

SOUTHGATE INDEPENDENT SCHOOL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southgate Independent School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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 District, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than 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 judgement 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 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules 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.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, combining and individual school activity fund financial statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, combining and individual school activity fund financial statements, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of the 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
November 7, 2023

As management of the Southgate 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 this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by \$1,055,618 (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of \$435,712. The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities of for postemployment benefits of \$1,678,729 which caused the deficit balance in the unrestricted net position.

The District's total net position increased \$205,130.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

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 financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District 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 the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 12-21 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-56 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Assets				
Current assets	\$ 1,121,621	\$ 980,546	\$ 74,088	\$ 69,382
Non-current assets	2,672,797	2,695,382	34,870	7,118
Total assets	3,794,418	3,675,928	108,958	76,500
Deferred outflows	728,110	438,724	31,856	42,087
Liabilities				
Current liabilities	228,828	215,149	-	3,318
Non-current liabilities	2,818,203	2,453,460	102,728	119,026
Total liabilities	3,047,031	2,668,609	102,728	122,344
Deferred inflows	429,281	552,078	28,684	39,720
Net position				
Net investment in capital assets	1,429,991	1,343,964	34,870	7,118
Restricted	69,937	21,207	(25,468)	(50,595)
Unrestricted	(453,712)	(471,206)	-	-
Total net position	\$ 1,046,216	\$ 893,965	\$ 9,402	\$ (43,477)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:				
Local revenue	\$ 1,570,680	\$ 1,446,808	\$ 2,923	\$ 2,634
State revenue	1,747,302	1,484,006	19,125	39,660
Federal revenue	989,229	768,335	189,955	146,531
Total revenues	4,307,211	3,699,149	212,003	188,825
Expenses:				
Instruction	2,451,440	2,135,049	-	-
Student	292,789	277,757	-	-
Instuction staff	247,725	202,595	-	-
District administrative	433,522	384,524	-	-
School administrative	215,434	181,092	-	-
Business	64,723	62,764	-	-
Plant operations	266,189	282,537	-	-
Student transportation	-	287	-	-
Food service	12,419	16,428	159,124	150,983
Community service	1,228	3,439	-	-
Building acquistion	58,238	-	-	-
Debt service	136,225	34,482	-	-
Total expenditures	4,179,932	3,580,954	159,124	150,983
Transfers	62,699	-	(62,699)	-
Change in net position	\$ 189,978	\$ 118,195	\$ (9,820)	\$ 37,842

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$894,359, an increase of \$127,279 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$884,999. The total general fund balance increased \$139,216.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$2,707,667 in capital assets net of depreciation. Net capital assets increased \$5,167.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Land	\$ 9,750	\$ 9,750	\$ -	\$ -
Buildings and improvements	2,506,900	2,566,953	-	-
Technology equipment	35,387	50,164	1,208	-
General equipment	120,760	68,515	33,662	7,118
Total capital assets	\$ 2,672,797	\$ 2,695,382	\$ 34,870	\$ 7,118

Long-Term Obligations

At the end of the fiscal year, the District had \$2,935,531 in long-term liabilities. Long-term liabilities increased \$363,045.

	Governmental Activities		Business-Type Activities	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
Bonds payable	\$ 1,242,806	\$ 1,351,418	\$ -	\$ -
Compensated absences	13,996	17,564	-	-
Net OPEB liability	885,488	565,731	25,158	27,482
Net pension liability	675,913	518,747	92,170	91,544
Total long-term liabilities	\$ 2,818,203	\$ 2,453,460	\$ 117,328	\$ 119,026

