

**SOMERSET INDEPENDENT
SCHOOL DISTRICT**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

For the year ended June 30, 2023

Prepared by:

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the Somerset Independent School District
Somerset, Kentucky

And the State Committee for School District Audits

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 Somerset Independent School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Somerset Independent School District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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 Somerset Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Somerset Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of the District's Proportionate Share of the Net Pension and OPEB Liability and Schedule of Contributions for CERS and TRS and Medical and Life and Health Insurance Plans comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

White & Associates, PSC

Richmond, Kentucky
November 15, 2023

**SOMERSET INDEPENDENT SCHOOL DISTRICT-SOMERSET, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

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

FINANCIAL HIGHLIGHTS

- Finished the year with a General Fund balance of \$15,235,451 million.
- Provided raises to all employees.
- The General Fund had \$19.07 million in revenue which primarily consisted of the SEEK program, property, utility and motor vehicle taxes. There were \$17.24 million expenditures in General Fund.
- Completed and capitalized athletic improvements in the amount of \$1,560,320 as of June 30, 2023.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Refer to the table of contents to find the government-wide financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

Refer to the table of contents to find the basic governmental fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. To find the notes to the financial statements please refer to the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, the net position was \$20.30 as of June 30, 2023.

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

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

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

**Table 1
Net Position
\$ (in Millions)**

	Governmental Activities		Business-type Activities		Totals	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current assets	\$ 17.53	\$ 20.00	\$ 0.48	\$ 0.72	\$ 18.01	\$ 20.72
Non-current assets	27.96	27.75	0.18	0.16	28.14	27.91
Total assets	45.49	47.75	0.66	0.88	46.15	48.63
Deferred outflows	3.27	4.79	0.08	0.09	3.35	4.88
Current liabilities	1.55	1.87	0.01	0.02	1.56	1.89
Non-current liabilities	26.72	26.87	0.25	0.24	26.97	27.11
Total liabilities	28.27	28.74	0.26	0.26	28.53	29.00
Deferred inflows	3.66	3.50	0.05	0.06	3.71	3.56
Net position:						
Invested in capital assets, net of debt	9.37	10.35	0.18	0.16	9.55	10.51
Restricted	3.84	4.15	0.26	0.49	4.10	4.64
Unrestricted (deficit)	3.62	5.80	-	-	3.62	5.80
Total net position	\$ 16.83	\$ 20.30	\$ 0.44	\$ 0.65	\$ 17.27	\$ 20.95

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

**Table 2
Changes in Net Position
(in millions)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change <u>2022-2023</u>
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	
Revenues:							
Charges for services	\$ 0.04	\$ 0.42	\$ 0.25	\$ 0.28	\$ 0.29	\$ 0.70	141%
Operating grants and contributions	8.40	9.76	1.11	1.33	9.51	11.09	17%
Capital grants and contributions	0.34	1.16	-	-	0.34	1.16	241%
General revenues	14.27	14.76	0.01	0.02	14.28	14.78	4%
Total revenue	23.05	26.10	1.37	1.63	24.42	27.73	14%
Expenses:							
Instruction	\$ 13.85	\$ 14.15	\$ -	\$ -	\$ 13.85	\$ 14.15	2%
Student	0.67	0.72	-	-	0.67	0.72	7%
Instructional staff	0.82	0.87	-	-	0.82	0.87	6%
District administration	0.55	0.56	-	-	0.55	0.56	2%
School administration	0.95	1.10	-	-	0.95	1.10	16%
Business	0.44	0.49	-	-	0.44	0.49	11%
Plant operation & maintenance	2.80	2.42	-	-	2.80	2.42	-14%
Student transportation	0.63	0.81	-	-	0.63	0.81	29%
Community services operations	0.24	0.35	-	-	0.24	0.35	46%
Food Service Operations	-	-	0.10	1.35	0.10	1.35	1250%
Child Care	-	-	-	(0.04)	-	(0.04)	#DIV/0!
Athletic Facility	-	-	1.10	0.09	1.10	0.09	-92%
Building Improvements	-	-	-	-	-	-	100%
Depreciation/Amortization	-	1.36	-	0.02	-	1.38	#DIV/0!
Interest on long-term debt	0.59	0.63	-	-	0.59	0.63	7%
Total Expenses	\$ 21.54	\$ 23.46	\$ 1.20	\$ 1.42	\$ 22.74	\$ 24.88	9%
Change in net position	\$ 1.51	\$ 2.64	\$ 0.17	\$ 0.21	\$ 1.68	\$ 2.85	70%

**SOMERSET INDEPENDENT SCHOOL DISTRICT-SOMERSET, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2023**

**Capital Assets at Year-End
\$ (Net of Depreciation)**

	Governmental Activities		Business-type Activities		Totals	
	2022	2023	2022	2023	2022	2023
Land	\$ 825,337	\$ 825,337	\$ -	\$ -	\$ 825,337	\$ 825,337
Land Improvements	3,906,963	5,290,836	-	-	3,906,963	5,290,836
Buildings	21,932,932	20,854,941	73,167	73,167	22,006,099	20,928,108
Technology	31,703	-	10,661	10,661	42,364	10,661
Vehicles	296,176	239,647	-	-	296,176	239,647
General Equipment	197,038	196,683	98,325	74,512	295,363	271,195
Construction in Progress	1,473,053	296,419	-	-	1,473,053	296,419
Finance Purchases	-	47,040	-	-	-	47,040
Totals	\$ 28,663,202	\$ 27,750,903	\$ 182,153	\$ 158,340	\$ 28,845,355	\$ 27,909,243

The following is an analysis of debt activity during the year:

**Table 4
Outstanding Debt at Year-End**

	Government Activities	
	2022	2023
General Obligation Bonds	\$ 18,401,163	\$ 17,133,690
Finance Purchase Obligations	218,983	269,773
Total Obligations	\$ 18,620,146	\$ 17,403,463

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

REVENUE	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Local Revenue Sources	\$ 7,494,130	\$ 146,325	\$ -	\$ 844,658	\$ 47,756	\$ 35,847	\$ 121,551
State Revenue Sources	11,499,983	797,139	149,839	677,706	-	172,707	231,497
Federal Revenue Sources	79,046	3,544,398	-	-	-	158,539	1,094,947
Other	47,040	-	-	-	-	-	-
Transfers	-	31,467	-	-	-	1,196,378	-
TOTALS	\$19,120,199	\$4,519,329	\$149,839	\$1,522,364	\$ 47,756	\$1,563,471	\$1,447,995
EXPENDITURES	Fund 1	Fund 2	Fund 310	Fund 320	Fund 360	Fund 400	Fund 51
Instruction	10,711,527	3,356,554	-	-	-	-	-
Student Support Services	654,998	68,321	-	-	-	-	-
Instructional Staff Support Services	606,719	239,551	-	-	-	-	-
District Admin Support	562,584	-	-	-	-	-	-
School Admin Support	1,102,027	-	-	-	-	-	-
Business Support Services	484,080	-	-	-	-	-	-
Plant Operation & Management	2,097,577	342,834	-	-	-	-	-
Student Transportation	641,727	161,808	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	1,349,093
Community Services	-	350,261	-	-	-	-	-
Building improvements	-	-	-	-	383,686	-	-
Depreciation	-	-	-	-	-	-	23,813
Debt Service	380,597	-	-	-	-	1,377,954	-
Transfers	31,467	-	149,839	1,046,539	-	-	-
TOTALS	\$17,273,303	\$4,519,329	\$149,839	\$1,046,539	\$ 383,686	\$1,377,954	\$1,372,906
Excess / (Deficit)	1,846,896	-	-	475,825	(335,930)	185,517	75,089

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

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2.0% contingency in the Tentative Final Working budget. While it is not mandatory in the Final Working budget, the Kentucky Department of Education places district's with less than a 2% reserve on a financial watch list. The district maintained a budgeted general fund contingency above this threshold. The beginning general fund balance for fiscal year 2023 was \$13,388,555.

Questions regarding this report should be directed to the Superintendent of Schools, Kyle Lively, or the Chief Finance Officer/Board Treasurer, Tracy McCrystal, at (606) 679-4451 or by mail at 305 College Street, Somerset, KY 42501.

Somerset Independent School District
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 19,061,822	\$ 680,571	\$ 19,742,393
Receivables (net)	939,344		939,344
Inventories		40,140	40,140
Capital assets:			
Land and construction in progress	1,121,756		1,121,756
Other capital assets, net of depreciation	26,582,107	158,340	26,740,447
Net finance purchases	47,040		47,040
Total capital assets	27,750,903	158,340	27,909,243
Total assets	47,752,069	879,051	48,631,120
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,431,185	36,811	1,467,996
Deferred outflows related to OPEB CERS	998,371	52,528	1,050,899
Deferred outflows related to OPEB TRS	2,345,815		2,345,815
Deferred savings from refunding bonds	13,820		13,820
Total deferred outflows of resources	4,789,191	89,339	4,878,530
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	52,541,260	968,390	53,509,650
LIABILITIES			
Accounts payable and accrued expenses	414,458	17,112	431,570
Accrued interest payable	101,992		101,992
Unearned revenue	202,423		202,423
Long-term liabilities:			
Due within 1 year:			
Bond obligations	1,081,000		1,081,000
Finance purchase obligations	58,910		58,910
Total due within 1 year	1,139,910	-	1,139,910
Due in more than 1 year:			
Bond obligations	16,052,690		16,052,690
Finance purchase obligations	210,863		210,863
Sick leave	52,596		52,596
Net pension liability	5,143,909	189,152	5,333,061
Net OPEB liability CERS	1,404,035	51,629	1,455,664
Net OPEB liability TRS	4,015,000		4,015,000
Total due in more than 1 year	26,879,093	240,781	27,119,874
Total liabilities	28,737,876	257,893	28,995,769
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	851,602	31,315	882,917
Deferred inflows related to OPEB CERS	813,016	29,896	842,912
Deferred inflows related to OPEB TRS	1,840,000		1,840,000
Total deferred inflows of resources	3,504,618	61,211	3,565,829
NET POSITION			
Net investment in capital assets	10,347,440	158,340	10,505,780
Restricted for:			
Capital projects	2,274,791		2,274,791
Debt service	1,670,200		1,670,200
Student activities	203,843		203,843
Child care		168,855	168,855
Food services		322,091	322,091
Unrestricted	5,802,492		5,802,492
Total net position	20,298,766	649,286	20,948,052
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 52,541,260	\$ 968,390	\$ 53,509,650

