523 | 7,612,300 |
| 2039 | 6,637,266 | 205,628 | 152,734 | 4,772 | 7,000,400 |
| 2040 | 1,802,502 | 72,883 | 42,498 | 1,717 | 1,919,600 |
| 2041 | 1,841,651 | 36,833 | 43,349 | 867 | 1,922,700 |
| | 98,503,303 | 30,890,209 | 7,791,697 | 1,629,949 | 138,815,158 |

The following is a summary of the changes in outstanding bonds during the fiscal year ended June 30, 2023:

| Issue | Balance | Additions | Deductions | Payments | Balance |
|-------|---------------|-----------|------------|-------------|---------------|
| | June 30, 2022 | | | | June 30, 2023 |
| 2011 | 3,770,000 | - | - | (1,885,000) | 1,885,000 |
| 2012 | 3,700,000 | - | - | (60,000) | 3,640,000 |
| 2013 | 16,855,000 | - | - | (205,000) | 16,650,000 |
| 2014 | 1,015,000 | - | - | (330,000) | 685,000 |
| 2016 | 30,320,000 | - | - | (75,000) | 30,245,000 |
| 2016 | 2,755,000 | - | - | (1,800,000) | 955,000 |
| 2018 | 34,540,000 | - | - | (285,000) | 34,255,000 |
| 2021 | 13,340,000 | - | - | (370,000) | 12,970,000 |
| | 106,295,000 | - | - | (5,010,000) | 101,285,000 |

The District also has the following lines of credit:

| | |
|----------------|------------------|
| Amazon | \$150,000 |
| Kroger | 2,000 |
| Lowe's | 20,700 |
| Fifth Third | 50,000 |
| Wright Express | 11,400 |
| | <u>\$234,100</u> |

NOTE G – ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement from the school district, eligible employees will receive from the District an amount equal to 30% of the value of accumulated sick leave.

The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2023 is as follows:

| | |
|--------------------------------------|-------------------|
| Balance as of July 1, 2022 | \$ 379,550 |
| Plus additions to sick leave payable | 240,354 |
| Balance as of June 30, 2023 | 619,904 |
| Less Current Portion | <u>(186,157)</u> |
| Noncurrent portion | <u>\$ 433,747</u> |

NOTE H – CONTINGENCIES

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

NOTE I – INSURANCE, RISK MANAGEMENT AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated including Workers' Compensation insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J – INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund balances at June 30, 2023.

NOTE K – DEFICIT OPERATING/FUND BALANCES

The Food Service Fund has a deficit net position at June 30, 2023 of (\$90,239) due to the recording of the net pension liability and the other post-employment benefits liability in accordance with GASB Statements 68 and 75. Without the effect of GASB Statements 68 and 75, the Food Service Fund's net position at June 30, 2023 is \$1,632,107.

The following funds had operations that resulted in a current year operating loss, resulting in a corresponding reduction to fund balance (net position):

| | |
|-------------------|-------------|
| FSPK Fund | (1,194,534) |
| Construction Fund | (5,480,605) |

The current year operating loss was planned for both of these funds and did not adversely impact the District's financial position.

NOTE L – COBRA

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

NOTE M – TRANSFER OF FUNDS

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

| <u>Type</u> | <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------|------------------|-------------------|---------------------|---------------|
| Operating | General | Special Revenue | Matching funds | 18 |
| Financing | General | District Activity | Funding | 32,575 |
| Operating | General | Construction | Future Construction | 335,705 |
| Financing | FSPK | Construction | Funding | 3,934,215 |
| Financing | FSPK | Debt Service | Debt Payments | 7,354,937 |
| Operating | Food Service | General | Indirect Costs | 262,957 |
| Operating | Special Revenue | District Activity | Administrative | 429,906 |
| Financing | Special Revenue | Debt Service | Debt Payments | 72,664 |
| Financing | Special Revenue | General | Funding | 23,442 |
| Operating | Special Revenue | General | Indirect Costs | 467,198 |
| Operating | Daycare | General | Administrative | 75,360 |
| | | | | \$12,988,977 |

NOTE N – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance/net position in each of the functions.

Additionally, the Commonwealth of Kentucky paid \$186,715 in technology related expenses and the School Facilities Construction Commission paid \$932,190 in debt service on-behalf of the District. These amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance.

| | |
|---------------------------------|---------------------|
| Instruction | \$17,247,180 |
| Support Services | |
| Student | 1,407,058 |
| Instructional Staff | 1,848,019 |
| District Administration | 172,157 |
| School Administration | 2,327,051 |
| Business | 292,704 |
| Plant Operation and Maintenance | 455,093 |
| Student Transportation | 345,273 |
| Food Service | <u>308,779</u> |
| Total | <u>\$24,403,314</u> |

NOTE O – TAX ABATEMENTS

During the fiscal year ended June 30, 2023, the District's property tax revenues were reduced by \$309,445 pursuant to agreements entered into by the Fiscal Court of Shelby County on May 1, 2008 and March 1, 2010. Under the agreement(s), payments in lieu of taxes are remitted to the District. The District received \$309,445 for in lieu of tax payment collections during the fiscal year ended June 30, 2023.

NOTE P – RETIREMENT PLANS

The following are payroll and retirement amounts for the years ended June 30, 2023, 2022, and 2021.

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|--------------|--------------|--------------|
| Total payroll | \$48,320,211 | \$49,171,977 | \$44,394,810 |
| TRS total payroll | 37,285,618 | 37,676,040 | 34,721,896 |
| CERS total payroll | 19,576,461 | 17,604,435 | 14,649,132 |
| Contributions requirement for CERS | 3,065,676 | 2,859,614 | 2,178,413 |
| CERS contribution - District portion | 3,065,676 | 2,859,614 | 2,178,413 |
| CERS contribution - Employee portion | 634,120 | 578,562 | 493,945 |
| TRS contribution - Commonwealth of KY | 16,484,363 | 10,951,524 | 11,450,242 |
| TRS contribution - District federal employees | 1,732,302 | 1,759,803 | 1,275,073 |

NOTE Q – GENERAL INFORMATION ABOUT THE PENSION PLANS

| | <u>Governmental</u> | <u>Food Service</u> | <u>Total</u> |
|------------------------------------|---------------------|---------------------|---------------|
| Pension liability | | | |
| CERS | \$ 24,689,652 | \$ 1,915,576 | \$ 26,605,228 |
| OPEB liability | | | |
| CERS | \$ 6,739,555 | \$ 522,896 | \$ 7,262,451 |
| TRS | 18,529,000 | - | 18,529,000 |
| Total | \$ 25,268,555 | \$ 522,896 | \$ 25,791,451 |
| Deferred outflows | | | |
| CERS subsequent contributions | \$ 2,484,948 | \$ 192,798 | \$ 2,677,746 |
| CERS other pension | 4,702,105 | 364,818 | 5,066,923 |
| CERS OPEB subsequent contributions | 545,009 | 42,285 | 587,294 |
| CERS other OPEB | 3,806,169 | 295,306 | 4,101,475 |
| TRS OPEB subsequent contributions | 1,118,569 | - | 1,118,569 |
| TRS other OPEB | 10,303,000 | - | 10,303,000 |
| Total | \$ 22,959,800 | \$ 895,207 | \$ 23,855,007 |
| Deferred inflows | | | |
| CERS pension | \$ 3,985,917 | \$ 309,252 | \$ 4,295,169 |
| CERS OPEB | 4,173,018 | 323,769 | 4,496,787 |
| TRS OPEB | 7,978,000 | - | 7,978,000 |
| Total | \$ 16,136,935 | \$ 633,021 | \$ 16,769,956 |

Teachers' Retirement System of the State of Kentucky (TRS)

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

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

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

For members prior to July 1, 2008 - Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary

for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of services, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

For members after July 1, 2008 – The annual retirement allowance for non-university members is equal to (a) one and seven tenths percent (1.7%) of final average salary for each year of credited service if their service is 10 years or less; (b) two percent (2.0%) of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) two and three tenths percent (2.3%) of final average salary of each year of credited service if their service is greater than 20 years but no more than 26 years; (d) two and one half percent (2.5%) of financial average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) three percent (3.0%) of financial average salary for years credited service greater than 30 years.

For members after January 1, 2022 – condition for retirement is attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service. The annual foundational benefit for non-university members is equal to service times a multiplier times final average salary, based on a table. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annualizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Final average salary is defined as the member's five (5) highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution, or agency has picked up the members contributions. For a member hired before January 1, 2022, who retires after attaining age 55 with 27 years of service, "final average salary" means the average of the three (3) highest annual salaries.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university members are required to contribute 12.855% of their salaries to the System.

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

Medical Insurance Plan

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

Eligibility for access to retiree medical plan coverage: Members before 7/1/2008 – completion of 27 years of service, or attainment of age 55 and 5 years of service. Member on and after 7/1/2008 but before 1/1/2022 – completion of 27 years of service, or attainment of age 55 and 10 years of service, or attainment of age 60 and 5 years of service. Members on and after 1/1/2002 - attainment of age 57 and 10 years of service or attainment of age 65 and 5 years of service.

Funding policy – In order to fund the post-retirement healthcare benefit, seven and one half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.00%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three and three quarter percent (3.00%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Life Insurance Plan Benefits

Effective July 1, 2000, the Teachers' Retirement System shall:

- (a) Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of ten thousand dollars (\$10,000) for its members who are retired for service or disability if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and
- (b) Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its active contributing members if hired on or after January 1, 2022. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

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

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

| | |
|---|-----------------------|
| State's proportionate share of the net pension liability associated with the District | <u>\$ 176,848,986</u> |
|---|-----------------------|

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the State's proportion for the District was 1.0439 percent.

For the year ended June 30, 2022, the State recognized pension expense for the District of \$16,135,904 and revenue of \$16,135,904 for support provided by the State on the Fund financial statements.