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 11%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted general fund revenue for the District decreased for the upcoming fiscal year primarily due to higher expected property tax revenue. Budgeted general fund expenditures decreased for the upcoming fiscal year primarily due to higher wage costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Anthony Hughey, 6 William F. Blatt Ave, Southgate, KY 41071.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 874,839	\$ 73,557	\$ 948,396
Receivables	246,782	-	246,782
Inventory	-	531	531
Capital assets, net	2,672,797	34,870	2,707,667
Total assets	3,794,418	108,958	3,903,376
Deferred outflows of resources			
OPEB related	592,110	13,430	605,540
Pension related	136,000	18,426	154,426
Total deferred outflows of resources	728,110	31,856	759,966
Liabilities			
Accounts payable	9,782	-	9,782
Unearned revenue	217,480	-	217,480
Accrued interest payable	1,566	-	1,566
Noncurrent liabilities:			
Due within one year:			
Bonds payable	113,612	-	113,612
Due in more than one year:			
Compensated absences	13,996	-	13,996
Bonds payable	1,129,194	-	1,129,194
Net OPEB liability	885,488	10,558	896,046
Net pension liability	675,913	92,170	768,083
Total liabilities	3,047,031	102,728	3,149,759
Deferred inflows of resources			
OPEB related	403,426	25,158	428,584
Pension related	25,855	3,526	29,381
Total deferred inflows of resources	429,281	28,684	457,965
Net position			
Net investment in capital assets	1,429,991	34,870	1,464,861
Restricted	69,937	(25,468)	44,469
Unrestricted (deficit)	(453,712)	-	(453,712)
Total net position (deficit)	\$ 1,046,216	\$ 9,402	\$ 1,055,618

See accompanying notes to financial statements.

Southgate Independent School District
Statement of Activities
Year Ended June 30, 2023

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contribution</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
Instruction	\$ 2,497,613	\$ 4,530	\$ 1,529,594	\$ -	\$ (963,489)
Support services:					
Student	292,795	-	73,383	-	(219,412)
Instructional staff	247,603	-	100,783	-	(146,820)
District administration	437,161	-	113,494	-	(323,667)
School administration	221,792	-	82,009	-	(139,783)
Business	64,723	-	3,339	-	(61,384)
Plant operation	305,013	-	79,256	-	(225,757)
Student transportation	995	-	-	-	(995)
Food service	11,424	-	4,463	-	(6,961)
Community service	4,267	-	1,128	-	(3,139)
Building improvements	44,078	-	-	-	(44,078)
Interest on long-term debt	27,496	-	-	71,136	43,640
Total governmental activities	4,154,960	4,530	1,987,449	71,136	(2,091,845)
Business-Type Activities					
Food service	159,124	2,923	209,080	-	52,879
Total business-type activities	159,124	2,923	209,080	-	52,879
Total school district	\$ 4,314,084	\$ 7,453	\$ 2,196,529	\$ 71,136	(2,038,966)
			Governmental	Business-Type	
			Activities	Activities	Total
Net Revenues (Expenses)			\$ (2,091,845)	\$ 52,879	\$ (2,038,966)
General Revenues					
Property taxes			1,300,767	-	1,300,767
Motor vehicle taxes			73,965	-	73,965
Utilities tax			143,265	-	143,265
State aid			650,608	-	650,608
Investment earnings			8,987	-	8,987
Other			66,504	-	66,504
Total general revenues			2,244,096	-	2,244,096
Change in net position			152,251	52,879	205,130
Net position (deficit) - beginning of year			893,965	(43,477)	850,488
Net position (deficit) - end of year			\$ 1,046,216	\$ 9,402	\$ 1,055,618

See accompanying notes to financial statements.

Southgate Independent School District
Balance Sheet – Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 834,265	\$ 31,426	\$ 9,148	\$ 874,839
Receivables	54,398	192,384		246,782
Total assets	\$ 888,663	\$ 223,810	\$ 9,148	\$ 1,121,621
Liabilities				
Accounts payable	\$ 3,664	\$ 6,118	-	\$ 9,782
Unearned revenue	-	217,480	-	217,480
Total liabilities	3,664	223,598	-	227,262
Fund balances				
Restricted	3,578	212	9,148	12,938
Assigned	777	-	-	777
Unassigned	880,644	-	-	880,644
Total fund balances	884,999	212	9,148	894,359
Total liabilities and fund balances	\$ 888,663	\$ 223,810	\$ 9,148	\$ 1,121,621

See accompanying notes to financial statements.

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

Total fund balances - governmental funds	\$ 894,359
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Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,672,797
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Deferred outflow and inflows of resources are applicable to future
periods and, therefore, are not reported in the funds.

Deferred outflows - OPEB	592,110
Deferred outflows - pensions	136,000
Deferred inflows - OPEB	(403,426)
Deferred inflows - pension	(25,855)

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds.