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Activities
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	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
Instruction	\$ 14,150,139	\$ 33,542	\$ 6,719,444	\$ -	\$ (7,397,153)	\$ -	\$ (7,397,153)
Support services							
Student	723,978	390,569	301,369		(32,040)		(32,040)
Instructional staff	872,734		363,291		(509,443)		(509,443)
District administration	562,584		234,186		(328,398)		(328,398)
School administration	1,102,027		458,739		(643,288)		(643,288)
Business	484,080		201,507		(282,573)		(282,573)
Plant operation & maintenance	2,421,547		1,008,013	827,545	(585,989)		(585,989)
Student transportation	803,644		334,531		(469,113)		(469,113)
Community services operations	350,262		145,803		(204,459)		(204,459)
Interest on general long-term debt	630,074			331,246	(298,828)		(298,828)
Depreciation*	1,361,889				(1,361,889)		(1,361,889)
Total governmental activities	<u>23,462,958</u>	<u>424,111</u>	<u>9,766,884</u>	<u>1,158,791</u>	<u>(12,113,172)</u>		<u>(12,113,172)</u>
Business-type activities:							
Food service operations	1,349,093	103,538	1,326,444			80,889	80,889
Child care	(36,169)	91,089	4,119			131,377	131,377
Athletic facility	87,138	87,138				-	-
Depreciation	23,813					(23,813)	(23,813)
Total business-type activities	<u>1,423,875</u>	<u>281,765</u>	<u>1,330,563</u>	<u>-</u>	<u>-</u>	<u>188,453</u>	<u>188,453</u>
Total primary government	<u>\$ 24,886,833</u>	<u>\$ 705,876</u>	<u>\$ 11,097,447</u>	<u>\$ 1,158,791</u>	<u>(12,113,172)</u>	<u>188,453</u>	<u>(11,924,719)</u>
General revenues:							
Taxes:							
Property taxes					6,169,343		6,169,343
Utility tax					977,976		977,976
Motor vehicle taxes					437,924		437,924
State and formula grants					6,153,682		6,153,682
Unrestricted investment earnings					781,541	18,013	799,554
Other local					236,650		236,650
Total general revenues					<u>14,757,116</u>	<u>18,013</u>	<u>14,775,129</u>
Change in net position					2,643,944	206,466	2,850,410
Net position - beginning					16,829,356	442,820	17,272,176
Prior period adjustment					825,466		825,466
Restated net position - beginning					<u>17,654,822</u>	<u>442,820</u>	<u>18,097,642</u>
Net position - ending					<u>\$ 20,298,766</u>	<u>\$ 649,286</u>	<u>\$ 20,948,052</u>

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

See the accompanying notes to the financial statements.

Somerset Independent School District
Balance Sheet
Governmental Funds
June 30, 2023

	Governmental Funds				
	General	Special Revenue	Debt Service	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 14,907,349	\$ -	\$ 1,670,200	\$ 2,484,273	\$ 19,061,822
Receivables, net					
Interfund receivables	335,164				335,164
Taxes-current	49,142				49,142
Accounts		28,734		1,043	29,777
Intergovernmental-federal		860,425			860,425
Total assets	15,291,655	889,159	1,670,200	2,485,316	20,336,330
LIABILITIES					
Accounts payable	56,204	351,572		6,682	414,458
Interfund payable		335,164			335,164
Unearned revenue		202,423			202,423
Total liabilities	56,204	889,159	-	6,682	952,045
FUND BALANCE					
Restricted			1,670,200	2,478,634	4,148,834
Unassigned	15,235,451				15,235,451
Total fund balance	15,235,451	-	1,670,200	2,478,634	19,384,285
TOTAL LIABILITIES AND FUND BALANCE	\$ 15,291,655	\$ 889,159	\$ 1,670,200	\$ 2,485,316	\$ 20,336,330

See the accompanying notes to the financial statements.

Somerset Independent School District
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
June 30, 2023

Fund balances-total governmental funds	\$	19,384,285
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		27,750,903
Costs associated with bond issues and refundings are expensed in the fund financial statements because they are a use of current financial resources but are capitalized on the statement of net position using the economic resources focus		13,820
Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, accrued interest payable, other accounts payable, and net pension obligations) are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued interest payable		(101,992)
Bonds payable		(17,133,690)
Finance purchase obligations		(269,773)
Sick leave liability		(52,596)
Net pension liability		(5,143,909)
Net OPEB liability		(5,419,035)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows related to OPEB		3,344,186
Deferred inflows related to OPEB		(2,653,016)
Deferred outflows related to pensions		1,431,185
Deferred inflows related to pensions		(851,602)
		(851,602)
Net position of governmental activities	\$	<u>20,298,766</u>

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2023

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
From local sources					
Taxes					
Property	\$ 5,324,685	\$ -	\$ -	\$ 844,658	\$ 6,169,343
Motor vehicle	437,924				437,924
Utility	977,976				977,976
Tuition	33,542				33,542
Earnings on investments	685,150	3,051	35,847	57,493	781,541
Student activities				390,569	390,569
Other local revenue	34,853	143,274		58,523	236,650
Intergovernmental - state	11,499,983	797,139	172,707	827,545	13,297,374
Intergovernmental - federal	79,046	3,544,398	158,539		3,781,983
Total revenues	<u>19,073,159</u>	<u>4,487,862</u>	<u>367,093</u>	<u>2,178,788</u>	<u>26,106,902</u>
EXPENDITURES					
Instruction	10,711,527	3,356,554		450,330	14,518,411
Support services					
Student	654,998	68,321		659	723,978
Instructional staff	606,719	239,551		26,464	872,734
District administration	562,584				562,584
School administration	1,102,027				1,102,027
Business	484,080				484,080
Plant operation & maintenance	2,097,577	342,834			2,440,411
Student transportation	641,727	161,808		109	803,644
Community services		350,261			350,261
Debt service	380,597		1,377,954		1,758,551
Building improvement				383,686	383,686
Total expenditures	<u>17,241,836</u>	<u>4,519,329</u>	<u>1,377,954</u>	<u>861,248</u>	<u>24,000,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,831,323	(31,467)	(1,010,861)	1,317,540	2,106,535
OTHER FINANCING SOURCES (USES)					
Finance purchase proceeds	47,040				47,040
Operating transfers in		31,467	1,196,378		1,227,845
Operating transfers (out)	(31,467)			(1,196,378)	(1,227,845)
Total other financing sources and (uses)	<u>15,573</u>	<u>31,467</u>	<u>1,196,378</u>	<u>(1,196,378)</u>	<u>47,040</u>
NET CHANGE IN FUND BALANCE	1,846,896	-	185,517	121,162	2,153,575
FUND BALANCE-BEGINNING	<u>13,388,555</u>	<u>-</u>	<u>1,484,683</u>	<u>2,357,472</u>	<u>17,230,710</u>
FUND BALANCE-ENDING	<u>\$ 15,235,451</u>	<u>\$ -</u>	<u>\$ 1,670,200</u>	<u>\$ 2,478,634</u>	<u>\$ 19,384,285</u>

See the accompanying notes to the financial statements.

Somerset Independent School District
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
Statement of Activities**
Year ended June 30, 2023

Net change in fund balances-total governmental funds	\$	2,153,575
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
District pension contributions less costs of benefits earned net employee contributions		65,756
Governmental funds report district OPEB contributions as expenditures. However in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as pension expense.		
District OPEB contributions less costs of benefits earned net employee contributions		(79,525)
Bonds sold at a discount/premium is recorded as a other financing use on the fund financial statements but is netted against bond obligations and amortized to expense over the life of the bond in the statement of net position.		(15,216)
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.		(959,339)
The difference in the issue amount of the refunding of bond proceeds and the amount for payment to the escrow account to pay the refunded bonds is amortized over the life of the refunding issue.		(12,299)
Bond and finance purchase payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.		1,156,250
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Accrued interest payable		(258)
Noncurrent sick leave payable		335,000
		335,000
Change in net position of governmental activities	\$	2,643,944

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
General Fund
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Taxes				
Property	\$ 4,881,154	\$ 4,881,154	\$ 5,324,685	\$ 443,531
Motor vehicle	200,000	200,000	437,924	237,924
Utilities	754,208	754,208	977,976	223,768
Tuition	35,000	35,000	33,542	(1,458)
Earnings on investments	20,402	20,402	685,150	664,748
Other local revenue	10,711	10,711	34,853	24,142
Intergovernmental - state	5,159,813	5,159,813	11,499,983	6,340,170
Intergovernmental - federal	22,442	22,442	79,046	56,604
Total revenues	<u>11,083,730</u>	<u>11,083,730</u>	<u>19,073,159</u>	<u>7,989,429</u>
EXPENDITURES				
Instruction	8,786,431	8,786,431	10,711,527	(1,925,096)
Support services				
Student	532,074	532,074	654,998	(122,924)
Instructional staff	470,517	470,517	606,719	(136,202)
District administration	1,067,595	1,067,595	562,584	505,011
School administration	754,488	754,488	1,102,027	(347,539)
Business	512,399	512,399	484,080	28,319
Plant operation & maintenance	3,807,020	3,807,020	2,097,577	1,709,443
Student transportation	963,603	963,603	641,727	321,876
Debt service	375,002	375,002	380,597	(5,595)
Total expenditures	<u>17,269,129</u>	<u>17,269,129</u>	<u>17,241,836</u>	<u>27,293</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	(6,185,399)	(6,185,399)	1,831,323	8,016,722
OTHER FINANCING SOURCES (USES)				
Finance purchase proceeds			47,040	47,040
Operating transfers out	(5,400,000)	(5,400,000)	(31,467)	5,368,533
Total other financing sources and (uses)	<u>(5,400,000)</u>	<u>(5,400,000)</u>	<u>15,573</u>	<u>5,415,573</u>
NET CHANGE IN FUND BALANCE	(11,585,399)	(11,585,399)	1,846,896	13,432,295
FUND BALANCE BEGINNING	<u>12,800,000</u>	<u>12,800,000</u>	<u>13,388,555</u>	<u>588,555</u>
FUND BALANCE-ENDING	<u>\$ 1,214,601</u>	<u>\$ 1,214,601</u>	<u>\$ 15,235,451</u>	<u>\$ 14,020,850</u>

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Special Revenue Fund
Year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
From local sources				
Earnings on investments	\$ -	\$ -	\$ 3,051	\$ 3,051
Other local revenue	57,589	130,145	143,274	13,129
Intergovernmental - state	607,249	829,212	797,139	(32,073)
Intergovernmental - federal	1,749,823	1,847,732	3,544,398	1,696,666
Total revenues	<u>2,414,661</u>	<u>2,807,089</u>	<u>4,487,862</u>	<u>1,680,773</u>
EXPENDITURES				
Instruction	1,907,945	2,245,598	3,356,554	(1,110,956)
Support services				
Student	50,595	50,595	68,321	(17,726)
Instructional staff	204,049	261,136	239,551	21,585
Plant operation & maintenance	22,500	22,500	342,834	(320,334)
Student transportation	25,661	25,661	161,808	(136,147)
Community services operations	203,911	204,310	350,261	(145,951)
Total expenditures	<u>2,414,661</u>	<u>2,809,800</u>	<u>4,519,329</u>	<u>(1,709,529)</u>
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES	-	(2,711)	(31,467)	(28,756)
OTHER FINANCING SOURCES (USES)				
Operating transfers in			31,467	31,467
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>31,467</u>	<u>31,467</u>
NET CHANGE IN FUND BALANCE	-	(2,711)	-	2,711
FUND BALANCE-BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE-ENDING	<u>\$ -</u>	<u>\$ (2,711)</u>	<u>\$ -</u>	<u>\$ 2,711</u>