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:

| | |
|---------------------------------|---|
| Investment rate of return | 7.10%, net of pension plan investment expense, including inflation. |
| Projected salary increases | 3.00 – 7.50%, including inflation |
| Municipal Bond Index Rate | 3.37% |
| Single Equivalent Interest Rate | 7.10% |

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 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of the experience investigation for the five-year period ending June 30, 2020. In addition, the contribution requirements for the fiscal year ending June 30, 2024 use a direct rate smoothing methodology over a five-year period. These revised assumption changes and methods were adopted by the Board on September 20, 2021.

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

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|--------------------------------|--------------------------|--|
| Large Cap U.S. Equity | 37.4% | 4.20% |
| Small Cap U.S. Equity | 2.6% | 4.70% |
| Developed International Equity | 16.5% | 5.3% |
| Emerging Markets Equity | 5.5% | 5.4% |
| Fixed Income | 15.0% | -0.1% |
| High Yield Bonds | 2.0% | 1.7% |
| Additional Categories | 5.0% | 2.2% |
| Real Estate | 7.0% | 4.0% |
| Private Equity | 7.0% | 6.9% |
| Cash | 2.0% | -0.3% |
| Total | <u>100.0%</u> | |

Discount rate - The discount rate used to measure the TPL as of the Measurement Date 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 the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the State's proportionate share of the net pension liability for the District of the System, calculated using the discount rate of 7.10%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.1%) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|--------------------------------|---------------------------|-------------------------------------|---------------------------|
| System's net pension liability | \$225,702,556 | \$176,848,986 | \$136,133,153 |

June 30, 2021 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of June 30, 2022 using standard roll forward techniques. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments, and refunds for the plan year and then applies the expected investment rate of return for the year. In addition, it has been determined an expected TPL as of June 30, 2022, based on the TPL roll-forward in the June 30, 2021 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL before the assumption changes is reflected as an experience gain or loss for the year.

The District did not report any deferred outflows of resources and deferred inflows of resources related to pensions.

The District did not have any collective amounts to report as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in future years as pension expense.

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

OPEB

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 were used to determine contribution rates reported in the schedule for the year ending June 30, 2022 for the Life Trust:

Valuation Date

June 30, 2019

| | |
|--|--------------------------|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent of payroll |
| Amortization period (Closed) | 25 years |
| Asset valuation method | 5-year smoothed value |
| Inflation | 3.00% |
| Real wage growth | 0.50% |
| Wage Inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% - 7.20% |
| Discount Rate | 7.50% |

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

The Total OPEB Liability (TOL) as of June 30, 2022 was determined based on an actuarial valuation prepared as of June 30, 2021, using the new actuarial assumptions adopted by the Board subsequent to the June 30, 2021 valuation based on the experience investigation for the five-year period ending June 30, 2020. The following actuarial assumptions are applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50% |
| Real wage growth | 0.25% |
| Wage inflation | 2.75% |
| Salary increases, including wage inflation | 3.00% - 7.50% |
| Long-term Investment Rate of Return, net of OPEB plan investment expense, including Inflation | |
| MIF | 7.10% |
| LIF | 7.10% |
| Municipal Bond Index Rate | 3.37% |
| Year FNP is projected to be depleted | |
| MIF | n/a |
| LIF | n/a |
| Single Equivalent Interest Rate, net of OPEB Plan investment expense, including price Inflation | |
| MIF | 7.10% |
| LIF | 7.10% |
| MIF Health Care Cost Trends | |
| Under Age 65 | 7.00% for FYE 2022 decreasing to an Ultimate rate of 4.50% by FYE 2032 |
| Ages 65 and Older | 5.125% for FYE 2022 decreasing to an Ultimate rate of 4.50% by FYE 2025 |
| Medicare Part B Premiums | 6.97% for FYE 2022 with an ultimate Rate of 4.50% by 2034 |

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the

results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2021, adopted by the Board on September 20, 2021.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends) used in the June 30, 2021 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation. The health care cost trend assumption was updated for the June 30, 2021 valuation and was shown as an assumption change in the TOL roll forward while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

The following exhibit presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. This chart is not shown for the Life Insurance Fund (LIF) since there is no health care trend component of the liabilities:

| | <u>Health Care Cost Trend Rate Sensitivity</u> | | |
|---------------------------|--|--------------|--------------|
| | 1% Decrease | Current | 1% Increase |
| MIF Net OPEB Liability | \$13,891,000 | \$18,529,000 | \$24,298,000 |
| | <u>Health Care NOL Rate Sensitivity</u> | | |
| | 6.1% | 7.1% | 8.1% |
| Health Net OPEB Liability | \$23,248,000 | \$18,529,000 | \$14,623,000 |

Discount rate (SEIR): The discount rate used to measure the TOL at June 30, 2022 was 8.00% for the Health Trust and 7.50% for the Life Trust.

Projected cash flows:

Health Trust discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The pre-65 retiree health care costs for members retired on or after July 1, 2010 were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contribution to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(c)3 and

161.550(5), when the MIF achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following MIF statutory contributions are to be decreased, suspended, or eliminated:

- Employee contributions
- School District/University Contributions
- State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675 (4)(b).

In developing the adjustments to the statutory contributions in future years, the following was assumed:

- Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.
- For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to the actuarial methods and assumptions of the June 30, 2021 actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Trust's FNP was not projected to be depleted.

The FNP projections are based upon the Health Trust's and the Life Trust's financial statuses on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the Health Trust and the Life Trust will actually run out of money, the financial condition of the Health Trust and Life Trust, or the Health Trust's and the Life Trust's ability to make benefit payments in future years.

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

| Asset Class | HIT Target Allocation | Long Term Expected Real Rate of Return |
|---------------------------------|--------------------------------------|---|
| Global Equity | 58.0% | 5.1% |
| Fixed Income | 9.0% | -0.1% |
| Real Estate | 6.5% | 4.0% |
| Private Equity | 8.5% | 6.9% |
| Additional Category: High Yield | 8.0% | 1.7% |
| Other Additional Categories | 9.0% | 2.2% |
| Cash (LIBOR) | 1.0% | -0.3% |
| Total | 100.0% | |

| Asset Class | LIT Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------|--------------------------------------|---|
| U.S. Equity | 40.0% | 4.4% |
| International Equity | 23.0% | 5.6% |
| Fixed Income | 18.0% | -0.1% |
| Real Estate | 6.0% | 4.0% |
| Private Equity | 5.0% | 6.9% |
| Additional Categories | 6.0% | 2.1% |
| Cash (LIBOR) | 2.0% | -0.3% |
| Total | 100.0% | |

The following is the Proportionate Share of the Net OPEB Liability:

| | District | State | Total |
|-----|--------------|-------------|--------------|
| HIT | \$18,529,000 | \$6,087,000 | \$24,616,000 |
| LIT | \$ - | \$303,000 | \$303,000 |

District's Proportion of the Collective NOL

| | Current Year | Prior Year |
|--------|--------------|------------|
| Health | 0.746393% | 0.556742% |
| Life | 0.000000% | 0.000000% |

There were no changes between the measurement date of the collective net OPEB liability and the employer's reporting date.

Please see Section V of the report on the website for the development of the collective OPEB expense. The District's proportionate share of the net OPEB expense is \$(498,000).

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

The table below provides a summary of the deferred inflows and outflows as of the Measurement Date. The allocation of deferred inflows and outflows will be determined by the System.

| Health Insurance Trust | Deferred Outflows <u>of Resources</u> | Deferred Inflows <u>of Resources</u> |
|--|---|--|
| Experience | - | 7,789,000 |
| Changes in Assumptions | 3,763,000 | - |
| Net difference between projected and actual earnings on plan investments | 985,000 | - |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 5,555,000 | 189,000 |
| District contributions subsequent to the measurement date | 1,118,569 | - |
| Total | <u>11,421,569</u> | <u>7,978,000</u> |

There are no deferred outflows or inflows for the Life Insurance Trust.

The collective amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

| | Deferred Outflows /(Inflows) of Resources | |
|--------------|---|----------------------|
| | Health Insurance Trust | Life Insurance Trust |
| Year 1 | (205,000) | - |
| Year 2 | (68,000) | - |
| Year 3 | 75,000 | - |
| Year 4 | 1,194,000 | - |
| Year 5 | 942,000 | - |
| thereafter | 387,000 | - |
| Total | 2,325,000 | - |

There are non-employer contributions recognized for the support provided by non-employer contributing entities in TRS.

KENTUCKY RETIREMENT SYSTEM
County Employees Retirement System (CERS)

Plan description: Substantially all full-time classified employees of the District participate in the County Employees Retirement System ("CERS"). CERS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Kentucky General Assembly. The plan covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the plan. The plan provides for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Public Pensions Authority, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

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

Contributions: Funding for CERS is provided by members who contribute 5% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions and by employers of members who contribute 23.40% of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2021 was determined using standard roll-forward techniques. The District's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2022. At June 30, 2022, the District's proportion was 0.3680340%.