Accrued interest payable	(1,566)
Bonds payable	(1,242,806)
Compensated absences	(13,996)
Net OPEB liability	(885,488)
Net pension liability	(675,913)

Net position of governmental activities	<u>\$ 1,046,216</u>
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See accompanying notes to financial statements.

Southgate Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
From local sources:				
Property taxes	\$ 1,231,409	\$ -	\$ 69,358	\$ 1,300,767
Motor vehicle taxes	73,965	-	-	73,965
Utility taxes	143,265	-	-	143,265
Tuition	4,530	-	-	4,530
Earnings on investments	8,960	-	27	8,987
Other local	5,891	18,402	14,873	39,166
Intergovernmental - state SEEK	615,467	-	35,141	650,608
Intergovernmental - state on-behalf	942,436	-	71,136	1,013,572
Intergovernmental - state other	-	83,122	-	83,122
Intergovernmental - federal	27,338	961,891	-	989,229
Total revenues	3,053,261	1,063,415	190,535	4,307,211

Southgate Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds - Continued
June 30, 2023

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Expenditures				
Instruction	1,551,844	889,924	9,672	2,451,440
Support services:				
Student	276,670	12,706	3,413	292,789
Instuction staff	206,194	41,531	-	247,725
District administrative	433,522		-	433,522
School administrative	215,434		-	215,434
Business	64,723		-	64,723
Plant operations	186,929	79,256	4	266,189
Food service	6,961	4,463	995	12,419
Community service	-	1,228	-	1,228
Building acquistion	-		58,238	58,238
Debt service	-		136,225	136,225
Total expenditures	2,942,277	1,029,108	208,547	4,179,932
Excess (deficiency) of revenues over expenditures	110,984	34,307	(18,012)	127,279
Other financing sources (uses)				
Sale of assets			-	-
Transfers in	37,705	3,609	123,327	164,641
Transfers out	(9,473)	(37,704)	(117,464)	(164,641)
Total other financing sources (uses)	28,232	(34,095)	5,863	-
Net change in fund balances	139,216	212	(12,149)	127,279
Fund balances - beginning of year	745,783	-	21,297	767,080
Fund balances - end of year	\$ 884,999	\$ 212	\$ 9,148	\$ 894,359

See accompanying notes to financial statements.

Southgate Independent School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 June 30, 2023

Net change in fund balances - total governmental funds	\$ 127,279
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is
allocated over their estimated useful lives and reported as depreciation
expense.

(22,585)

Repayment of long-term debt are expenditures in the governmental
funds, but the repayment reduces long-term liabilities in the statement
of net position.

110,000

Some expenses reported in the statement of activities do not require
current financial resources and, therefore, are not reported as
expenditures in the funds.

Amortization of bond premiums

(1,388)

Change in accrued interest payable

117

Change in compensated absences

3,568

Change in OPEB liabilities and deferred amounts

(27,773)

Change in pension liabilities and deferred amounts

(36,967)

Change in net position of governmental activities

\$ 152,251

See accompanying notes to financial statements.

Southgate Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2023

	Food Service Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 73,557
Receivables	-
Inventory	531
Total current assets	74,088
Non current assets	
Capital assets, net	34,870
Total noncurrent assets	34,870
Total assets	108,958
Deferred outflows of resources	
OPEB related	13,430
Pension related	18,426
Total deferred outflows of resources	31,856
Liabilities	
Current liabilities	
Accounts payable	-
Total current liabilities	-
Noncurrent liabilities	
Net OPEB liability	25,158
Net pension liability	92,170
Total noncurrent liabilities	117,328
Total liabilities	117,328
Deferred inflows of resources	
OPEB related	10,558
Pension related	3,526
Total deferred inflows of resources	14,084
Net position	
Net investment in capital assets	34,870
Restricted (deficit)	(25,468)
Total net position (deficit)	\$ 9,402

See accompanying notes to financial statements.

Southgate Independent School District
Statement of Revenues, Expenses and Change in
Net Position – Proprietary Fund
June 30, 2023

	Food Service Fund
Operating revenues	
Food service	\$ 2,923
Total operating revenues	2,923
Operating expenses	
Salaries and wages	46,661
Employee benefits	5,568
Purchased services	6,677
Materials and supplies	94,327
Other operating expenses	960
Depreciation	4,931
Total operating expenses	159,124
Operating loss	(156,201)
Non operating revenues	
Operating grants - state	10,579
Operating grants - state on-behalf	8,546
Operating grants - federal	180,680
Donated commodities	9,275
Total other financing sources (uses)	209,080
Net change in fund balances	52,879
Fund balances - beginning of year	(43,477)
Fund balances - end of year	\$ 9,402

See accompanying notes to financial statements.