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Net Position
Proprietary Funds
June 30, 2023

	Enterprise Funds			
	School Food Services	Child Care	Athletic Facility	Total
ASSETS				
Cash and cash equivalents	\$ 506,279	\$ 171,360	\$ 2,932	\$ 680,571
Inventories	40,140			40,140
Capital assets:				
Other capital assets, net of depreciation	158,340			158,340
Total assets	704,759	171,360	2,932	879,051
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	36,483	328		36,811
Deferred outflows related to OPEB	52,299	229		52,528
Total deferred outflows of resources	88,782	557	-	89,339
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	793,541	171,917	2,932	968,390
LIABILITIES				
Accounts payable	13,000	1,180	2,932	17,112
Net pension liability	187,973	1,179		189,152
Net OPEB liability	51,307	322		51,629
Total liabilities	252,280	2,681	2,932	257,893
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	31,120	195		31,315
Deferred inflows related to OPEB	29,710	186		29,896
Total deferred inflows of resources	60,830	381	-	61,211
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	313,110	3,062	2,932	319,104
NET POSITION				
Net Investment in capital assets	158,340	-	-	158,340
Restricted	322,091	168,855		490,946
Total net position	480,431	168,855	-	649,286
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 793,541	\$ 171,917	\$ 2,932	\$ 968,390

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2023

	Enterprise Funds			
	School Food Services	Child Care	Athletic Facility	Total
OPERATING REVENUES				
Lunchroom sales	\$ 103,538	\$ -	\$ -	\$ 103,538
Child care		91,089		91,089
Athletic facilities			87,138	87,138
Total operating revenues	<u>103,538</u>	<u>91,089</u>	<u>87,138</u>	<u>281,765</u>
OPERATING EXPENSES				
Food service operations				
Salaries and benefits	709,945			709,945
Operational	639,148			639,148
Day care operations				
Salaries and benefits		(42,962)		(42,962)
Operational		6,793		6,793
Athletic facilities				
Community services			87,138	87,138
Depreciation	23,813			23,813
Total operating expenses	<u>1,372,906</u>	<u>(36,169)</u>	<u>87,138</u>	<u>1,423,875</u>
Operating income (loss)	(1,269,368)	127,258	-	(1,142,110)
NONOPERATING REVENUES (EXPENSES)				
Federal grants	1,094,947	4,119		1,099,066
State grants	231,497			231,497
Earnings from investments	18,013			18,013
Total nonoperating revenues (expenses)	<u>1,344,457</u>	<u>4,119</u>	<u>-</u>	<u>1,348,576</u>
CHANGE IN NET POSITION	75,089	131,377	-	206,466
NET POSITION-BEGINNING	<u>405,342</u>	<u>37,478</u>	<u>-</u>	<u>442,820</u>
NET POSITION-ENDING	<u>\$ 480,431</u>	<u>\$ 168,855</u>	<u>\$ -</u>	<u>\$ 649,286</u>

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

Enterprise Funds

	School Food Services	Child Care	Athletic Facility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 103,538	\$ 91,089	\$ 87,138	\$ 281,765
Payments to suppliers	(592,747)	(52,847)		(645,594)
Payments to employees	(709,945)	42,962	(84,716)	(751,699)
Net cash provided (used) by operating activities	<u>(1,199,154)</u>	<u>81,204</u>	<u>2,422</u>	<u>(1,115,528)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants and contributions	1,326,444	4,119	-	1,330,563
Net cash provided (used) by noncapital financing activities	<u>1,326,444</u>	<u>4,119</u>	<u>-</u>	<u>1,330,563</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	18,013	-	-	18,013
Net cash provided (used) by investing activities	<u>18,013</u>	<u>-</u>	<u>-</u>	<u>18,013</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	145,303	85,323	2,422	233,048
CASH AND CASH EQUIVALENTS-BEGINNING	360,976	86,037	510	447,523
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 506,279</u>	<u>\$ 171,360</u>	<u>\$ 2,932</u>	<u>\$ 680,571</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,269,368)	\$ 127,258	\$ -	\$ (1,142,110)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	23,813	-	-	23,813
Changes in assets and liabilities:				
Inventories	(9,157)			(9,157)
Outflow Deferrals	(30,724)	20,583		(10,141)
Inflow Deferrals	14,194	(4,433)		9,761
Net pension liability	53,320	(45,989)		7,331
Net OPEB liability	10,939	(15,878)		(4,939)
Accrued liabilities	7,829	(337)	2,422	9,914
Net cash provided provided (used) by operating activities	<u>\$ (1,199,154)</u>	<u>\$ 81,204</u>	<u>\$ 2,422</u>	<u>\$ (1,115,528)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the district received \$82,664 of food commodities from the U.S. Department of Agriculture.

During the year, the district recognized revenues and expenses for on-behalf payments relating to fringe benefits in the amount of \$222,858 for food services provided by state government.

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	Private Purpose Trust
ASSETS	
Investments	\$ <u>32,737</u>
Total assets	<u><u>32,737</u></u>
NET POSITION	
Net position - Held in trust	<u>32,737</u>
Total net position (held in trust)	\$ <u><u>32,737</u></u>

See the accompanying notes to the financial statements.

Somerset Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund

Year ended June 30, 2023

		Private Purpose Trust
ADDITIONS		
Interest on investments	\$	681
Donations		8,500
Total additions		<u>9,181</u>
DEDUCTIONS		
Community services		<u>9,000</u>
Total deductions		<u>9,000</u>
INCOME BEFORE CONTRIBUTIONS TRANSFERS AND SPECIAL ITEMS		<u>9,181</u>
CHANGE IN NET POSITION		<u>181</u>
PRIOR YEAR NET POSITION		<u>32,556</u>
NET POSITION (held in trust)	\$	<u><u>32,737</u></u>

See the accompanying notes to the financial statements.

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

Blended Component Unit:

Somerset Independent Board Of Education Finance Corporation

The Board authorized establishment of the Somerset Independent Board Of Education Finance Corporation a non-stock, non-profit corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the “Corporation”) to act as an agency of the District for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Somerset Independent Board of Education.

Basis of Presentation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

The District has the following funds:

I. Governmental Fund Types

(A) General Fund

The General Fund is the main operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

(B) Special Revenue (Grant) Fund

The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources (other than expendable trust funds or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

(C) Special Revenue (Student Activity) Fund

Special Revenue (Student Activity) Fund accounts for activities of student groups and other types of activities requiring clearing accounts.

(D) Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).

SEEK Capital Outlay Fund

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

Building (FSPK) Fund

The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy that is 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.

Construction Fund

The Construction Fund accounts for proceeds from sale of bonds and other revenues to be used for authorized construction and/or remodeling.

(E) Debt Service Fund

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

II. Proprietary Funds (Enterprise Funds)

(A) Food Service Fund

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(B) Day Care Fund

The Day Care Fund is used to account for child care activities.

III. Fiduciary Funds Types

Private Purpose Trust

Private Purpose Trusts are maintained within MUNIS and account for revenues generated by trusts set up to benefit specific of students in Somerset Independent.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Prepaid Assets

Payments made that will benefit periods beyond the fiscal period end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and expenditure/expense is reported in the year in which services are consumed.

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 government funds. These assets are reported in the government activities column of the government-wide financial statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

Land and construction in progress are not depreciated. The other property, plant and equipment of the district are depreciated using the straight-line method over the following estimated useful lives:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Accrued Liabilities and Long-Term Obligations

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

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

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 the 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.

Fund Balances

Fund balance is divided into five categories as defined by GASB 54 as follows:

- Non-spendable: Permanently non-spendable by decree of the donor, such as an endowment, or funds that are not in a spendable form, such as prepaid expenses or inventory on hand.
- Restricted Legally restricted under legislation, bond authority, or grantor contract.
- Committed Commitments of future funds for specific purposes passed by the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Assigned	Funds that are intended by management to be used for a specific purpose, including encumbrances.
Unassigned	Funds available for any purpose; unassigned amounts are reported only in the General Fund unless a fund has a deficit.

The Board has adopted a GASB 54 spending policy which states that the spending order of funds is to first use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

Net Position

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net position are reported in three categories: 1) invested in capital assets net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of the assets; 2) restricted net position – resulting from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation adopted by the School District; 3) unrestricted net position – those assets that do not meet the definition of restricted net position or invested in capital assets. It is the District's policy to first apply restricted net position and then unrestricted net position when an expense is incurred for which both restricted and unrestricted net position are available.

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2023, to finance the General Fund operations were \$.787 per \$100 valuation of real property, \$.787 per \$100 valuation for business personal property and \$.568 per \$100 valuation for motor vehicles.

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

Operating and Non-Operating Revenues and Expenses

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

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

In-Kind

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal and state administered funding on various grants. The amount of such services and donated commodities are recorded in the accompanying financial statements at their estimated fair market values.

Contributions of Capital

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

Inter-fund Receivables/Payables

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

Inter-fund Transfers

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the appropriate period. The District reports three types of deferred outflows – contributions to the CERS’s pension and OPEB plans after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows related to the net difference projected and actual earnings on pension and OPEB plan investments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

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

Bond and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

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

Budgetary Process

The District prepares its budgets on the modified accrual basis of accounting, which is the same basis as used to prepare the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. The Kentucky Department of Education does not require the Capital Project Funds and Debt Service Funds to prepare budgets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The District's Special Revenue Fund exceeded budgeted appropriations by \$1,709,529.

New Accounting Pronouncements

GASB Statement No. 96-In May, 2020, the GASB issued Statement No. 96, *Subscription-based information Technology Arrangements*. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government and users (governments). The Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 99-In April, 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective on various dates, but no later than reporting periods beginning after June 15, 2023.

GASB Statement No. 94-In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Statement is effective for reporting periods beginning after June 15, 2022.

There is no effect on current year financial statements for newly adopted accounting pronouncements.

Effective in Future Years:

The District is currently evaluating the potential impact of the following issued, but not yet effective, accounting standards:

GASB Statement No. 101- In June, 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for reporting periods beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100- In June, 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement is effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTE B – CASH AND CASH EQUIVALENTS

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year end the District's bank balances were fully collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents was \$19,742,393. The bank balance for the same time was \$19,999,345.

Due to the nature of the accounts and certain limitations imposed on the use of funds, each bank account within the following funds is considered to be restricted: SEEK Capital Outlay Fund, Facility Support Program (FSPK/Building) Fund, special Revenue (Grant Fund), Debt Service Fund, School Construction Fund, School Food Service Fund, and School Activity Fund.