For the year ended June 30, 2023, the District recognized pension expense of \$2,953,997. At June 30, 2023, the District reported deferred outflows of resources for District contributions subsequent to the measurement 2,677,746, deferred outflows of resources from change of assumptions and expectations of \$5,066,923, and deferred inflows of resources related to pensions from the net difference between projected and actual earnings on pension plan investments in the amount of \$4,295,169.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Liability experience | 28,444 | 236,931 |
| Assumption changes | - | - |
| Investment experience | 3,620,175 | 2,938,113 |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 1,418,304 | 1,120,125 |
| District contributions subsequent to the measurement date | 2,677,746 | - |
| Total | <u><u>7,744,669</u></u> | <u><u>4,295,169</u></u> |

District contributions subsequent to the measurement date of \$2,677,746 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to CERS will be recognized in pension expense as follows:

| | Deferred Outflows (Inflows) |
|--------------|-----------------------------------|
| Year 1 | (262,710) |
| Year 2 | 502,242 |
| Year 3 | (223,575) |
| Year 4 | 755,797 |
| Year 5 | - |
| Total | <u><u>771,754</u></u> |

Actuarial Methods and Assumptions for Determining the Total Pension Liability and Net Pension Liability

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

| | |
|---------------------------|--|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percent of pay |
| Amortization Period | 30 years, closed period at June 30, 2019 <i>Gains/Losses incurring after 2019 will be amortized Over separate closed 20-year amortization bases</i> |
| Payroll Growth Rate | 2.00% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |
| Salary Increase | 3.30% to 10.30%, varies by service |
| Investment Rate of Return | 6.25% |
| Mortality | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP 2014 mortality improvement scale using a base year of 2019 |
| Phase-In provision | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 |

The total pension liability, net pension liability, and sensitivity information as of June 30, 2022 were based on an actuarial valuation date of June 30, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2022, using generally accepted actuarial principles.

There have been no actuarial assumptions or method changes since June 30, 2021. Additionally, there have been no plan provision changes that would materially impact the total pension liability since June 30, 2021.

Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The Total Pension liability as of June 30, 2022 is determined using these updated benefit provisions. There were no other material plan provision changes.

Senate Bill 249 passed during the 2021 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2021. There were no other material plan provision changes.

The mortality table used for active members was a Pub-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on 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 2010.

Discount Rate: The projection of cash flows used to determine the discount rate of 6.25% for the CERS Non-hazardous assumed that local employers would contribute the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The projection of cash flows used to determine the discount rate of 6.25% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended House Bill 8 (passed in 2021, over the remaining 29 years (closed) amortization period of the unfunded actuarial accrued liability.

The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

Basis of Accounting

The underlying financial information used to prepare allocation schedules is based on KPPA's combining financial statements. KPPA's combining financial statements for all plans are prepared using the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) that apply to governmental accounting for fiduciary funds.

Use of Estimates in Preparation of Schedules

The preparation of the schedules in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain amounts and disclosures. KPPA accrues employer contributions using estimates based on historical data. Actual results could differ from those estimates.

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

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|--|--------------------------|--|
| Equity | 60.0% | |
| Public Equity | 50.0% | 4.45% |
| Private Equity | 10.0% | 10.15% |
| Fixed Income | 20.0% | |
| Core Bonds | 10.0% | 0.28% |
| Specialty Credit/High-Yield | 10.0% | 2.28% |
| Cash | 0.0% | -0.91% |
| Inflation Protected | 20.0% | |
| Real Estate | 7.0% | 3.67% |
| Real Return | 13.0% | 4.07% |
| Expected Real Return | 100.0% | 4.28% |
| Long Term Inflation Assumption | | 2.30% |
| Expected Nominal Return for Portfolio | | 6.58% |

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows, and Pension Expense included in the Schedule of Pension Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of Pension Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| | 1% Decrease (5.25%) | Current discount rate (6.25%) | 1% Increase (7.25%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District's proportionate share of the net pension liability | 33,253,233 | 26,605,228 | 21,106,775 |

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

Payables to the pension plan: At June 30, 2023 the District had payables to CERS in the amount of \$0 for June's covered payroll with contributions required to be paid in July.

OPEB

CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plan for members that cover all regular full-time members. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

The net OPEB liability is the total OPEB liability, less the amount of the plan's fiduciary net position. The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2022, using generally accepted actuarial principles.

Discount Rate:

Single discount rate of 5.20% was used to measure the total OPEB liability as of June 30, 2022. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.25%, and a municipal bond rate of 3.69% as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer's subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the ACFR.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

The District's proportionate share of the Net OPEB Liability as of June 30, 2021 is \$7,262,451. The District's proportionate share is 0.367996%. The District's proportionate share of the OPEB expense is \$1,108,293. The total Deferred Outflows of Resources is \$3,231,976 and the total Deferred Inflows of Resources is \$4,496,787. Total employer contributions were \$424,409, implicit subsidy was \$0 for a total contributions of \$424,409.

Discount Rate Sensitivity

| | 1% Decrease (4.70%) | Current discount rate (5.70%) | 1% Increase (6.70%) |
|--------------------|---------------------------|-------------------------------------|---------------------------|
| Net OPEB liability | 9,708,739 | 7,262,451 | 5,240,186 |

Healthcare Cost Trend Rate Sensitivity

| | 1% Decrease | Current discount rate | 1% Increase |
|--------------------|----------------|--------------------------|----------------|
| Net OPEB liability | 5,399,471 | 7,262,451 | 9,499,539 |

The following actuarial methods and assumptions were used in performing the actuarial valuation as of June 30, 2022.

| | |
|--|---|
| Payroll Growth Rate | 2.00% |
| Inflation | 2.30% |
| Salary Increases | 3.30% to 10.30%, varies by service |
| Investment Rate of Return | 6.25% |
| Healthcare Trend Rates (Pre-65) | Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Healthcare Trend Rates (Post-65) | Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. |
| Mortality Pre-retirement | PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |
| Mortality Post-retirement (non-disabled) | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rate from MP-2014 mortality improvement scale using a base year of 2019 |
| Mortality Post-retirement (disabled) | PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |

Senate Bill 209 passed during the 2022 legislative session and increased the insurance dollar contribution for members hired on or after July 1, 2003, by \$5 for each year of service a member

attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA.

The total OPEB liability as of June 30, 2022, is determined using these updated benefit provisions. There were no other material plan provision changes.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes in assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are amortized over a closed five-year period.

| | Deferred Outflows <u>of Resources</u> | Deferred Inflows <u>of Resources</u> |
|--|---|--|
| Liability experience | 731,026 | 1,665,449 |
| Assumption changes | 1,148,607 | 946,446 |
| Investment experience | 1,352,343 | 1,057,578 |
| Change in proportion and differences between employer contributions and proportionate share of contributions | 869,499 | 827,314 |
| District contributions subsequent to the measurement date | 587,294 | - |
| Total | <u>4,688,769</u> | <u>4,496,787</u> |

The \$587,294 of deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024.

The following is a summary of collective deferred outflows and Inflows of Resources arising from current and prior reporting periods.

Deferred Amounts to be recognized in Fiscal Years Ending:

| | Deferred Outflows <u>(Inflows)</u> |
|------------|--|
| Year 1 | 26,768 |
| Year 2 | 13,664 |
| Year 3 | (549,793) |
| Year 4 | 114,049 |
| Year 5 | - |
| thereafter | - |
| Total | <u><u>(395,312)</u></u> |

SUPPLEMENTARY INFORMATION

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|---------------------|---------------------|----------------------|----------------------------|
| | Regulatory Basis | | | Final Budget |
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Local sources: | | | | |
| Property taxes | \$ 26,551,455 | \$ 27,137,074 | \$ 26,593,495 | \$ (543,579) |
| Motor vehicle taxes | 2,090,695 | 2,254,974 | 2,794,568 | 539,594 |
| Utility taxes | 3,300,000 | 3,300,000 | 3,901,498 | 601,498 |
| Earnings on investments | 203,000 | 203,000 | 1,109,509 | 906,509 |
| Other local | 80,000 | 81,013 | 850,019 | 769,006 |
| State sources | 37,396,998 | 40,323,216 | 46,337,653 | 6,014,437 |
| Federal sources | 720,000 | 720,000 | 1,178,929 | 458,929 |
| Total revenues | 70,342,148 | 74,019,277 | 82,765,671 | 8,746,394 |
| Expenditures: | | | | |
| Instruction | 44,996,034 | 46,291,501 | 45,630,178 | 661,323 |
| Supporting services: | | | | |
| Students | 3,604,885 | 4,087,847 | 4,671,901 | (584,054) |
| Instructional staff | 4,855,909 | 5,280,543 | 5,624,731 | (344,188) |
| District administration | 1,319,115 | 1,521,466 | 1,804,064 | (282,598) |
| School administration | 4,797,520 | 5,128,108 | 5,948,631 | (820,523) |
| Business support services | 1,650,353 | 1,799,120 | 1,952,239 | (153,119) |
| Operation and maintenance of facilities | 7,103,781 | 8,243,228 | 8,864,905 | (621,677) |
| Student transportation | 3,740,619 | 4,190,075 | 4,202,268 | (12,193) |
| Food services | 189,529 | 206,055 | 187,591 | 18,464 |
| Community services | - | - | - | - |
| Capital outlay | - | - | - | - |
| Contingency | 11,027,718 | 11,385,648 | - | 11,385,648 |
| Total expenditures | 83,285,463 | 88,133,591 | 78,886,508 | 9,247,083 |
| Excess (deficiency) of revenues over expenditures | (12,943,315) | (14,114,314) | 3,879,163 | 17,993,477 |
| Other financing sources (uses): | | | | |
| Proceeds from disposal of real or personal property | - | 10,953 | 626,734 | 615,781 |
| Proceeds from the sale of bonds | - | - | - | - |
| Transfers in | 219,213 | 324,855 | 828,957 | 504,102 |
| Transfers (out) | (60,000) | (161,680) | (368,298) | (206,618) |
| Total other financing sources (uses) | 159,213 | 174,128 | 1,087,393 | 913,265 |
| Change in fund balances | (12,784,102) | (13,940,186) | 4,966,556 | 18,906,742 |
| Fund balances - beginning | 12,784,102 | 13,940,186 | 16,998,004 | 3,057,818 |
| Fund balances - ending | \$ - | \$ - | \$ 21,964,560 | \$ 21,964,560 |