NOTE C – CAPITAL ASSETS

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

See schedule on next page

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<u>Governmental Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Land-nondepreciable	\$ 825,337	\$ -	\$ -	\$ 825,337
Construction in progress-nondepreciable	1,473,053	383,686	1,560,320	296,419
Land improvements	5,547,334	1,560,320	-	7,107,654
Buildings	36,653,952	-	-	36,653,952
Technology	1,907,976	-	-	1,907,976
Vehicles	1,725,393	-	62,637	1,662,756
General equipment	442,971	18,864	-	461,835
Total at historical cost	\$ <u>48,576,016</u>	\$ <u>1,962,870</u>	\$ <u>1,622,957</u>	\$ <u>48,915,929</u>
Less: Accumulated depreciation				
Land improvements	\$ 1,640,371	\$ 176,447	\$ -	\$ 1,816,818
Buildings	14,721,020	1,077,991	-	15,799,011
Technology	1,876,273	31,703	-	1,907,976
Vehicles	1,429,217	56,529	62,637	1,423,109
General equipment	245,933	19,219	-	265,152
Total accumulated depreciation	\$ <u>19,912,814</u>	\$ <u>1,361,889</u>	\$ <u>62,637</u>	\$ <u>21,212,066</u>
Finance Purchases				
General equipment	\$ -	\$ 47,040	\$ -	\$ 47,040
Less: Accumulated depreciation	-	-	-	-
Finance Purchases-net	\$ <u>-</u>	\$ <u>47,040</u>	\$ <u>-</u>	\$ <u>47,040</u>
<u>Governmental Activities</u>				
Capital Assets-net	\$ <u>28,663,202</u>	\$ <u>648,021</u>	\$ <u>1,560,320</u>	\$ <u>27,750,903</u>
<u>Business-Type Activities</u>	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Buildings	\$ 169,156	\$ -	\$ -	\$ 169,156
Technology	15,846	-	-	15,846
General equipment	415,238	-	-	415,238
Total at historical cost	\$ <u>600,240</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>600,240</u>
Less: Accumulated depreciation				
Buildings	\$ 95,989	\$ -	\$ -	\$ 95,989
Technology	5,185	-	-	5,185
General equipment	316,913	23,813	-	340,726
Total accumulated depreciation	\$ <u>418,087</u>	\$ <u>23,813</u>	\$ <u>-</u>	\$ <u>441,900</u>
<u>Business-Type Activities</u>				
Capital Assets-net	\$ <u>182,153</u>	\$ <u>(23,813)</u>	\$ <u>-</u>	\$ <u>158,340</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE D – LONG TERM DEBT OBLIGATIONS

Bonds

The amount shown in the accompanying financial statements as bonded debt and lease obligations represent the District’s future obligations to make payments relating to the bonds issued by the Somerset Independent School District Finance Corporation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The bonds payable are collateralized by education facilities constructed by the District with bond proceeds. Bondholders are protected against default by a mechanism whereby the Commonwealth of Kentucky would withhold state SEEK payments and remit required debt service payments directly to the debt service paying agent. All bonds are subject to federal arbitrage regulations.

The original amount of outstanding issues, the issue dates, interest rates, maturity dates, and outstanding balances, at June 30, 2023, are summarized below:

Bond Issue	Original Amount	Maturity Date	Interest Rates	2022			2023
				Outstanding Balance	Additions	Retirements	Outstanding Balance
2007	\$ 577,000	1/1/2027	4%	\$ 189,000	\$ -	\$ 35,000	\$ 154,000
2012R	1,535,000	6/1/2024	2.50%	150,000	-	145,000	5,000
2012 QZAB	4,532,163	12/1/2035	3.7%	4,532,163	-	-	4,532,163
2013	3,730,000	10/1/2033	2.35-3.9%	3,100,000	-	175,000	2,925,000
2015	3,960,000	6/1/2035	2.5-3.5%	3,285,000	-	205,000	3,080,000
2016R	615,000	5/1/2030	2.6%	465,000	-	30,000	435,000
2018	6,475,000	4/1/2038	3-3.4%	5,750,000	-	210,000	5,540,000
2019	1,810,000	5/1/2025	2%	930,000	-	305,000	625,000
				18,401,163	-	1,105,000	17,296,163
		Add: Premium		-	-	-	-
		Less: Discount		(177,689)	-	(15,216)	(162,473)
				<u>\$ 18,223,474</u>	<u>\$ -</u>	<u>\$ 1,089,784</u>	<u>\$ 17,133,690</u>

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

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to 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 Ended June 30th	Principal		Interest		Principal Total	Interest Total
	Local	SFCC	Local	SFCC		
2024	\$ 1,015,508	\$ 65,492	\$ 385,324	\$ 16,230	\$ 1,081,000	\$ 401,554
2025	1,039,301	68,699	359,966	13,981	1,108,000	373,948
2026	744,019	69,981	333,209	11,619	814,000	344,829
2027	767,647	73,353	310,687	9,209	841,000	319,896
2028	792,200	32,800	287,097	6,681	825,000	293,779
2029-2033	4,346,053	108,947	1,039,756	21,055	4,455,000	1,060,811
2034-2038	6,101,447	2,070,716	336,157	7,984	8,172,163	344,140
	<u>\$ 14,806,175</u>	<u>\$ 2,489,988</u>	<u>\$ 3,052,197</u>	<u>\$ 86,760</u>	<u>\$ 17,296,163</u>	<u>\$ 3,138,956</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Finance Purchases

The following is an analysis of the financed property under financed purchases by class:

Finance Purchases <u>KISTA Issue</u>	Original <u>Amount</u>	Maturity <u>Date</u>	Interest <u>Rates</u>	2022			2023
				Outstanding <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Outstanding <u>Balance</u>
2014	\$ 123,490	3/1/2024	2-3%	\$ 22,682	\$ -	\$ 11,161	\$ 11,521
2016	136,762	3/1/2026	2-2.625%	53,385	-	14,077	39,308
2019	106,234	3/1/2029	3%	73,215	-	10,464	62,751
2021	141,910	3/1/2031	1.25%	124,701	-	15,548	109,153
Copier	47,040	6/12/2028	5%	-	47,040	-	47,040
Totals				<u>\$ 273,983</u>	<u>\$ 47,040</u>	<u>\$ 51,250</u>	<u>\$ 269,773</u>

The following is a schedule by years of the future minimum payments under finance purchases together with the present value of the net minimum payments as of June 30, 2023:

<u>Fiscal Year Ended June 30th</u>	<u>Principal Local</u>	<u>Interest Local</u>	<u>Total</u>
2024	\$ 58,910	\$ 6,810	\$ 65,720
2025	46,147	5,212	51,359
2026	47,437	3,946	51,383
2027	35,832	2,619	38,451
2028	33,549	1,587	35,136
2029-2033	47,898	1,363	49,261
	<u>\$ 269,773</u>	<u>\$ 21,536</u>	<u>\$ 291,309</u>

Total minimum payments	\$ 291,309
Less: Amount representing interest	<u>(21,536)</u>

Present Value of Net Minimum Payments	\$ <u>269,773</u>
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In order to secure the payment of all of the Board's obligations under a KISTA Lease, the Board grants to KISTA a security interest constituting a first lien on the Equipment and on all additions, attachments, accessories, and substitutions thereto, and on all proceeds therefrom. In the Event of Default, title to the Equipment shall immediately vest in KISTA, and the Board will immediately surrender possession of the Equipment to KISTA or to KISTA's order; by the execution of this Lease the Board agrees upon demand by KISTA or the Second Trustee, and without order of court, to execute a bill of sale or such other instrument as may be required in favor of KISTA or the Second Trustee in order to permit liquidation of the equipment in an Event of Default by the Board.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Accumulated Sick Leave

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. The activity during fiscal year 2023 for accumulated sick leave is as follows:

	<u>2022</u> <u>Outstanding</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u> <u>Outstanding</u> <u>Balance</u>
Sick Leave	\$ 387,597	\$ -	\$ 335,001	\$ 52,596

Net Pension & OPEB Liability

The net pension liability is \$5,143,909 for governmental activities and \$189,152 for business-type activities for a total of \$5,333,061 as of June 30, 2023 (See Note E for additional information). The net OPEB liability is \$5,419,035 for governmental activities and \$51,629 for business-type activities for a total of \$5,470,664 as of June 30, 2023 (See Note F for additional information).

A summary of activity in bond obligations and other debts is as follows:

<u>Description</u>	<u>2022</u> <u>Outstanding</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>2023</u> <u>Outstanding</u> <u>Balance</u>	<u>Amount Due</u> <u>in One Year</u>
Bonds, Net of Premium and Discount	\$ 18,223,474	\$ -	\$ 1,089,784	\$ 17,133,690	\$ 1,081,000
Finance Purchases	273,983	47,040	51,250	269,773	58,910
Sick Leave	387,597	-	335,001	52,596	-
Net Pension Liability	5,051,598	281,463	-	5,333,061	-
Net OPEB Liability	4,057,493	1,413,171	-	5,470,664	-
Totals	<u>\$ 27,994,145</u>	<u>\$ 1,741,674</u>	<u>\$ 1,476,035</u>	<u>\$ 28,259,784</u>	<u>\$ 1,139,910</u>

NOTE E – RETIREMENT PLANS

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

Teachers Retirement System Kentucky (TRS)

Retirement Annuity Trust

Plan description

Teaching-certified employees of the Kentucky School District are provided pensions through the Teachers’ Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

TRS issues a publicly available financial report that can be obtained at <http://www.trs.ky.gov/financial-reports-information>.

Benefits provisions

For Members before July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly benefits, payable for life, members must either:

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

Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

For Members On or After July 1, 2008: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete 5 years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to : (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% 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) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For Members on and after January 1, 2022:

Condition for Retirement Attainment of age 57 and 10 years of service or attainment of age 65 And 5 years of service.

Amount of Allowance

Foundational Benefit The annual foundational benefit for members is equal to service Times a multiplier times final average salary.

		Years of Service						
Age	5-9.99		10-19.99		20-29.99		30 or More	
57-60	-	%	1.70	%	1.95	%	2.20	%
61	-	%	1.74	%	1.99	%	2.24	%
62	-	%	1.78	%	2.03	%	2.28	%
63	-	%	1.82	%	2.07	%	2.32	%
64	-	%	1.86	%	2.11	%	2.36	%
65 and over	1.90	%	1.90	%	2.15	%	2.40	%

The annual foundational benefit is reduced by 6% per year from the Earlier of age 60 on the date the member would have completed 30 Years of service.

Supplemental Benefit

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 annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later Date.

Disability Retirement Allowance

Condition for Allowance

Totally and permanently incapable of being employed as a teacher and under age 60 but after completing 5 years of service

Amount of Allowance

The disability allowance is equal to the greater of the service Retirement allowance or 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of the disability or 5 years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, he will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

Benefits Payable on Separation
From Service

Any member who ceases to be in service is entitled to receive his Contributions with allowable interest. A member who has completed 5 years of creditable service and leaves his contributions with the System may be continued in the membership of the System after separation from service, and file application for service retirement after the attainment of age 60.

Life Insurance

A separate Life Insurance fund has been created as June 30, 2000 to pay benefits on behalf of deceased TRS active and retired members.

Death Benefits

A surviving spouse of an active member with less than 10 years of Service may elect to receive an annual allowance of \$2,880 except that if income from other sources exceeds \$6,600 per year the annual allowance will be \$2,160. A surviving spouse of an active member with 10 or more years of service may elect to receive an allowance which is the actuarial equivalent of the allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have been eligible for service retirement and will be payable during the life of the spouse.