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND**

For the Year Ended June 30, 2023

| | Budgeted Amounts | | Actual Amounts | Variance With |
|---|------------------|------------------|-------------------|----------------------------|
| | Regulatory Basis | | | Final Budget |
| | Original | Final | | Favorable (Unfavorable) |
| Revenues: | | | | |
| Local sources: | \$ 234,763 | \$ 232,313 | \$ 332,852 | \$ 100,539 |
| State sources | 2,566,354 | 2,632,246 | 3,304,887 | 672,641 |
| Federal sources | 3,773,805 | 4,022,934 | 10,174,441 | 6,151,507 |
| Total revenues | 6,574,922 | 6,887,493 | 13,812,180 | 6,924,687 |
| Expenditures: | | | | |
| Instruction | 4,840,994 | 4,842,529 | 9,186,296 | (4,343,767) |
| Supporting services: | | | | |
| Students | 58,595 | 68,595 | 250,172 | (181,577) |
| Instructional staff | 791,660 | 1,004,800 | 1,971,560 | (966,760) |
| District administration | - | - | - | - |
| School administration | 41,662 | 41,662 | 41,908 | (246) |
| Business support services | - | - | - | - |
| Operation and maintenance of facilities | 57,928 | 57,928 | 334,370 | (276,442) |
| Student transportation | 113,456 | 113,456 | 174,472 | (61,016) |
| Food services | - | - | 46,782 | (46,782) |
| Day care services | - | - | 506,353 | (506,353) |
| Community services | 605,451 | 691,530 | 760,423 | (68,893) |
| Capital outlay | - | - | - | - |
| Total expenditures | 6,509,746 | 6,820,500 | 13,272,336 | (6,451,836) |
| Excess (deficiency) of revenues over expenditures | 65,176 | 66,993 | 539,844 | 472,851 |
| Other financing sources (uses): | | | | |
| Proceeds from disposal of real or personal property | - | - | - | - |
| Proceeds from the sale of bonds | - | - | - | - |
| Transfers in | - | - | 18 | 18 |
| Transfers (out) | (65,176) | (66,993) | (539,862) | (472,869) |
| Total other financing sources (uses) | (65,176) | (66,993) | (539,844) | (472,851) |
| Change in fund balances | - | - | - | - |
| Fund balances - beginning | - | - | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ - |

SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| District's proportion of the net pension liability (asset) | | | | | | | | | |
| TRS | \$ 26,605,228 | \$ 21,870,853 | \$ 29,916,052 | \$ 22,626,289 | \$ 21,198,219 | \$ 20,931,369 | \$ 17,432,574 | \$ 16,544,238 | \$ - |
| CERS | 26,605,228 | 21,870,853 | 29,916,052 | 22,626,289 | 21,198,219 | 20,931,369 | 17,432,574 | 16,544,238 | 10,038,000 |
| Total | | | | | | | | | 10,038,000 |
| District's proportionate share of the net pension liability (asset) | | | | | | | | | |
| TRS | - | - | - | - | - | - | - | - | - |
| CERS | 36.803400% | 34.303000% | 0.390044% | 0.321714% | 0.348065% | 0.357599% | 0.35406% | 0.364790% | 0.309409% |
| State's proportionate share of the net pension liability (asset) associated with the District | | | | | | | | | |
| TRS | \$ 176,848,986 | \$ 137,197,013 | \$ 154,061,901 | \$ 146,508,276 | \$ 133,481,744 | \$ 280,579,526 | \$ 313,466,377 | \$ 255,658,927 | \$ 208,488,497 |
| District's covered employee payroll | | | | | | | | | |
| TRS | \$ 37,285,618 | \$ 37,676,040 | \$ 34,721,896 | \$ 34,394,925 | \$ 33,497,542 | \$ 32,903,916 | \$ 33,057,511 | \$ 33,358,791 | \$ 32,251,771 |
| CERS | 19,576,461 | 17,604,435 | 14,649,132 | 15,015,178 | 14,782,050 | 13,458,696 | 12,999,381 | 12,270,458 | 11,471,190 |
| Total | 56,862,079 | 55,280,475 | 49,371,028 | 49,410,103 | 48,279,592 | 46,362,612 | 46,056,892 | 45,629,249 | 43,722,961 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | | | | | | | | | |
| TRS | - | - | - | - | - | - | - | - | - |
| CERS | 135.90% | 124.23% | 204.22% | 150.69% | 143.41% | 155.52% | 134.10% | 134.83% | 87.51% |

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
For The Year Ended June 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | | | | | | | | | |
| TRS | \$ 1,759,803 | \$ 1,275,073 | \$ 1,285,578 | \$ 1,274,820 | \$ 1,236,044 | \$ 1,238,533 | \$ 1,245,385 | \$ 960,405 | \$ 681,000 |
| CRS | 2,859,614 | 2,178,413 | 2,252,273 | 1,996,388 | 1,689,394 | 1,653,985 | 1,462,426 | 1,444,969 | 1,828,870 |
| Total | 4,619,417 | 3,453,486 | 3,537,851 | 3,271,208 | 2,925,438 | 2,892,518 | 2,707,811 | 2,405,374 | 2,509,870 |
| Contributions in relation to the contractually required contribution | | | | | | | | | |
| TRS | \$ 1,759,803 | \$ 1,275,073 | \$ 1,285,578 | \$ 1,274,820 | \$ 1,236,044 | \$ 1,238,533 | \$ 1,245,385 | \$ 960,405 | \$ 681,000 |
| CRS | 2,859,614 | 2,178,413 | 2,252,273 | 1,996,388 | 1,689,394 | 1,653,985 | 1,462,426 | 1,444,969 | 1,828,870 |
| Total | 4,619,417 | 3,453,486 | 3,537,851 | 3,271,208 | 2,925,438 | 2,892,518 | 2,707,811 | 2,405,374 | 2,509,870 |
| Contribution deficiency (excess) | | | | | | | | | |
| TRS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| CRS | - | - | - | - | - | - | - | - | - |
| Total | - |
| District's covered employee payroll | | | | | | | | | |
| TRS | \$ 37,285,618 | \$ 37,676,040 | \$ 34,721,896 | \$ 34,394,925 | \$ 33,497,542 | \$ 32,903,916 | \$ 33,057,511 | \$ 33,358,791 | \$ 32,251,771 |
| CRS | 19,576,461 | 17,604,435 | 14,649,132 | 15,015,178 | 14,782,050 | 13,458,696 | 12,999,381 | 12,270,458 | 11,471,190 |
| Total | 56,862,079 | 55,280,475 | 49,371,028 | 49,410,103 | 48,279,592 | 46,362,612 | 46,056,892 | 45,629,249 | 43,722,961 |
| Contributions as a percentage of covered employee payroll | | | | | | | | | |
| TRS | 4.72% | 3.38% | 3.70% | 3.71% | 3.69% | 3.76% | 3.77% | 2.88% | 2.11% |
| CRS | 14.61% | 12.37% | 15.37% | 13.30% | 11.43% | 12.29% | 11.25% | 11.78% | 15.94% |

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For The Year Ended June 30, 2023**

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| District's proportion of the net OPEB liability (asset) | | | | | | |
| CERS | \$ 7,262,451 | \$ 6,565,587 | \$ 9,543,506 | \$ 5,409,589 | \$ 6,179,630 | \$ 7,188,963 |
| TRS - Medical Insurance | 18,529,000 | 11,946,000 | 13,915,000 | 15,853,000 | 18,117,000 | 19,462,000 |
| TRS - Life Insurance | - | - | - | - | - | - |
| Total | 25,791,451 | 18,511,587 | 23,458,506 | 21,262,589 | 24,296,630 | 26,650,963 |
| District's proportionate share of the net OPEB liability (asset) | | | | | | |
| CERS | 0.367996% | 0.342949% | 0.395226% | 0.321631% | 0.348054% | 0.357599% |
| TRS - Medical Insurance | 0.746393% | 0.556742% | 0.551345% | 0.541645% | 0.522146% | 0.545479% |
| TRS - Life Insurance | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% | 0.000000% |
| State's proportionate share of the net OPEB liability (asset) associated with the District | | | | | | |
| TRS - Medical Insurance | \$ 6,087,000 | \$ 9,702,000 | \$ 11,146,000 | \$ 12,802,000 | \$ 15,613,000 | \$ 15,897,000 |
| TRS - Life Insurance | 303,000 | 129,000 | 337,000 | 297,000 | 268,000 | 213,000 |
| Total | 6,390,000 | 9,831,000 | 11,483,000 | 13,099,000 | 15,881,000 | 16,110,000 |
| District's covered employee payroll | | | | | | |
| TRS | \$ 37,285,618 | \$ 37,676,040 | \$ 34,721,896 | \$ 34,394,925 | \$ 33,497,542 | \$ 32,903,916 |
| CERS | 19,576,461 | 17,604,435 | 14,649,132 | 15,015,178 | 14,782,050 | 13,458,696 |
| Total | 56,862,079 | 55,280,475 | 49,371,028 | 49,410,103 | 48,279,592 | 46,362,612 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | | | | | | |
| CERS | 37.10% | 37.30% | 65.15% | 36.03% | 41.80% | 53.42% |
| TRS - Medical Insurance | 49.69% | 31.71% | 40.08% | 46.09% | 54.08% | 59.15% |
| TRS - Life Insurance | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | | | | | | |
| CERS | 60.95% | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |
| TRS - Medical Insurance | 47.75% | 51.74% | 39.05% | 32.58% | 25.54% | 21.18% |
| TRS - Life Insurance | 73.97% | 89.15% | 71.57% | 73.40% | 74.97% | 79.99% |

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
For The Year Ended June 30, 2023

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually required contributions | | | | | | |
| CERS | \$ 424,409 | \$ 417,065 | \$ 482,027 | \$ 520,926 | \$ 479,212 | \$ 456,933 |
| TRS - Medical Insurance | 990,369 | 988,221 | 973,714 | 943,151 | 930,107 | 935,084 |
| TRS - Life Insurance | - | - | - | - | - | - |
| Total | <u>1,414,778</u> | <u>1,405,286</u> | <u>1,455,741</u> | <u>1,464,077</u> | <u>1,409,319</u> | <u>1,392,017</u> |
| Contributions in relation to the contractually required contribution | | | | | | |
| CERS | \$ 424,409 | \$ 417,065 | \$ 482,027 | \$ 520,926 | \$ 479,212 | \$ 456,933 |
| TRS - Medical Insurance | 990,369 | 988,221 | 973,714 | 943,151 | 930,107 | 935,084 |
| TRS - Life Insurance | - | - | - | - | - | - |
| Total | <u>1,414,778</u> | <u>1,405,286</u> | <u>1,455,741</u> | <u>1,464,077</u> | <u>1,409,319</u> | <u>1,392,017</u> |
| Contribution deficiency (excess) | | | | | | |
| CERS | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| TRS - Medical Insurance | - | - | - | - | - | - |
| TRS - Life Insurance | - | - | - | - | - | - |
| Total | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| District's covered employee payroll | | | | | | |
| TRS | \$ 37,285,618 | \$ 37,676,040 | \$ 34,721,896 | \$ 34,394,925 | \$ 33,497,542 | \$ 32,903,916 |
| CERS | 19,576,461 | 17,604,435 | 14,649,132 | 15,015,178 | 14,782,050 | 13,458,696 |
| Total | <u>56,862,079</u> | <u>55,280,475</u> | <u>49,371,028</u> | <u>49,410,103</u> | <u>48,279,592</u> | <u>46,362,612</u> |
| Contributions as a percentage of covered employee payroll | | | | | | |
| TRS | 2.17% | 2.37% | 3.29% | 3.47% | 3.24% | 3.40% |
| CERS | 2.66% | 2.62% | 2.80% | 2.74% | 2.78% | 2.84% |

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2023

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2022 valuation process and updated to better reflect the plans' anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increased in healthcare costs.

June 30, 2022 – TRS Pension

The following changes to assumptions were made during the year:

The Municipal Bond Index rate was changed from 2.13% to 3.37%.

June 30, 2022 – TRS OPEB

The following changes to assumptions were made during the year:

The Municipal Bond Index rate was changed from 2.13% to 3.37%.

Health Trust and Life Trust

The Health Trust Health Care Cost Trend for Ages 65 and older changed from 5.00% to 5.125%; for Medicare Part B Premiums, it changed from 4.40% to 6.97%.

June 30, 2022 – CERS OPEB

The following changes to assumptions were made during the year:

The current discount rate was changed from 5.20% to 5.70%.

The Healthcare Trend Rate for Pre-65 was changed from 6.25% to 6.20%; for Post-65, it was changed from 5.50% to 9.00%.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| School | Cash Balance | | Receipts | Disbursements | Cash Balance | | Accounts Receivable | | Accounts Payable | | Due To Student Groups June 30, 2023 |
|--------------------------------|-------------------|---------------------|---------------------|-------------------|---------------|---------------|---------------------|-----------------|------------------|-------------------|--|
| | July 1, 2022 | June 30, 2022 | | | June 30, 2023 | June 30, 2023 | June 30, 2023 | June 30, 2023 | June 30, 2023 | | |
| Clear Creek Elementary | \$ 8,001 | \$ 30,556 | \$ 30,892 | \$ 7,665 | \$ - | \$ - | \$ 7,665 | | | \$ 7,665 | |
| Heritage Elementary | 24,353 | 39,072 | 36,001 | 27,424 | - | - | 27,424 | | | 27,424 | |
| Painted Stone Elementary | 28,311 | 49,274 | 49,999 | 27,586 | - | - | 27,586 | | | 27,586 | |
| Simpsonville Elementary | 7,402 | 39,398 | 38,890 | 7,910 | - | - | 7,910 | | | 7,910 | |
| Southside Elementary | 13,082 | 2,952 | 9,196 | 6,838 | - | - | 6,838 | | | 6,838 | |
| Wright Elementary | 11,866 | 46,772 | 34,479 | 24,159 | - | - | 24,159 | | | 24,159 | |
| East Middle | 70,370 | 174,561 | 178,578 | 66,353 | - | - | 66,353 | | | 66,353 | |
| West Middle | 61,007 | 126,099 | 115,914 | 71,192 | - | - | 71,192 | | 8,514 | 62,678 | |
| Marnel C. Moorman School | 54,307 | 129,749 | 132,471 | 51,585 | - | - | 51,585 | | 908 | 50,677 | |
| Martha Layne Collins High | 193,495 | 545,758 | 521,718 | 217,535 | - | - | 217,535 | | - | 217,535 | |
| Shelby County High | 214,426 | 473,271 | 471,652 | 216,045 | - | - | 216,045 | | - | 216,045 | |
| Shelby County Education Center | 150 | - | - | 150 | - | - | 150 | | - | 150 | |
| Totals | \$ 686,770 | \$ 1,657,462 | \$ 1,619,790 | \$ 724,442 | \$ - | \$ - | \$ 724,442 | \$ 9,422 | \$ 9,422 | \$ 715,020 | |

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| Activity Account | Cash Balance July 1, 2022 | Receipts | Disbursements | Transfers | Cash Balance June 30, 2023 | Account Receivable June 30, 2023 | Account Payables June 30, 2023 | Due To Student Groups June 30, 2023 |
|------------------------------|------------------------------|-------------------|---------------------|-------------|-------------------------------|--|--------------------------------------|---|
| Academic Team | \$ 48 | \$ - | \$ - | \$ - | \$ 48 | \$ - | \$ - | \$ 48 |
| AP Testing | 8,498 | 7,718 | (6,694) | (1,831) | 7,691 | - | - | 7,691 |
| Band | 2,143 | 28,571 | (17,780) | (12,708) | 226 | - | - | 226 |
| Band DAF | - | (1,000) | - | 1,000 | - | - | - | - |
| Baseball | 21,803 | 49,179 | (48,415) | (9,407) | 13,160 | - | - | 13,160 |
| Bass Fishing | 2,048 | 11,135 | (8,552) | (4,352) | 279 | - | - | 279 |
| Beta Club | 4,581 | 1,656 | (2,760) | - | 3,477 | - | - | 3,477 |
| Bowling | 460 | - | (264) | - | 196 | - | - | 196 |
| Boys Basketball | 1,902 | 124,759 | (75,441) | (1,500) | 49,720 | - | - | 49,720 |
| Boys Golf | 1,343 | 1,329 | (1,990) | - | 682 | - | - | 682 |
| Boys Lacrosse | 564 | 5,846 | (5,001) | - | 1,409 | - | - | 1,409 |
| Boys Soccer | 10,842 | 23,085 | (20,096) | (3,324) | 10,507 | - | - | 10,507 |
| Boys Tennis | 1,823 | 211 | (799) | - | 1,235 | - | - | 1,235 |
| Boys Track | 4,274 | 1,511 | (2,110) | - | 3,675 | - | - | 3,675 |
| Cheerleading | 6,885 | 23,840 | (26,501) | (184) | 4,040 | - | - | 4,040 |
| Chess Club | 336 | - | - | - | 336 | - | - | 336 |
| Choir | 4,031 | 9,811 | (7,527) | (5,147) | 1,168 | - | - | 1,168 |
| Class of 2022 | 521 | - | (335) | (186) | - | - | - | - |
| Class of 2023 | 5,302 | 16,444 | (6,663) | (15,083) | - | - | - | - |
| Class of 2024 | 24 | 20,373 | (14,085) | 6,495 | 12,807 | - | - | 12,807 |
| Class of 2025 | 144 | - | - | - | 144 | - | - | 144 |
| Cross Country | 4,783 | 4,225 | (3,176) | - | 5,832 | - | - | 5,832 |
| Dance Team | 6,648 | 8,627 | (7,614) | - | 7,661 | - | - | 7,661 |
| Department Accounts | 8,877 | 1,657 | (3,211) | - | 7,323 | - | - | 7,323 |
| Drama Club | 5,340 | 6,770 | (3,918) | (3,288) | 4,904 | - | - | 4,904 |
| eSports | 365 | 471 | (273) | - | 563 | - | - | 563 |
| FCA | 2,668 | - | - | - | 2,668 | - | - | 2,668 |
| FFA | 1,256 | 2,166 | (1,975) | 20 | 1,467 | - | - | 1,467 |
| Football | 12,625 | 36,003 | (45,806) | (978) | 1,844 | - | - | 1,844 |
| General Athletic | 5,163 | 166,405 | (113,059) | (56,508) | 2,001 | - | - | 2,001 |
| Girls Basketball | 2,452 | 9,486 | (7,125) | - | 4,813 | - | - | 4,813 |
| Girls Golf | 6,323 | 7,922 | (7,970) | - | 6,275 | - | - | 6,275 |
| Girls Lacrosse | 9,931 | 5,200 | (7,707) | - | 7,424 | - | - | 7,424 |
| Girls Soccer | 2,243 | 10,579 | (10,769) | 1,201 | 3,254 | - | - | 3,254 |
| Girls Tennis | 1,359 | 651 | (484) | - | 1,526 | - | - | 1,526 |
| Girls Track | - | 383 | (383) | - | - | - | - | - |
| In School Clubs | 4,652 | 29,378 | (26,559) | (754) | 6,717 | - | - | 6,717 |
| Instructional Field Trips | - | 628 | (75) | (553) | - | - | - | - |
| NHS | 94 | 180 | - | - | 274 | - | - | 274 |
| Non-Instructional Field Trip | - | 1,925 | (1,100) | (825) | - | - | - | - |
| Odyssey of the Mind | 115 | 180 | (290) | - | 5 | - | - | 5 |
| Orchestra | 1,759 | 167 | (691) | - | 1,235 | - | - | 1,235 |
| ROTC | 4,357 | - | - | (4,357) | - | - | - | - |
| School DAF | - | (117,917) | (575) | 118,492 | - | - | - | - |
| Softball | 8,684 | 10,684 | (5,201) | - | 14,167 | - | - | 14,167 |
| Staff Account | 339 | 1,568 | (1,964) | - | (57) | - | - | (57) |
| Start Up Cash | - | 3,300 | (3,300) | - | - | - | - | - |
| Student Council | 694 | - | - | - | 694 | - | - | 694 |
| Student Recognition | 9,020 | 11,350 | (11,604) | (3,620) | 5,146 | - | - | 5,146 |
| Student Support | 2,216 | 1,361 | (1,254) | - | 2,323 | - | - | 2,323 |
| Swim Team | 819 | 20 | - | - | 839 | - | - | 839 |
| Talented and Gifted (TAG) | 228 | 108 | (108) | 14 | 242 | - | - | 242 |
| Vex Robotics | 1,095 | 6,660 | (3,969) | (2,058) | 1,728 | - | - | 1,728 |
| Volleyball | 812 | 8,313 | (4,559) | - | 4,566 | - | - | 4,566 |
| Yearbook | 11,006 | 2,840 | (1,986) | (559) | 11,301 | - | - | 11,301 |
| Totals | \$ 193,495 | \$ 545,758 | \$ (521,718) | \$ - | \$ 217,535 | \$ - | \$ - | \$ 217,535 |