If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies:

Number of Children	Annual Allowance
1	\$ 2,400
2	\$ 4,080
3	\$ 4,800
4 or more	\$ 5,280

The allowances are payable until a child attains age 18, or age 23 if A Full-time student.

If the member has no eligible survivor, a refund of his accumulated Contributions is payable to his estate.

Options

In lieu of the regular Option 1, a retirement allowance payable in the Form of a life annuity with refundable balance, any member before Retirement may elect to receive a reduced allowance which is Actuarially equivalent to the full allowance, in one of the following forms:

Option 2. A single life annuity payable during the member's lifetime with payments for 10 years certain.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Option 3. At the death of the member his allowance is continued Throughout the life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member

Under Option 3, the member's benefit will revert to what would have been paid had he not selected an option.

Option 4. At the death of the member one half of his allowance is Continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member

Under Option 4, the member's benefit will revert to what would have been paid had he not selected an option.

Post-Retirement Adjustments The retirement allowance of each retired member and of each Beneficiary shall be increased by 1.5% each July 1.

Member Contributions

Members before 1/1/2022 9.105% of salary to the Retirement System.

Members on and after 1/1/2022 9% of salary to the Retirement System and an additional 2% of salary to the supplemental benefit account. Employers also contributes 2%.

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Employees are required to contribute 12.855% of their salaries to the system effective July 1, 2015. The state, as a non-employer contributing entity, pays matching contributions in the amount of 13.105% of salaries for local school district employees hired before July 1, 2008 and 14.105% for those who joined thereafter. Contributions for local school district employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

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

At June 30, 2023 the District did not report a liability for the District's proportionate share of the net pension liability, pension expense, and deferred inflows and outflows of resources because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The net pension liability that was associated with the District follows.

TRS

State's proportionate share of the TRS net pension liability associated with the District	\$ 37,906,183
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 June 30, 2022. The District's proportion of the net pension liability was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.2237%.

Actuarial Methods and Assumptions

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2021
Prior Measurement Date	June 30, 2021
Measurement Date	June 30, 2022
Reporting Date	June 30, 2023
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate Prior	7.10%
Single Equivalent Interest Rate at Measurement Date	7.10%
Municipal Bond Index Rate Prior	2.13%
Municipal Bond Index Rate at Measurement Date	3.37%
Projected Salary Increase	3.0-7.5%, including inflation
Long-Term Expected Rate of Return	7.10

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

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

Target Allocations

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

Asset Class	Target Allocation	Long-Term Expected Rates of Return
Large Cap US Equity	37.4 %	4.2 %
Small Cap Equity	2.6 %	4.7 %
Developed International Equity	16.5 %	5.3 %
Emerging Markets Equity	5.5 %	54.4 %
Fixed Income	15.0 %	-0.1 %
High Yield Bonds	2.0 %	1.7 %
Other Additional Categories	5.0 %	2.2 %
Real Estate	7.0 %	4.0 %
Private Equity	7.0 %	6.9 %
Cash	2.0 %	-0.3 %
Total	100 %	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate 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 (ADC) rates for all future fiscal years. 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 net pension liability of the Commonwealth associated with the District, calculated using the discount rate of 7.10%, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

TRS	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
State's proportionate share of net pension liability	\$ 39,036,859	\$ 37,906,183	\$ 20,445,558

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.TRS.ky.gov/>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

County Employees Retirement System

Non-Hazardous

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 and overseen by the Kentucky Public Pensions Authority (KPPA). The plan covers substantially all regular full-time members employed in non-hazardous duty positions of the school board. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (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:

Tier I plan is provided by members, who contribute 5.00% of their creditable compensation.

Tier II plan members hired after September 1, 2008 contribute 6.00% of their creditable compensation. Further, 1% of these contributions are deposited to an account created for the payment of health insurance benefits.

Tier III plan members, who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. That plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Employee contributions to the plan are the same as the Tier II contributions. Tier III member accounts are also credited with an employer pay credit in the amount of 4% of the member’s creditable compensation.

For the year ending June 30, 2023, employers were required to contribute 26.95% of the member’s salary, 22.78% pension and 4.17% for insurance. The District contributed \$551,988 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

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 on an actuarial valuation as of that date. The District’s proportion of the net pension liability, \$5,333,060 was based on contributions to CERS during the fiscal year ended June 30, 2022. The District’s proportion was 0.073773%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Deferred Inflows and Outflows of Resources, and Pension Expense included in the Schedule of Pension Amounts 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 does not include deferred outflow/inflows of resources for changes in the employer's proportionate share of contribution or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2023, is based on the June 30, 2022, 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.

The District recognized pension revenue of \$60,412 and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows.

CERS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,702	\$ 47,493
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	725,670	588,949
Changes in proportion and differences between District contributions and proportionate share of contributions	232,357	246,475
District contributions subsequent to the measurement date	<u>520,083</u>	<u>-</u>
	<u>\$ 1,483,812</u>	<u>\$ 882,917</u>

The \$520,083 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>Year Ended June 30,</u>
Year 1	\$ 75,196
Year 2	(101,071)
Year 3	(44,816)
Year 4	<u>151,503</u>
	<u>\$ 80,812</u>

Actuarial Valuation

KPPA's actuary, Gabriel, Roeder, Smith & Co., completed the actuarial valuation for the calculation of the employer contribution rates for CERS and the Insurance Fund for the period ended June 30, 2022.

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience every 5 years. In general, the assumptions and methods, used in the June 30, 2022 valuation are based on the most recent actuarial experience study for the five year period ending June 30, 2018.

1. Actuarial Cost Method-prepared using the entry age normal cost (EANC) method as required by state statute.
2. UAAL Amortization Method-the actuarial liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization.
3. Asset Valuation Method- recognizes a portion of the difference between the market value of assets and the expected market value of assets.
4. Retiree Insurance Funding Policy-calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 20-year amortization bases.
5. Investment Return Assumption-the future investment earnings of plan assets are assumed to accumulate at a rate of 6.25% per annum.
6. Salary Increase Assumptions-member's salaries are assumed to increase, price inflation component is 2.3%, and productivity component is 1%.
7. Health Care Cost Trend Rate-medical premiums are assumed to increase in 2024 at 6.2% for Non-Medicare Plans, and 9% for Medicare Plans.
8. Payroll Growth Assumption-the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll is assumed to increase at a rate of 0%.
9. Retiree Cost of Living Adjustments (COLA)-SB2 only allows the Cost of Living Adjustments to be awarded on a biennial basis.
10. Retirement Rate Assumptions-retirement ages for Males to retire range from 35%, Females 27%, under 45 years of age to 30% for Males age 70, Females 27%.
11. Mortality Assumptions-refer to the tables included in the KPPA's 2022 Annual Report.
12. Withdrawal Rates- the probability, or likelihood, of active member's terminating employment range from 20% with 1 year of service to 1.35% for 25 years of service.
13. Rates of Disablement-disability benefits to active members range from .04% probability near age 20 to 1.02% near age 60.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Assumption Changes Since Prior Valuation-in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the Medicare Plans was increased during the select period as a result of this review.

Discount rate

A single discount rate of 6.25% was used to measure the total pension liability for the fiscal year ending June 30, 2022. This single discount rate was based on the expected rate of return on pension plan investments.

Sensitivity of the District’s proportionate share of 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:

CERS	1% Decrease	Current Discount Rate	1% Increase
	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 6,665,663	\$ 5,333,060	\$ 4,230,887

The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the table below for CERS Pension and Insurance Funds:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50 %	4.45 %
Private Equity	10 %	10.15 %
Fixed Income		
Core Fixed Income	10 %	0.28 %
Specialty Credit	10 %	2.28 %
Cash	0 %	-0.91 %
Inflation Protected		
Real Estate	7 %	3.67 %
Real Return	13 %	4.07 %

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 publically available at <https://kyret.ky.gov>.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Payables to the pension plan

At June 30, 2023, there are no payables to CERS.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The District's employees participate in retirement systems of either TRS or CERS as described earlier. The following describes the other postemployment benefits for both systems.

TRS – General Information about the OPEB Plans

Health Insurance Trust (Medical Insurance Fund)

Plan description

In addition to the retirement annuity plan as described earlier, KRS 161.675 requires TRS to provide postemployment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4) (b).

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are eligible for Medicare, coverage is obtained through the TRS Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member's contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP. The member postemployment medical contribution is 3.75% of salary. The employer postemployment medical contribution is 0.75% of member salaries. Also, employers contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The District reported a liability of \$4,015,000 for its proportionate share of the collective net OPEB liability (NOL). The collective net OPEB liability was valued as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion was .161747%.

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

MIF		
District's proportionate share of TRS net OPEB liability	\$	4,015,000
State's proportionate share of the TRS net OPEB liability associated with the District		<u>1,319,000</u>
	\$	<u><u>5,334,000</u></u>

The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following.

MIF	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,688,000
Changes of assumptions	815,000	-
Net difference between projected and actual earnings on pension plan investments	213,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,186,000	152,000
District contributions subsequent to the measurement date	<u>131,815</u>	<u>-</u>
	\$ <u><u>2,345,815</u></u>	\$ <u><u>1,840,000</u></u>

The \$131,815 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MIF	Year Ended June 30,
Year 1	\$ (54,000)
Year 2	(46,000)
Year 3	(33,000)
Year 4	221,000
Year 5	197,000
Thereafter	89,000
	\$ 374,000

Actuarial Methods and Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation Date	June 30, 2021
Asset Valuation Method	Market Value of Assets
Price Inflation	2.5%
Payroll Growth	2.5% per annum
Salary Increase	2.75 per annum
Discount Rate	7.10%
Health Care Cost Trends	
Medicare Part B	6.97% at June 30, 2022, decreasing to an ultimate rate of 4.55% by June 30, 2034 and beyond.
Under Age 65	7% at June 30, 2020, decreasing to an ultimate rate of 4.5% by June 30, 2034 and beyond.
Age 65 and Older	5.125% at June 30, 2022 with an ultimate rate of 4.5% by June 30, 2034 and beyond.

Mortality rates were based on the Teachers Mortality Table, and set forward two years for males and multiplied by 102%. Rates for females are set forward 2 years and multiplied by 101%. Disabled male members are set forward 1 year and multiplied by 96%. Rates for female members are set back 2 years and multiplied by 94%.

Target Allocations

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation Percentage	30 Year Expected Geometric Real Rate of Return
Global Equity	58.00	5.10
Fixed Income	9.00	(0.10)
Real Estate	6.50	4.00
Private Equity	8.50	6.90
Additional Categories	17.00	2.20
Cash	1.00	(0.30)
Total	100.00	

Discount Rate

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 Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2021. In addition to 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 per member per month (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 contributions to the Health Insurance 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 health trust achieves a sufficient funded status, as determined by TRS’s actuary, the following health trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee Contributions
 - Employer 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 amount in the years if 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- 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 Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

The following table presents the net OPEB liability of the District, calculated using the discount rate of 7.10%, and what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

MIF	1% Decrease	Current Discount Rate	1% Increase
	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	\$ 5,038,000	\$ 4,015,000	\$ 3,169,000

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

MIF	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 3,010,000	\$ 4,015,000	\$ 5,266,000

Life Insurance Trust

Plan description and benefits provided

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The benefit is financed by actuarially determined contributions from the 207 participating employers. The benefit is \$5,000 for members who are retired for service or disability, and \$2,000 for active contribution members.