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| Activity Account | Cash Balance July 1, 2022 | Receipts | Disbursements | Transfers | Cash Balance June 30, 2023 | Accounts Receivables June 30, 2023 | Accounts Payables June 30, 2023 | Due To Student Groups June 30, 2023 |
|---------------------------|------------------------------|-------------------|---------------------|-------------|-------------------------------|--|---------------------------------------|---|
| Academic Team | \$ 533 | \$ 100 | \$ (238) | \$ - | \$ 395 | \$ - | \$ - | \$ 395 |
| AP Testing | 4,983 | 1,958 | (1,957) | (1,415) | 3,569 | - | - | 3,569 |
| Archery | - | - | (2,156) | 2,156 | - | - | - | - |
| Art Club | 2,507 | - | - | 30 | 2,537 | - | - | 2,537 |
| Band | 2,133 | 19,266 | (16,187) | - | 5,212 | - | - | 5,212 |
| Baseball | 15,994 | 10,900 | (16,626) | 1,513 | 11,781 | - | - | 11,781 |
| Bass Fishing | 4,773 | 3,487 | (6,003) | - | 2,257 | - | - | 2,257 |
| Beta Club | 2,797 | - | - | - | 2,797 | - | - | 2,797 |
| Boys Basketball | 3,161 | 14,892 | (16,373) | (1,000) | 680 | - | - | 680 |
| Boys Golf | 2,657 | 14,376 | (14,847) | 1,600 | 3,786 | - | - | 3,786 |
| Boys Soccer | 6,590 | 7,003 | (1,202) | - | 12,391 | - | - | 12,391 |
| Boys Tennis | 712 | 556 | (675) | 193 | 786 | - | - | 786 |
| Boys/Girls Track | 8,099 | 17,321 | (17,067) | - | 8,353 | - | - | 8,353 |
| Cheerleading | 4,465 | 5,289 | (4,754) | 95 | 5,095 | - | - | 5,095 |
| Choir | 1,934 | 24,062 | (19,699) | (1,766) | 4,531 | - | - | 4,531 |
| Class of 2021 | 420 | - | (180) | (240) | - | - | - | - |
| Class of 2022 | 76 | - | - | (76) | - | - | - | - |
| Class of 2023 | 8,303 | 6,015 | (5,045) | (7,475) | 1,798 | - | - | 1,798 |
| Class of 2024 | 637 | 14,998 | (16,531) | 6,915 | 6,019 | - | - | 6,019 |
| Class of 2025 | - | 739 | - | 300 | 1,039 | - | - | 1,039 |
| Class of 2026 | - | 20 | - | - | 20 | - | - | 20 |
| Cross Country | 9,114 | 21,166 | (17,805) | (794) | 11,681 | - | - | 11,681 |
| Dance Team | 92 | 28,110 | (19,391) | 1,000 | 9,811 | - | - | 9,811 |
| Department Accounts | 16,745 | 21,250 | (20,745) | 4,311 | 21,561 | - | - | 21,561 |
| Drama Club | 9,894 | - | - | - | 9,894 | - | - | 9,894 |
| E Sports | 1,674 | 2,409 | (2,062) | (250) | 1,771 | - | - | 1,771 |
| Farm | - | 17,073 | (17,073) | - | - | - | - | - |
| Football | 5,122 | 21,967 | (25,704) | 4,565 | 5,950 | - | - | 5,950 |
| Future Farmers of America | 2,803 | 7,780 | (8,137) | (78) | 2,368 | - | - | 2,368 |
| General | 13,430 | 11,748 | (16,856) | 4,721 | 13,043 | - | - | 13,043 |
| General Athletics | 23,912 | 94,865 | (61,497) | (53,899) | 3,381 | - | - | 3,381 |
| Girls Basketball | 171 | 12,466 | (14,950) | 4,365 | 2,052 | - | - | 2,052 |
| Girls Golf | 3,064 | 12,133 | (12,845) | 552 | 2,904 | - | - | 2,904 |
| Girls Soccer | 5,139 | 123 | (5,192) | 4,173 | 4,243 | - | - | 4,243 |
| Girls Tennis | 348 | 360 | (473) | 193 | 428 | - | - | 428 |
| Greenhouse | - | 9,466 | (9,466) | - | - | - | - | - |
| In School Clubs | 8,314 | 19,450 | (21,342) | 257 | 6,679 | - | - | 6,679 |
| Media Center DAF | - | 180 | (180) | - | - | - | - | - |
| National Honor Society | 442 | 1,502 | (1,338) | - | 606 | - | - | 606 |
| Orchestra | 6 | - | (6) | - | - | - | - | - |
| ROTC (Reserve Officer) | 5,203 | 3,641 | (4,852) | - | 3,992 | - | - | 3,992 |
| School DAF | - | 6,160 | (32,036) | 25,876 | - | - | - | - |
| Softball | 17,368 | 13,044 | (20,287) | 4,130 | 14,255 | - | - | 14,255 |
| Staff Account | 530 | 1,990 | (1,859) | (100) | 561 | - | - | 561 |
| Start up Cash | - | - | - | - | - | - | - | - |
| Student Recognition | 273 | 969 | (570) | (384) | 288 | - | - | 288 |
| Student Support | 4,789 | 2,805 | (577) | (750) | 6,267 | - | - | 6,267 |
| Swim Team | 3,560 | 17,356 | (12,638) | - | 8,278 | - | - | 8,278 |
| Talented and Gifted (TAG) | 140 | - | - | - | 140 | - | - | 140 |
| Vex Robotics | 1,263 | - | - | (1,263) | - | - | - | - |
| Volleyball | 75 | 2,955 | (4,119) | 2,545 | 1,456 | - | - | 1,456 |
| Yearbook Club | 10,181 | 1,321 | (112) | - | 11,390 | - | - | 11,390 |
| Totals | \$ 214,426 | \$ 473,271 | \$ (471,652) | \$ - | \$ 216,045 | \$ - | \$ - | \$ 216,045 |

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Pass-Through Grantor's Number | Expenditures |
|---|---------------------------|-------------------------------|--------------|
| Cash expenditures | | | |
| <u>U.S.Department of Education</u> | | | |
| Kentucky Department of Education | | | |
| Title I Grants to Local Education Agencies | 84.010 | 3100002 | 809,840 |
| Title I Grants to Local Education Agencies | 84.010 | 3100002 | 10,681 |
| Title I Grants to Local Education Agencies | 84.010 | 3100002 | 2,218 |
| Title I Grants to Local Education Agencies | 84.010 | 3100002 | 616,419 |
| Title I Grants to Local Education Agencies | 84.010 | 3100002 | 5,062 |
| Title I, School Improvement | 84.010 | 3100202 | 436 |
| Title I, School Improvement | 84.010 | 3100202 | 830 |
| Title I, School Improvement | 84.010 | 3100202 | 406,786 |
| Title I, School Improvement | 84.010 | 3100202 | 112,049 |
| Subtotal | | | 1,964,321 |
| Title I Part D, Neglected and Delinquent Children and Youth | 84.013 | 313I | 5,548 |
| Title I Part D, Neglected and Delinquent Children and Youth | 84.013 | 313G | 20,971 |
| Subtotal | | | 26,519 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 2,468 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 21,536 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 28,359 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 22,186 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 5,502 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 7,072 |
| Title IV Part A, Student Support | 84.424A | 3420002 | 5,668 |
| Subtotal | | | 92,791 |
| Special Education Cluster (IDEA) | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 3810002 | 966,319 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 3810002 | 30,272 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 3810002 | 1,079,404 |
| * ARP IDEA Basic | 84.027X | 4910002 | 114,809 |
| * ARP IDEA Private Schools | 84.173X | 4900002 | 16,082 |
| Special Education - Preschool Grants (IDEA, Preschool) | 84.173 | 3800002 | 50,849 |
| Special Education - Preschool Grants (IDEA, Preschool) | 84.173 | 3800002 | 19,106 |
| Subtotal | | | 2,276,841 |
| Vocational Education Basic | 84.048 | 3710002 | 37,389 |
| Supporting Effective Instruction | 84.367 | 3230002 | 5,893 |
| Supporting Effective Instruction | 84.367 | 3230002 | 614 |
| Supporting Effective Instruction | 84.367 | 3230002 | 194,428 |
| Supporting Effective Instruction | 84.367 | 3230002 | 104,908 |
| Subtotal | | | 305,843 |
| English Language Acquisition | 84.365 | 3300002 | 61,249 |
| English Language Acquisition | 84.365 | 3300002 | 71,533 |
| Subtotal | | | 132,782 |