Note: Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.

Contributions

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

Net OPEB Liability

The District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District as follows:

LIF

State's proportionate share of the TRS net OPEB liability associated with the District	\$	66,000
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Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB, and set forward two years for males and one year for females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table set forward two years for males and seven years for females is used for the period after disability retirement.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2019 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, 2015.

The remaining actuarial assumptions used in the June 30, 2019, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation. The health

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

care cost trend rate assumption was updated for the June 30, 2019, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll forward while the change in initial per capital claims costs were included with experience in the TOL roll forward.

The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20 year Municipal Bond index pushed weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

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

Asset Class	Target Allocation Percentage	Expected Geometric Real Rate Percentage of Return
U.S. Equity	40.0	4.40
International Equity	23.0	5.6
Fixed Income	18.0	(.10)
Real Estate	6.0	4.0
Private Equity	5.0	6.9
Other Additional Categories	6.0	2.1
Cash	2.0	(0.3)
	<u>100.0</u>	

As the Life Trust investment policy is to change, the above reflects the pension allocation and returns that achieve the targeted 8.00% long-term rate of return.

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2021. In addition to 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 insurance 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 Insurance 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

- Active employees do not explicitly contribute to the plan.
- Cash flows occur mid-year.

Based on these assumptions, the Life Insurance Trust's fiduciary net position (FNP) was not projected to be depleted.

Revenue or Expenses for TRS OPEB plans

For the year ended June 30, 2023, the District recognized OPEB expense in the amount of \$147,328 for support provided on-behalf of the State.

CERS – General Information about the OPEB Plans

Employees' Health Plan

Plan description

The Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits. CERS Non-hazardous Insurance Plan is a cost-sharing multiple employer defined benefit Other Postemployment Benefits (OPEB) plan. The plan covers all regular full-time members employed in non-hazardous duty positions of the school board. OPEB may be extended to beneficiaries of plan members under certain circumstances.

Benefits provided

The Plan provides hospital and medical insurance for eligible members receiving benefits. The Insurance Fund will pay the cost of insurance premium for participating members prior to July 1, 2003 greater than 4 years of service, 25%, greater than 10 years of service, 50%, greater than 15 years of service, 75%, and greater than 20 years of service, 100%. For participating members after July 1, 2003 the benefit paid by the Insurance Fund is based on years of service the dollar amount per year of service is \$13.99 to be applied to the current cost premium.

Contributions

Requirements for medical benefits are a portion of the actuarially determined rates of covered payroll, as disclosed above. Current employees pay 1% toward the insurance fund.

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

The District reported a liability of \$1,455,664 for its proportionate share of the collective net OPEB liability which is .073760%.

Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedules of OPEB Amounts 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 Schedules of OPEB Amounts do not include deferred outflow/inflows of resources for changes in the employer's

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

proportionate share of contributions or employer contributions made subsequent to the measurement date. The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2021. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ended June 30, 2022, using generally accepted actuarial principles.

For the year ended June 30, 2023, the District recognized OPEB revenue of \$71,135. The District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources.

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 146,525	\$	333,817
Changes of assumptions	230,223		189,703
Net difference between projected and actual earnings on pension plan investments	271,060		211,978
Changes in proportion and differences between District contributions and proportionate share of contributions	104,276		107,414
District contributions subsequent to the measurement date	<u>282,999</u>		<u>-</u>
	\$ <u>1,035,083</u>	\$	<u>842,912</u>

The \$282,999 (includes \$230,517 Implicit Subsidy) reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the collective net OPEB liability for the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District’s OPEB expense as follows.

	<u>Year Ended June 30,</u>
Year 1	\$ 2,608
Year 2	(2,007)
Year 3	(79,032)
Year 4	<u>(12,397)</u>
	\$ <u>(90,828)</u>

Implicit Employer Subsidy for non-Medicare retirees- The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

employer subsidy for the non-Medicare eligible retirees. GASB 74 and 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

Changes of Benefit Terms

None

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting, the actuarial valuation as of June 30, 2022, was performed by Gabriel Roeder Smith (GRA). The total OPEB liability, net OPEB liability, and sensitivity information, were based on an actuarial valuation as of June 30, 2021. The total OPEB liability was rolled-forward from the valuation to the plan's fiscal year ending June 30, 2022, using the generally accepted actuarial principles.

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

Investment Rate of Return	6.25%
Inflation	2.3%
Payroll Growth Rate	2.0%
Salary Increases	3.3 to 10.3%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.4% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05% Over period of 14 years.
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.3% in 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years.
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.

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

Discount rate

Single discount rates of 5.7% were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are 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 on future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plans trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

The following table presents the Net OPEB Liability calculated using the discount rate of 5.7%, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Discount Rate	1% Increase
	4.70%	5.70%	6.70%
District's proportionate share of net OPEB liability	\$ 1,945,990	\$ 1,455,664	\$ 1,050,327

Health Care Trend Rate Sensitivity

The following presents the health care sensitivity rate of the District’s proportionate share of the net pension liability calculated using the discount rate of 5.7%, 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 (4.7%) or 1-percentage-point higher (6.7%) than the current rate:

CERS	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,082,254	\$ 1,455,664	\$ 1,904,059

OPEB plan fiduciary net position

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

NOTE G – COMMITMENTS

The District has commitments of \$15,325,022 as of June 30, 2023 for future construction projects.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE H - CONTINGENCIES

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

NOTE I - LITIGATION

The District has no pending or threatened litigation involving amounts exceeding \$10,000 individually or in the aggregate as of June 30, 2023.

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to illegal acts, torts, theft/damage/destruction of assets, errors and omissions, injuries to employees, and natural disasters. To obtain insurance for workers’ compensation, errors and omission, and general liability coverage, the District purchased commercial insurance policies.

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

NOTE L – DEFICIT FUND AND OPERATING BALANCES

The following funds had an operating deficit at the end of the fiscal year causing a reduction in the fund balance/net position.

<u>Fund</u>	<u>Change in Net Position/ Net Change in Fund Balance</u>	<u>Fund Balance/ Net Position</u>
Student Activity	\$ (18,733)	-
Food Service	\$ (335,930)	-

NOTE M – COBRA

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Operations	General Fund	Special Revenue	Operations	\$ 31,467
Debt Service	Capital Outlay	Debt Service	Debt Payments	149,839
Debt Service	Building Fund	Debt Service	Debt Payments	\$ 1,046,539

NOTE O – ON-BEHALF PAYMENTS

For fiscal year 2023, the Commonwealth of Kentucky contributed estimated payments on behalf of the District as follows:

<u>Plan/Description</u>	<u>Amount</u>
Kentucky Teachers Retirement System (GASB 68 &75)	\$ 3,534,111
Health Insurance	2,095,568
Life Insurance	2,892
Administrative Fee	23,100
HRA/Dental/Vision	89,775
Federal Reimbursement	(294,298)
Technology	96,361
SFCC Debt Service Payments	<u>172,707</u>
Total	\$ <u><u>5,720,216</u></u>

These amounts are included in the financial statements as state revenue and an expense allocated to the different functions in the same proportion as full-time employees.

NOTE P – RESTRICTED FUNDS

The following funds had restricted fund balances.

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Debt Service	\$ 1,670,200	School Facilities Construction Commission Requirement
Day Care	168,855	Day Care Operations
Food Service	322,081	School Food Service
Student Activity	203,843	Student Activities
FSPK	1,188,333	School Facilities Construction Commission Requirement
Construction Fund	\$ 1,086,458	Future Construction Projects

NOTE Q – PRIOR PERIOD ADJUSTMENTS

There was a prior period adjustment made to Governmental Activities of \$825,466 to adjust bond amounts, KISTA amounts, and Construction in Progress amounts to actual.

NOTE R – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 15, 2023, the date of the audit report.

SOMERSET INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CERS and TRS
For the Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Districts' proportion of the net pension liability	0.07377%	0.08000%	0.70000%	0.70000%	0.70000%	0.70000%	0.70000%	0.70000%
District's proportionate share of the net pension liability	\$ 5,333,060	\$ 5,051,598	\$ 5,363,190	\$ 5,001,128	\$ 4,377,650	\$ 4,148,473	\$ 3,330,825	\$ 2,863,921
State's proportionate share of the net pension liability associated with the District	-	-	-	-	-	-	-	-
Total	\$ 5,333,060	\$ 5,051,598	\$ 5,363,190	\$ 5,001,128	\$ 4,377,650	\$ 4,148,473	\$ 3,330,825	\$ 2,863,921
District's covered-employee payroll	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.19%	249.61%	298.83%	135.50%	118.14%	107.21%	88.64%	76.87%
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.54%	53.54%	53.30%	59.00%	59.97%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Districts' proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	37,906,183	28,872,321	32,150,424	32,038,457	31,178,999	61,529,291	66,738,389	51,343,361
Total	\$ 37,906,183	\$ 28,872,321	\$ 32,150,424	\$ 32,038,457	\$ 31,178,999	\$ 61,529,291	\$ 66,738,389	\$ 51,343,361
District's covered-employee payroll	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.29%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
CERS and TRS
For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
COUNTY EMPLOYEE'S RETIREMENT SYSTEM (CERS):								
Contractually required contribution	\$ 520,083	\$ 432,257	\$ 390,588	\$ 346,382	\$ 385,109	\$ 2,557,968	\$ 322,459	\$ 276,209
Contributions in relation to the contractually required contributions	520,083	432,257	390,588	346,382	385,109	2,557,968	322,459	276,209
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 1,792,872	\$ 1,781,547	\$ 1,726,222	\$ 1,619,051
District's contributions as a percentage of it's covered-employee payroll	25.25%	21.17%	19.30%	19.30%	21.48%	143.58%	18.68%	17.06%
KENTUCKY TEACHER'S RETIREMENT SYSTEM (TRS):								
Contractually required contribution	\$ -	\$ 2,304,689	\$ 2,327,114	\$ 2,411,073	\$ 2,259,161	\$ 2,186,094	\$ 1,098,124	\$ 1,061,849
Contributions in relation to the contractually required contributions	-	2,304,689	2,327,114	2,411,073	2,259,161	2,186,094	1,098,124	1,061,849
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,689,947	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645
District's contributions as a percentage of it's covered-employee payroll	0.00%	18.70%	19.78%	26.38%	21.14%	19.90%	9.90%	9.38%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
For the year ended June 30, 2023

Teachers Retirement System (TRS)

Retirement Annuity Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of assumptions

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

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

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

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

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

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

Actuarial Methods and Assumptions

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 For the year ended June 30, 2023

A summary of the actuarial assumptions of the latest actuarial valuation follows.