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Pass-Through Grantor's Number | Expenditures |
|---|------------------------------|----------------------------------|-------------------|
| * Deeper Learning Grant | | 563J | 25,665 |
| * GEER II Family Resource Centers | 84.425C | 564GF | 60,107 |
| * ESSER II New Teacher | 84.425C | 4000003 | 13,830 |
| * ESSER II New Teacher | 84.425C | 4000003 | (9,750) |
| * CRRSAA - ESSER Direct Services | 84.425D | 4200002 | 644,320 |
| * CRRSAA - ESSER Digital Learning Services | 84.425D | 4200002 | (1,335) |
| * CRRSAA - ESSER State Set Aside | 84.425D | 4200002 | 5,787 |
| * CRRSAA - ESSER Vaccine Incentive | 84.425D | 4200002 | 449,896 |
| * ARP ESSER Virtual Library | 84.425U | 4200002 | 7,216 |
| * ARP ESSER Virtual Library | 84.425U | 4200002 | 7,398 |
| * ARP ESSER | 84.425U | 4300002 | 75,000 |
| * ARP ESSER Learning Loss | 84.425U | 4300002 | 1,347,581 |
| * ARP ESSER III | 84.425U | 4300002 | 2,133,434 |
| Subtotal | | | 4,759,149 |
| Total U.S.Department of Education | | | 9,595,635 |
| <u>U.S.Department of Health and Human Services</u> | | | |
| Head Start | 93.600 | 655E | 8,480 |
| Kentucky Cabinet for Health and Family Services | | | |
| * ARP Child Care Stabilization Fund | 93.575 | 576I | 213,368 |
| * CRRSAA - Child Care Aid | 93.575 | 672G | 320,309 |
| Subtotal | | | 533,677 |
| Kentucky Department of Education | | | |
| School Health Profile | 93.079 | 2100001 | 307 |
| Total U.S. Department of Health and Human Services | | | 542,464 |
| <u>U.S.Department of Agriculture</u> | | | |
| Kentucky Department of Education | | | |
| Child Nutrition Cluster | | | |
| National School Breakfast Program | 10.553 | 7760005 | 1,309,934 |
| National School Lunch Program | 10.555 | 7750002 | 3,035,511 |
| Summer Food Service Program for Children | 10.559 | 7690024 | 33,692 |
| Summer Food Service Program for Children | 10.559 | 7740023 | 35,588 |
| Subtotal | | | 4,414,725 |
| Commodities | 10.555 | not provided | 362,440 |
| Total U.S.Department of Agriculture | | | 4,777,165 |
| Total federal expenditures | | | 14,915,264 |

* Funding for Covid-19
See Notes to Schedule of Expenditures of Federal Awards

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023**

Note 1 – Basis of Presentation

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

Note 2 – Food Donation

Nonmonetary assistance for food donation is reported in the Schedule at the fair market value of the commodities disbursed. These donations are received from the US Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

Note 3 – Indirect Cost Rate

The District did not use the de minimis indirect cost rate of 10.0%.

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of the Board of Education
Shelby County School District
Shelbyville, 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, Audits of States and Local Governments, and Non-profit Organizations, and the audit requirement prescribed by the Kentucky Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Shelby County Board of Education as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 13, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are

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

I noted certain matters that I reported to management of the District in a separate letter dated November 13, 2023.

Purpose of this Report

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2023

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
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GEORGETOWN, KENTUCKY 40324
859-421-5062**

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

State Committee For School District Audits
Members of **Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program**

We have audited Shelby County School District's (the "District") 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 District's major federal programs for the year ended June 30, 2023. The 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, the 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)*. 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 the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the 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 the 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 the 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, misrepresentation, 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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- a. Exercise professional judgment and maintain professional skepticism throughout the audit.
- b. 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 the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- c. Obtain an understanding of the 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 the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Denise M. Keene

Denise M. Keene, CPA
Georgetown, Kentucky
November 13, 2023

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? __ yes X no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? __yes X none reported

Noncompliance material to financial statements noted? __ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? __ yes X no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? __ yes X none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with 2CFR 200.516(a)? __ yes X no

Identification of major programs

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------------------|--|
| 84.425C, 84.425D, 84.425U 84.010 | Education Stabilization Relief Fund Title I |

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

Auditee qualified as low-risk auditee? X yes __ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2023

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

**DENISE M. KEENE
CERTIFIED PUBLIC ACCOUNTANT
P.O. BOX 1444
GEORGETOWN, KENTUCKY 40324
859-421-5062**

Shelby County Board of Education
Shelbyville, Kentucky

We have audited the financial statements of the Shelby County School District for the year ended June 30, 2023 and have issued our report thereon dated November 13, 2023. As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the District's financial statements. Our study and evaluation was more limited than would be necessary for expressing an opinion on the system of internal accounting control taken as a whole.

The management of the Shelby County School District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors, or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control. Accordingly, we do not express an opinion on the system of internal accounting control of the Shelby County School District taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

The following items from last year's management letter points were corrected during the current fiscal year as outlined in the District's response: 2022-001, 2022-002, 2021-003, 2022-003, 2022-006, 2022-007, 2022-009, 2022-012, 2022-013, 2022-014, 2022-015, 2022-016.

The following items from last year's management letter points were not corrected: 2022-004, 2022-005, 2022-008, 2022-010, 2022-011.

Denise M. Keene, CPA
November 13, 2023

CURRENT YEAR MANAGEMENT POINTS

CENTRAL OFFICE

2023-001

The District does not use the Fundraiser & Crowdfunding Approval form, the school completes an Activity Budget Fundraising Plan that is approved by the Principal, and sent to the Board of Education for approval. This form does not meet the minimum requirements of the Fundraiser & Crowdfunding Approval form. It does not have the sponsor name or signature, the purpose of the fundraiser, or items to be sold. I recommend the school complete the Fundraiser & Crowdfunding Approval form for all fundraisers prior to completing the Activity Fund Budget Fundraising Plan to the Board of Education.

Management's Response:

Management concurs with the auditors. All school principals and bookkeepers received instructions regarding the use of the Fundraiser Approval Form on 8/4/2023 after being made aware of the deficiency. Staff will be reminded of the requirement during Summer Finance Training as well.

2023-002

KRS 161.011(5) requires employment contracts with classified employees. Testing disclosed one classified employee did not have a contract. I recommend employment contracts be done for all classified employees as required.

Management's Response:

Management concurs with the auditors. All Human Resources staff was new during the 2022-2023 school year. The previous methods for sending out contracts once experience was verified, proved to be complicated and could possibly lead to employees starting work without a contract. Contracts are now provided once onboarding is complete and a Final Personnel Consideration Sheet is issued.

**The Following Schools had no Management Comments:
Clear Creek Elementary School**

HERITAGE ELEMENTARY SCHOOL

2023-003

According to the Red Book, "The purchase order shall be prepared approved by the sponsor and principal before the payment is obligated." One (1) of the five (5) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased. **This is a repeat from last year 2022-011**

Management's Response:

Processes have been changed. We no longer make purchases before a purchase order has been created.

2023-004

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued only four transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month.

Management's Response:

The bookkeeper will now complete sweeps monthly.

PAINTED STONE ELEMENTARY SCHOOL

2023-005

According to the Red Book, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) of the eight (8) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased.

Management's Response:

Both of these items occurred under previous administration. New administration will ensure purchase orders are prepared and approved prior to approving any order for payment.

SIMPSONVILLE ELEMENTARY SCHOOL

2023-006

The one Transfer Form done during the year did not have the amount to be transferred on it. The Form was not completed properly. The Activity Account numbers were in the Transfer Amount columns instead of the Activity Account column. I recommend the Transfer Form be completed properly.

Management's Response:

To ensure that this error doesn't occur, we will review documents for accuracy prior to being submitted.

2023-007

Schools are exempt from paying sales tax. Check 6639 to Milano's paid sales tax of \$15.75. A tax exempt certificate should have been presented so no tax would have been charged. I recommend invoices be reviewed prior to payment so sales tax is not paid.

Management's Response:

Our understanding of food tax was inaccurate. Moving forward we are now aware that the tax exempt certificate should be used in this situation.

2023-008

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued only two transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month.

Management's Response:

Moving forward we are working to ensure there is a zero balance at the end of the month. We will also ensure that the transfer will be completed monthly. Our school secretary has already put new systems in place to correct this issue.

SOUTHSIDE ELEMENTARY SCHOOL

2023-009

Schools are exempt from paying sales tax. Check 6901 to Little Caesars paid sales tax of \$1.47. A tax exempt certificate should have been presented so no tax would have been charged. I recommend invoices be reviewed prior to payment so sales tax is not paid.

Management's Response:

We will utilize our tax-exempt status when paying with school funds.

2023-010

The school used student funds to provide rent assistance. Student funds should be used for student purposes only. I recommend the Principal seek other sources for this type of payment.

Management's Response:

We have received clarification on the correct procedures for using these benevolence and DAF funds which allows us to stay Redbook compliant. Going forward we will make the necessary changes.

WRIGHT ELEMENTARY SCHOOL

2023-011

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued one transfer on June 30, 2023, therefore the following are not within the time frame allowed and are therefore not allowed. The following should be transferred back into the school activity account and used on allowed expenses per the Red Book. School DAF account 9000 \$2,431.46. Media Center DAF account 9100 \$13,499.16. ART DAF account 9200 \$3,248.12. Music DAF account 9300 \$15.00. The total nonallowed sweep amounts to \$19,193.74. The school treasurer should follow Red Book requirements and sweep DAF accounts each month.

Management's Response:

Wright Elementary will schedule a monthly financial meeting between the principal and bookkeeper. During this meeting the established monies to be swept will be determined. The bookkeeper will then zero out the balance that was initially transferred to the DAF activity fund account "sweeping" our funds to the district. These monthly meetings should be used to ensure that we are sweeping DAF accounts each month.

MARNEL C MOORMAN SCHOOL

2023-012

Ticket Sale procedures are not being followed. Of the 38 Ticket Sale Forms, two (2) had the same ticket seller and taker, one did not have the ticket seller sign, and one did not have the ticket taker sign. I recommend the Principal remind the person in charge of ticket sales to obtain signatures and assure that the ticket seller and taker are two different people.

Management's Response:

Ticket Sale procedures were reviewed between the bookkeeper and school leadership. All the correct procedures are now in place. The bookkeeper will audit Ticket Sale forms as they are turned in the following day for correctness and accuracy prior to making a deposit.

2023-013

According to the Red Book, "Receipts shall be filed monthly in numerical order with supporting documentation attached to the receipt stub." Of the seven (7) deposits selected for testing, one could not be found. I recommend records be reviewed for completion.

Management's Response:

Receipt and money intake procedures have been reviewed between the new bookkeeper and school leadership. File management and organization is improving with the bookkeeper's direction.

EAST MIDDLE SCHOOL

2023-014

According to the Red Book, "All school level checks should contain the signatures of an authorized school administrator and the school treasurer." During the year there were seven (7) checks with only one signature. I recommend the checks be reviewed prior to distribution for two signatures.

Management's Response:

Upon receiving our audit results on 08/08/22, the principal and bookkeeper discussed the findings and agreed that going forward we would reserve the right to deny purchase order requests made the same day or after the Invoice is received. We delivered this news to the staff in an all staff meeting on 08/30/22 when we went over finance guidelines for the school.

WEST MIDDLE SCHOOL

2023-015

According to the Red Book, "A pre-numbered receipt shall be issued to the payer immediately any time money is received..." This is not being done. For example Receipt number 7508 had 16 multiple receipt forms from various teachers but only one receipt was issued. Each teacher/sponsor turning in money should receive a pre-numbered receipt. I recommend the treasurer issue receipts as required by the Red Book.

Management's Response:

School personnel misunderstood the requirements for receipting. The practice was to use one form for multiple deposits as long as they came in on the same day. That practice has now been corrected. All money collected by staff will have its own separate multiple receipt form.

2023-016

According to the Red Book, the Principal will review the bank statement, sign and date the front page after review. Seven (7) of the twelve (12) bank statements were not dated. I recommend the Principal sign and date each bank statement after review. **This is a repeat from last year (2022-008)**

Management's Response:

The Principal will ensure all monthly bank statements are reviewed, signed, and dated.

2023-017

According to the Red Book, "Outstanding checks shall not be carried longer than 12 months." You have one (1) outstanding check longer than 12 months. I recommend you clean up your outstanding checks. **This is a repeat from last year (2022-010)**

Management's Response:

Outstanding checks will be reviewed periodically and payees will be contacted about depositing the checks. All stale checks have now been canceled.

2023-018

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school did not issue monthly sweeps. There were only five done during the year. I recommend the Principal do monthly sweep transfers as required by the Red Book.

Management's Response:

The Principal and bookkeeper have devised a system to remind them to perform monthly sweeps.

MARTHA LAYNE COLLINS HIGH SCHOOL

2023-019

According to the Redbook, the following is a Disallowed Expenditure," Payment of an individual's organization dues or fees that do not provide a direct benefit to the student, or group of students.

The school paid dues to the United Soccer Coaches Association for a coach. I recommend the Principal not approve personal membership payments.

Management's Response:

This mistake was made by accident. The principal has met with the bookkeeper about this to ensure it does not happen in the future.

2023-020

The Pink Copy of the Purchase Orders are not always legible. The information on several were not dark enough to read. I recommend the Pink Copy of the Purchase Order be reviewed to assure the information is legible.

Management's Response:

Noted. All school purchase orders are now produced in Munis, a digital system, so this problem will not recur in the future.

2023-021

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of nineteen (19) disbursements tested had purchase order dates after the invoice date. I recommend the Principal remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

The principal has reminded the athletic director that purchase orders must be approved prior to obligating the school and will communicate the same message to the whole staff.

2023-022

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged (including athletic events, dances, concerts, plays, prom, or season passes)." April 24, 2023 receipt number 15733 was for Prom Tickets, a multiple receipt form was used instead of the ticket sale form. I recommend the Principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged.

Management's Response:

The principal will remind teachers and club sponsors that ticket sale forms should be used for ticket sales instead of multiple receipt forms.

2023-023

On June 16, 17, and 18, 2023 the school had the Titan Shootout. Ticket sale forms were not properly signed. None of the 15 ticket sale forms were signed by the Person receiving the tickets and change or the ticket taker. One form had the signature of the ticket seller. The Principal should remind the person in charge that all parties should sign the ticket sale form.

Management's Response:

The principal will remind the director of the tournament prior to next year's event that ticket sale forms must be signed by the person that takes the tickets.

2023-024

The Staff Account had a negative balance as of June 30, 2023. According to the Red Book, the general account must cover the deficit. However, only money raised by staff can be used for the staff account. The Principal should not approve purchases for an account that does not have sufficient money to cover the expense.

Management's Response:

The principal will make sure the school does not spend more than is in the account in the future. In this instance they planned and advertised a purchase for staff recognition based on a pledged donation from a community partner. That partner failed to deliver. If this happens in the future, the administrative team will cover the shortfall.

SHELBY COUNTY HIGH SCHOOL

2023-025

According to the Redbook, the following is a Disallowed Expenditure," Payment of an individual's organization dues or fees that do not provide a direct benefit to the student, or group of students." The school paid dues to the KTCCCA for membership dues for a coach. The PO stated the purchase was for a team entry fee, but the invoice stated it was for membership. I recommend the Principal not approve personal membership payments.

Management's Response:

The school concurs with the recommendation not to approve personal membership payments that do not directly benefit students. We have conducted retraining sessions for staff and coaches. It's important to note that such payments, directly related to our student athletes and their accomplishments, should be made from the Student Activity Fund (SAF) when appropriate.

2023-026

According to the Redbook, the following is a Disallowed Expenditure," Payment of an individual's organization dues or fees that do not provide a direct benefit to the student, or group of students." The school paid a penalty to KHSAA for a coach violation of KHSAA bylaws. This does not provide a direct benefit to the student, or group of students. I recommend the Principal not approve expenditures that do not benefit students.

Management's Response:

School administration supports the recommendation not to approve expenditures that do not benefit students. We recognize the importance of ensuring our resources are directed towards our students' education and development.

2023-027

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged A(including athletic events, dances, concerts, plays, prom, or season passes)." April 10, 2023 receipt number 23471 was for Prom Tickets, a multiple receipt form was used instead of the ticket sale form. I recommend the Principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged.

Management's Response:

Our new bookkeeper has discussed the use of the Ticket Sale Form with the prom sponsor, and this form will be used for this year's prom.

2023-028

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." Two (2) out of twenty-one (21) disbursements tested had purchase order dates after the invoice date. I recommend the Principal remind all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

The new bookkeeper is working diligently with teachers, coaches, and the Athletic Director to prevent this from happening in the future. We are conducting individual meetings to go over Redbook rules and other relevant guidelines.

2023-029

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Band booster clubs did not submit the officers, budget, annual financial statement, and proof of insurance for the year. The JROTC booster club did not submit the officers, budget, and annual financial statement. The Athletic booster club did not submit the budget and annual financial statement. I recommend the Principal not approve any fundraisers until the information is submitted. **This is a repeat from last year 2022-004**

Management's Response:

All the required information has now been provided.

2023-030

According to the Redbook, Fundraisers are to be approved and Fundraiser Summary is to be completed when items are sold. The Candles were sold during the year. The fundraiser was not approved and a Fundraiser Summary was not completed. I recommend the Principal remind all sponsors of the requirements. **This is a repeat from last year 2022-005**

Management's Response:

The bookkeeper has spoken with the teacher responsible for selling candles. She has been informed that the fundraiser is now approved and is grandfathered in every year. Proper procedures have been discussed with her, and arrangements will be made to ensure approval by the board in advance next year.

2023-031

The school purchased 50 UK Women's basketball tickets. There was no evidence that adults paid for their tickets. Any purchase that does not benefit students or student organizations is not allowed. The Principal should not approve nonallowable expenditures.

Management's Response:

The girls who attended the event were not transported by a school bus. Their parents had to arrange transportation, and the coach purchased the tickets for both the girls and the adults. The adults paid for their own tickets, and the coach did not collect receipts as they paid independently.

2023-032

According to Board policy 4.61, all donations that exceed \$1,000 requires board approval. There was a \$2,000 donation to the Band that was not approved by the board. I recommend the Principal take all donations over \$1,000 to the board for approval.

Management's Response:

Our new bookkeeper, along with the coaches, has been diligently following the procedure this year. Forms are being completed, scanned to Central Office personnel, and presented before the board, ensuring that all donations over \$1,000 are approved.

2023-033

According to the Red Book, "The Donation Acknowledgment Form (Form F-SA-18), when the monetary value is at least \$250 according to IRS guidelines, shall be completed stating the purpose of and any restrictions on the donation received." There were numerous donations during the year that were over \$250 that did not have the Donation Acknowledgment Form completed. The Principal should remind staff of the requirement and follow Red Book procedures.

Management's Response:

School administration is addressing this issue during our meetings with coaches and teachers.

2023-034

According to the Red Book, "At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued only four transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month.

Management's Response:

The correct procedures are now being followed, and sweeps are being conducted regularly.