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry age
Inflation Rate	2.5%
Single Equivalent Interest Rate	7.10%
Municipal Bond Index Rate	2.13%
Projected Salary Increase	3.0-7.5%, including inflation
Investment Rate of Return	7.10%, net of pension plan investment expense, including inflation.

County Employee Retirement System (CERS)

Non-Hazardous

Changes of Benefit Terms

Please refer to P. 181 of KPPA’s 2022 Annual Report “Benefit Changes since the Prior Valuation”.

Changes of assumptions

None.

Actuarial Methods and Assumptions

Based on the actuarial valuation report, the actuarial methods and assumptions used to calculate the contribution rates are as follows.

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 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
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%

SOMERSET INDEPENDENT SCHOOL DISTRICT
RSI- SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
MEDICAL AND LIFE INSURANCE PLANS - TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.161747%	0.120000%	0.155258%	0.010000%	0.010000%	0.010000%
District's proportionate share of the collective net OPEB liability (asset)	\$ 4,015,000	\$ 2,541,000	\$ 3,070,000	\$ 3,670,000	\$ 4,267,000	\$ 4,301,000
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>1,319,000</u>	<u>2,063,000</u>	<u>2,459,000</u>	<u>2,964,000</u>	<u>3,678,000</u>	<u>3,513,000</u>
Total	<u>\$ 5,334,000</u>	<u>\$ 4,604,000</u>	<u>\$ 5,529,000</u>	<u>\$ 6,634,000</u>	<u>\$ 10,203,000</u>	<u>\$ 7,814,000</u>
District's covered-employee payroll	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	32.58%	21.60%	33.59%	34.34%	38.85%	38.79%
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	39.05%	39.10%	32.60%	25.50%	21.20%
LIFE INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability (asset) associated with the District	<u>66,000</u>	<u>27,000</u>	<u>74,000</u>	<u>69,000</u>	<u>63,000</u>	<u>47,000</u>
Total	<u>\$ 66,000</u>	<u>\$ 27,000</u>	<u>\$ 74,000</u>	<u>\$ 69,000</u>	<u>\$ 63,000</u>	<u>\$ 47,000</u>
District's covered-employee payroll	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	71.57%	71.60%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS
MEDICAL AND LIFE INSURANCE PLANS
TEACHERS' RETIREMENT SYSTEM
Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
MEDICAL INSURANCE PLAN						
Contractually required contribution	\$ 131,815	\$ 249,071	\$ 242,209	\$ 214,827	\$ 219,077	\$ 233,703
Contributions in relation to the contractually required contribution	<u>131,815</u>	<u>249,071</u>	<u>242,209</u>	<u>214,827</u>	<u>219,077</u>	<u>233,703</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 8,689,947	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190
District's contributions as a percentage of it's covered-employee payroll	1.52%	2.02%	2.06%	2.35%	2.05%	2.13%
LIFE INSURANCE PLAN						
Contractually required contribution	\$ -	\$ 2,856	\$ 2,785	\$ 2,912	\$ 2,191	\$ 2,067
Contributions in relation to the contractually required contribution	<u>-</u>	<u>2,856</u>	<u>2,785</u>	<u>2,912</u>	<u>2,191</u>	<u>2,067</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 8,689,947	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -HEALTH INSURANCE PLAN
COUNTY EMPLOYEE RETIREMENT SYSTEM
Year Ended June 30, 2023

	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN						
District's proportion of the collective net OPEB liability (asset)	0.073760%	0.800000%	0.700000%	0.700000%	0.700000%	0.700000%
District's proportionate share of the collective net OPEB liability (asset)	\$ 1,455,664	\$ 1,516,493	\$ 1,687,993	\$ 1,195,719	\$ 1,276,192	\$ 1,424,810
State's proportionate share of the collective net OPEB liability (asset) associated with the District	-	-	-	-	-	-
Total	<u>\$ 1,455,664</u>	<u>\$ 1,516,493</u>	<u>\$ 1,687,993</u>	<u>\$ 1,195,719</u>	<u>\$ 1,276,192</u>	<u>\$ 1,424,810</u>
District's covered-employee payroll	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	71.29%	74.93%	94.05%	32.40%	34.44%	36.82%
Plan fiduciary net position as a percentage of the total OPEB liability	60.95%	51.67%	51.67%	60.44%	57.62%	13.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS - HEALTH INSURANCE PLAN COUNTY EMPLOYEE RETIREMENT SYSTEM
 Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
HEALTH INSURANCE PLAN						
Contractually required contribution	\$ 282,999	\$ 118,018	\$ 96,331	\$ 85,424	\$ 94,305	\$ 83,733
Contributions in relation to the contractually						
	<u>282,999</u>	<u>118,018</u>	<u>96,331</u>	<u>85,424</u>	<u>94,305</u>	<u>83,733</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 1,792,872	\$ 3,705,438
District's contributions as a percentage of it's covered-employee payroll	13.74%	5.78%	4.76%	4.76%	5.26%	2.26%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal is determined as of June 30.

See the accompanying notes to the required supplementary information.

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2023

Teachers Retirement System (TRS)

Health Insurance Trust

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, 2019. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial Cost Method	Entry age normal
Amortization Period	Level percentage of payroll
Amortization Method	21 years, closed
Asset Valuation Method	5-year smoothed market value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.2%, including wage inflation
Discount Rate	8.0%
Health Care Cost Trends	
KEHP Group	7.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2029
MEHP Group	5.25% at June 30, 2020, decreasing to an ultimate rate of 5% by June 30, 2022
Medicare Part B Premiums	6.49% at June 30, 2020 with an ultimate rate of 5% by June 30, 2031
KEHP Group Claims	The current KEHP premium is used as the base cost and is projected Forward using only the health care trend assumption (no implicit rate Subsidy is recognized).

Life Insurance Trust

Changes of Benefit Terms

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2023

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the 2022 Actuary Report of the TRS.

Changes of Assumptions

None.

Actuarial Methods and Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Amortization Period	27 years, Closed
Asset Valuation Method	5-year smoothed value
Inflation	3%
Real Wage Growth	0.5%
Wage Inflation	3.5%
Salary Increase	3.5 to 7.20%, including wage inflation
Discount Rate	7.5%

County Employee Retirement System (CERS)

Employees' Health Plan

Changes of Benefit Terms

Please refer to P. 181 of KPPA's 2022 Annual Report "Benefit Changes since the Prior Valuation".

Changes of Assumptions

None.

Actuarial Methods and Assumptions

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB
For the year ended June 30, 2023

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

Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets recognized
Amortization Method	Level Percent of Pay
Amortization Period	30-year closed period at June 30, 2019, Gains/losses incurring After 2019 will be amortized over separate closed 20-year Amortization bases
Mortality	System-specific mortality table based on mortality experience From 2013-2018, projected with the ultimate rates from MP2014 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
Inflation	2.30%
Payroll Growth Rate	2.0%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022, and Gradually decreasing to an ultimate trend rate of 4.05 Over period of 14 years. The 2021 premiums were Known at the time of the valuation and were incorporated Into the liability measurement
Healthcare Trend Rates (Post-65)	Initial trend starting at 6.30% at January 1, 2023 then Gradually decreasing to an ultimate trend rate of 4.05% Over period of 13 years. The 2021 premiums were known At the time of the valuation and were incorporated into the Liability measurement. Additionally, Humana provided “Not to Exceed” 2022 Medicare premiums, which were Incorporated and resulted in an assumed 2.90% increase in Medicare premiums at January 1, 2022

Somerset Independent School District
Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2023

	Other Governmental Funds				
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Construction	Total
Assets					
Cash and cash equivalents	\$ 202,800	\$	\$ 1,188,333	\$ 1,093,140	\$ 2,484,273
Accounts receivable	1,043				1,043
Total assets	203,843	-	1,188,333	1,093,140	2,485,316
Liabilities					
Accounts payable				6,682	6,682
Total liabilities	-	-	-	6,682	6,682
Fund Balance					
Restricted	203,843		1,188,333	1,086,458	2,478,634
Total fund balance	203,843	-	1,188,333	1,086,458	2,478,634
TOTAL LIABILITIES AND FUND BALANCE	\$ 203,843	\$ -	\$ 1,188,333	\$ 1,093,140	\$ 2,485,316

Somerset Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year ended June 30, 2023

	Other Governmental Funds				
	Special Revenue Student Activity	Capital Outlay	FSPK Fund	Construction Fund	Total
Revenues					
Property taxes	\$ -	\$ -	\$ 844,658	\$ -	\$ 844,658
Earnings on investments	9,737			47,756	57,493
Student activities	390,569				390,569
Other local revenue	58,523				58,523
Intergovernmental - state		149,839	677,706		827,545
Total revenues	458,829	149,839	1,522,364	47,756	2,178,788
Expenditures					
Instruction	450,330				450,330
Support Services					
Student	659				659
Instructional Staff	26,464				26,464
Student Transportation	109				109
Building improvement				383,686	383,686
Total expenditures	477,562	-	-	383,686	861,248
Excess (Deficit) of Revenues Over Expenditures	(18,733)	149,839	1,522,364	(335,930)	1,317,540
Other Financing Sources (Uses)					
Transfers (out)		(149,839)	(1,046,539)		(1,196,378)
Total other financing sources (uses)	-	(149,839)	(1,046,539)	-	(1,196,378)
Net Change in Fund Balances	(18,733)	-	475,825	(335,930)	121,162
Fund Balance Beginning	222,576	-	712,508	1,422,388	2,357,472
Fund Balance Ending	\$ 203,843	\$ -	\$ 1,188,333	\$ 1,086,458	\$ 2,478,634

Somerset Independent School District
Combining Balance Sheet - School Activity Funds
 June 30, 2023

	SCHOOL ACTIVITY FUND			
	SOMERSET HIGH SCHOOL	MEECE MIDDLE	HOPKINS ELEMENTARY	TOTAL
ASSETS				
Cash and cash equivalents	\$ 134,123	\$ 50,369	\$ 18,308	\$ 202,800
Accounts receivable	1,043			1,043
Total assets	135,166	50,369	18,308	203,843
LIABILITIES				
Accounts payable				-
Total liabilities & fund balances	\$ -	\$ -	\$ -	\$ -
FUND BALANCE				
School activities	135,166	50,369	18,308	203,843
Total liabilities & fund balances	\$ 135,166	\$ 50,369	\$ 18,308	\$ 203,843

Somerset Independent School District
Combining Statement of Revenues, Expenses, and Changes in Fund Balance
School Activity Funds
For the year ended June 30, 2023

	SCHOOL ACTIVITY FUND			
	SOMERSET HIGH SCHOOL	MEECE MIDDLE	HOPKINS ELEMENTARY	TOTAL
REVENUES				
Student revenues	\$ 349,551	\$ 75,055	\$ 34,223	\$ 458,829
EXPENSES				
Student activities	373,728	69,813	34,021	477,562
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(24,177)	5,242	202	(18,733)
FUND BALANCE - BEGINNING	159,343	45,127	18,106	222,576
FUND BALANCE - ENDING	\$ 135,166	\$ 50,369	\$ 18,308	\$ 203,843

Somerset Independent School District
Statement of Revenues, Expenses, and Changes in Fund Balance - Somerset High School
For the year ended June 30, 2023

	FUND BALANCE BEGINNING	REVENUES	EXPENSES	TRANSFER	FUND BALANCE ENDING
ACADEMIC TEAM	\$ 184	\$ 2,410	\$ 2,650	\$ 56	\$ (0)
BAND	1,500	-	1,500		-
BRUCE HANSFORD SCHOLARSIP	-	3,175	1,000		2,175
ART CLUB	374	-	-		374
CHORUS	386	274	542		118
CLASS OF 2026		3,015	2,351		664
CLASS OF 2021		-	-		-
CLASS OF 2022		-	-		-
CLASS OF 2023	9,698	2,842	11,425	(1,050)	65
CLASS OF 2024	2,355	15,690	13,574	1,050	5,521
CLASS OF 2025	17	1,908	779		1,146
DECA	4,427	33,059	36,869		617
FCA	343	-	-		343
DRAMA	5,059	28,183	31,822		1,420
FCCLA	342	3,034	2,718		657
FOODS ROOM DONATIONS	-	-	-		-
DANCE TEAM	5,921	25,051	21,202		9,770
HOMESPUN	1,490	249	-		1,739
JAG		5,957	4,208		1,750
E-TEAM	39	-	-		39
NHS	1,425	1,325	1,918	(50)	782
PEP CLUB	231	-	-	(231)	-
GLENDAM HAMILTON SCHOLARSHIP	-	1,000	1,000		-
KAY JAMISON SCHOLARSHIP	-	2,000	-		2,000
WILSON SCHOLARSHIP	900	-	400	500	1,000
S RADMANESH SCHOLARSHIP	692	-	-		692
KATHY HALL SCHOLARSHIP	150	-	25		125
PSAT	225	180	166		239
HONORS NIGHT	4,041	5,470	4,494	(400)	4,617
BILL ADAMS SCHOLARSHIP	703	-	-		703
AP EXAMS	14,532	2,128	2,174		14,486
SCIENCE CLUB	54	-	-		54
ACT	181	-	-		181
STUDENT COUNCIL	341	-	-	(50)	291
TEENS WHO CARE	42	-	-	(42)	-
YEARBOOK	16,602	5,011	7,628		13,985
Y-CLUB	1,200	-	-	18	1,218
KUNA	18	-	-	(18)	0
BETA CLUB	1,187	755	1,630		312
ATHLETICS	2,397	93,104	83,799	(3,344)	8,358
HALL OF FAME	1,564	1,925	340		3,149
ATHLETIC PROGRAM		8,325	4,865	(3,460)	-
CHIP SHARPE SCHOLARSHIP	280	-	-		280
JEFF PERKINS SCHOLARSHIP		1,325	-		1,325
ATHLETIC CHANGE		22,000	22,000		-
HELPING HANDS & HEARTS		1,329	1,068		261
TSA	11,931	2,138	15,215	1,146	0
EV TEAM		500	-	(500)	-
FBLA	345	-	-		345
CULTURE CLUB	246	-	-	(246)	-
BOOK CLUB	151	-	-	(151)	-
LIBRARY FEE	193	-	-	(193)	0
BANK INTEREST	3,802	7,159	3,819	(702)	6,440
PRINCIPAL'S OFFICE	2,250	523	381		2,393
FIELD TRIPS	-	-	-		-
STUDENT ACTIVITY	2,106	396	1,298	864	2,067
STUDENT VENDING	3,310	840	887		3,263
GUIDANCE	209	15	217		7
TEACHER VENDING	913	409	206		1,115
STUDENT FEES	-	1,102	-	(1,102)	-
CHRBK/STREAM PMTS	-	725	-	(725)	-
DISTRICT ACTIVITY FUNDS		-	1,827	1,827	-
FOOTBALL TEAM		3,916	3,916		-
GIRLS SOCCER TEAM		450	450		-
BOYS SOCCER TEAM		1,000	1,000		-
BOYS BASKETBALL TEAM		1,320	1,320		-
GIRLS BASKETBALL TEAM		5,626	12,910	7,284	-
BASEBALL TEAM		-	-		-
SOFTBALL TEAM		800	-	(480)	320
TRACK TEAM	9,826	11,275	13,677		7,424
BOYS GOLF TEAM	2,889	3,725	2,592	(55)	3,967
GIRLS GOLF TEAM	1,681	541	530		1,692
TENNIS TEAM	171	3,910	3,910		171
VOLLEYBALL TEAM	9,603	5,071	7,526	(165)	6,983
SWIM TEAM	637	1,556	1,885		308
TRAP SHOOTING TEAM	3,350	-	-		3,350
CROSS COUNTRY TEAM	4,978	2,015	1,443		5,550
CHEER TEAM	16,431	20,033	29,975	220	6,709
BASS FISHING TEAM	2,111	1,300	2,443		968
WRESTLING TEAM	3,310	2,482	4,153		1,639
TOTALS	\$ 159,343	\$ 349,551	\$ 373,728	\$ -	\$ 135,166

Somerset Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
US Department of Agriculture					
Passed Through State Department of Education					
* School Breakfast Program	10.553				
Fiscal Year 22		7760005 22	\$ -	\$ N/A	57,395
Fiscal Year 23		7760005 23	-	N/A	149,752
* National School Lunch Program	10.555				
Fiscal Year 22		7750002 22	-	N/A	240,193
Fiscal Year 23		7750002 23	-	N/A	635,275
* Summer Food Service	10.559				
Fiscal Year 22		7690024 22	-	N/A	439
Fiscal Year 22		7740023 22	-	N/A	4,236
Fiscal Year 23		7740023 23	-	N/A	661
Fiscal Year 23		7690024 23	-	N/A	69
Child Nutrition Cluster Subtotal					<u>1,088,020</u>
Supper Program	10.558				
Fiscal Year 22		7790021 22	-	N/A	770
Fiscal Year 23		7790021 23	-	N/A	3,350
					<u>4,120</u>
State Administrative Grant for Nutrition	10.560				
Fiscal Year 22		7700001 22	-	N/A	1,850
Passed Through State Department of Agriculture					
Food Donation-Commodities	10.565				
Fiscal Year 23		510.495 23	-	N/A	82,664
Total US Department of Agriculture					<u>1,176,654</u>
US Department of Education					
Passed Through State Department of Education					
* Title I Grants to Local Educational Agencies	84.010A				
Fiscal Year 22		3100002 21	-	844,790	494,047
Fiscal Year 23		3100002 22	-	909,401	415,204
					<u>909,251</u>
Special Education Grants to States	84.027A				
Fiscal Year 23		3810002 22	-	389,519	316,473
COVID-19- ARP Individuals with Disabilities Education Act	84.027X				
Fiscal Year 22		4910002-21	-	85,451	10,465
Special Education - Preschool Grants	84.173A				
Fiscal Year 23		3800002 22	-	25,927	5,882
COVID-19- ARP Individuals with Disabilities Education Act- Prescho	84.173X				
Fiscal Year 22		4900002-21	-	11,853	10,847
Special Education Cluster Subtotal					<u>343,667</u>
Vocation Education - Basic Grants to States	84.048				
Fiscal Year 22		3710002 21	-	2,076	2,076
Fiscal Year 23		3710002 22	-	25,001	24,889
					<u>26,965</u>
Rural Education	84.358B				
Fiscal Year 21		3140002 21	-	30,606	28,472
Fiscal Year 22		3140002 22	-	36,432	27,356
					<u>55,828</u>
Improving Teacher Quality State Grants	84.367A				
Fiscal Year 21		3230002 20	-	89,263	29,995
Fiscal Year 22		3230002 21	-	95,857	82,004
Fiscal Year 23		3230002 22	-	95,505	1,720
					<u>113,719</u>
* COVID-19- ESSER	84.425D				
Fiscal Year 20		4000002 20	-	542,875	9,149
Fiscal Year 21		4000002 21	-	2,856,644	953,176
* COVID-19- ARP ESSER	84.425U				
FY21 ARP Emergency Relief Fund		4300002-21	-	6,158,483	614,949
FY22 Kentucky Virtual Library Round 2		4300003-21	-	1,765	1,765
FY22 Digital Learning Coach Supports		4300005-21	-	4,911	1,966
FY22 Deeper Learning		4300005-21	-	55,646	18,000
* COVID-19- ARP ESSER Homeless Children and Youth I	84.425W				
Fiscal Year 22		4980002-21	-	22,751	7,337
Educational Stabilization Fund Subtotal					<u>1,606,342</u>

See the accompanying notes to the schedule of expenditures of federal awards

Somerset Independent School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assisted Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Program or Award Amount	Expenditures
Title IV Part A	84.424				
Fiscal Year 20		3420002 19	-	21,000	8
Fiscal Year 21		3420002 20	-	20,802	8,497
Fiscal Year 22		3420002 21	-	20,802	37,441
Fiscal Year 23		3420002 22	-	16,802	4,605
					<u>50,551</u>
Passed Through Berea College					
GEAR UP	84.334A				
Fiscal Year 22		P334A170041-17A	-	111,500	45,164
Fiscal Year 23		P334A170041-17A	-	111,500	256,890
					<u>302,054</u>
Total US Department of Education					<u>3,408,377</u>
U.S. Department of Health and Human Services					
Passed through Big Sandy Area Community Action Program					
COVID-19- ARPA Child Care Sustainment	93.575				
Fiscal Year 22		576I	-	208,477	137,833
Total U.S. Department of Health and Human Services					<u>137,833</u>
Total Expenditure of Federal Awards					<u>\$ 4,722,864</u>

* Major program

SOMERSET INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2023

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2023, the District received food commodities totaling \$82,664.

NOTE D – INDIRECT COST RATE

The Somerset Independent School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Board of Education of the Somerset Independent School District
Somerset, Kentucky

And the State Committee for School District Audits

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Somerset Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

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

To the Board of Education of the Somerset Independent School District
Somerset, Kentucky

And the State Committee for School District Audits

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

White & Associates, PSC

Richmond, Kentucky

November 15, 2023

SOMERSET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2023

SUMMARY OF AUDITOR’S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	Title I [ALN 84.010A] Educational Stabilization Fund [ALN 84.425D, 84.425U] Child Nutrition Cluster [ALN 10.553, 10.555, &10.559]
Dollar threshold of Type A and B programs	\$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

SOMERSET INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2023

There were no prior audit findings.

MANAGEMENT LETTER POINTS

Somerset Independent School District
Somerset, Kentucky

In planning and performing our audit of the financial statements of the Somerset Independent School District for the year ended June 30, 2023, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 15, 2023. This letter does not affect our report dated November 15, 2023, on the financial statements of the Somerset Independent School District. The conditions observed are as follows:

SOMERSET HIGH SCHOOL

No conditions

MEECE MIDDLE SCHOOL

No conditions

HOPKINS ELEMENTARY

No conditions

All prior year conditions have been implemented and corrected. Kyle Lively, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately, if any. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 15, 2023