Southgate Independent School District
Statement of Cash Flows – Proprietary Fund
June 30, 2023

	Food Service Fund
Cash flows from operating activities	
Cash received:	
From food service sales	\$ 2,923
Cash paid:	
To employees	(69,332)
To suppliers	(94,745)
Net cash used in operating activities	(161,154)
Cash flows from noncapital financing activities	
Operating grants	199,921
Net cash provided by noncapital financing activities	199,921
Cash flows from investing activities	
Capital purchases	(32,683)
Net cash provided by investing activities	(32,683)
Net increase in cash	6,084
Cash - beginning of year	67,473
Cash - end of year	\$ 73,557
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (156,201)
Adjustments to reconcile operating loss to net cash in operating activities	
Depreciation	4,931
Commodities received	9,275
Changes in:	
Inventories	1,262
Payables	(3,318)
Deferred outflows	8,078
Deferred inflows	(23,483)
Net OPEB liability	(2,324)
Net pension liability	626
Net cash used in operating activities	\$ (161,154)
Noncash activities	
Commodities received from federal	\$ 9,275
On-behalf payments received state	\$ 8,546

See accompanying notes to financial statements.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

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

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

The financial statements of the District include those 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:

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

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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 governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

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

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

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

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

The *Construction Fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

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, as required by state law.

Proprietary Fund Types (Enterprise Funds)

The *Food Service Fund* accounts 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.

Fiduciary Fund Types

Fiduciary funds account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support District activities.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

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 Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

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

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned but not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by the District board.

Assigned. Amounts that are designated for a specific purpose but are not spendable until a budget ordinance is passed or a there is majority passed vote by the District board.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

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

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Expenses/Expenditures

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

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Interfund Balances

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates.

Budgetary Process

An annual budget is adopted for each governmental fund by ordinance prior to July 1. The budget can be amended by a subsequent ordinance. Expenditures may not legally exceed budgeted appropriations at the function level.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through November 7, 2023, the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial credit risk. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

At year end, the District’s bank balance was \$1,099,047 and the carrying amount was \$948,396. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance <u>July 1, 2022</u>	Additions	Disposals	Balance <u>June 30, 2023</u>
Governmental Activities				
Land	\$ 9,750	\$ -	\$ -	\$ 9,750
Buildings and improvements	3,546,739	14,160	-	3,560,899
Technology equipmenmt	386,502	-	20,382	366,120
General equipment	112,441	61,614	2,295	171,760
Total at historical cost	4,055,432	75,774	22,677	4,108,529
Less accumulated depreciation				
Buildings and improvements	979,786	74,213	-	1,053,999
Technology equipmenmt	336,338	14,777	20,382	330,733
General equipment	43,926	9,369	2,295	51,000
Total accumulated depreciation	1,360,050	98,359	22,677	1,435,732
Capital assets - net	\$ 2,695,382	\$ (22,585)	\$ -	\$ 2,672,797

NOTE 3: CAPITAL ASSETS - CONTINUED

Business-type Activities				
Technology equipment	\$ 1,545	\$ 1,208	\$ -	\$ 2,753
Food service equipment	66,844	31,475	-	98,319
Total at historical cost	68,389	32,683	-	101,072
Less accumulated depreciation				
Technology equipment	1,545	-	-	1,545
Food service equipment	59,726	4,931	-	64,657
Total accumulated depreciation	61,271	4,931	-	66,202
Capital assets - net	\$ 7,118	\$ 27,752	\$ -	\$ 34,870

Depreciation was charged to following government functions:

Depreciation was charged to the following functions:

	<u>Governmental</u>	<u>Business-type</u>
Instruction	\$ 59,468	\$ -
Student support	128	-
District administration	3,720	-
School administration	450	-
Plant operations	31,554	-
Community service	3,039	-
Food service	-	4,931
	<u>\$ 98,359</u>	<u>\$ 4,931</u>

NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

	Balance			Amount		
	July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year	Long- Term
Governmental Activities						
Bonds payable	\$ 1,351,418	\$ -	\$ 108,612	\$ 1,242,806	\$ 113,612	\$ 1,129,194
Compensated absences	17,564	-	3,568	13,996	-	13,996
Net OPEB liability	565,731	319,757	-	885,488	-	885,488
Net pension liability	518,747	157,166	-	675,913	-	675,913
Total long-term liabilities	\$ 2,453,460	\$ 476,923	\$ 112,180	\$ 2,818,203	\$ 113,612	\$ 2,704,591
Business-type Activities						
Net OPEB liability	\$ 27,482	\$ -	\$ 2,324	\$ 25,158	\$ -	\$ 25,158
Net pension liability	91,544	626	-	92,170	-	92,170
Total long-term liabilities	\$ 119,026	\$ 626	\$ 2,324	\$ 117,328	\$ -	\$ 117,328

Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

Issue	Proceeds	Rates	Balance
2019	\$ 640,000	3.00% - 3.25%	\$ 545,000
2021	965,000	1.00%	720,000
Bond discount			(22,194)
			<u>\$ 1,242,806</u>

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Bond activity for the year is summarized below:

Issue	Balance			Balance June 30, 2023	Amount	
	July 1, 2022	Additions	Reductions		Due Within One Year	Long- Term
Series 2019	\$ 570,000	\$ -	\$ 25,000	\$ 545,000	\$ 25,000	\$ 520,000
Series 2021	805,000	-	85,000	720,000	90,000	630,000
Total bonds	1,375,000	-	110,000	1,265,000	115,000	1,150,000
Bond discount	(23,582)	-	(1,388)	(22,194)	(1,388)	(20,806)
Total bonds, net	\$ 1,351,418	\$ -	\$ 108,612	\$ 1,242,806	\$ 113,612	\$ 1,129,194

Debt service requirements for the District's general obligation bonds are as follows:

Year End June 30	Southgate Independent School District		School Facility Construction Commission		Total Principal	Total Interest	Total Debt Service
	Principal	Interest	Principal	Interest			
2023	\$ 495,318	\$ 212,886	\$ 64,682	\$ 20,963	\$ 560,000	\$ 233,849	\$ 793,849
2024	308,694	272,725	66,306	19,338	375,000	292,063	667,063
2025	421,837	264,730	68,163	17,483	490,000	282,213	772,213
2026	434,928	251,240	70,072	15,573	505,000	266,813	771,813
2027	452,892	236,802	72,108	13,536	525,000	250,338	775,338
2028	470,795	221,698	74,205	11,440	545,000	233,138	778,138
2029	488,600	205,942	76,400	9,243	565,000	215,185	780,185
2030	499,480	188,743	35,520	6,982	535,000	195,725	730,725
2031	518,392	171,368	36,608	5,895	555,000	177,263	732,263
2032	487,259	152,884	37,741	4,763	525,000	157,647	682,647
2033	501,091	134,667	38,909	3,595	540,000	138,262	678,262
2034	398,135	117,057	21,865	2,390	420,000	119,447	539,447
2035	407,440	103,005	22,560	1,695	430,000	104,700	534,700
2036	426,724	88,142	23,276	979	450,000	89,121	539,121
2037	445,288	72,583	19,712	308	465,000	72,891	537,891
2038	290,000	58,712	-	-	290,000	58,712	348,712
2039	305,000	46,987	-	-	305,000	46,987	351,987
2040	240,000	34,387	-	-	240,000	34,387	274,387
2041	250,000	23,587	-	-	250,000	23,587	273,587
2042	260,000	12,025	-	-	260,000	12,025	272,025
	<u>\$ 8,101,873</u>	<u>\$ 2,870,170</u>	<u>\$ 728,127</u>	<u>\$ 134,183</u>	<u>\$ 8,830,000</u>	<u>\$ 3,004,353</u>	<u>\$ 11,834,353</u>

NOTE 5: LONG-TERM LIABILITIES - CONTINUED

Compensated absences

Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Compensated absence activity for the year is summarized below:

	Balance			Balance	Amount	
	July 1, 2022	Additions	Reductions	June 30, 2023	Due Within	Long-
					One Year	Term
Governmental	\$ 17,564	\$ -	\$ 3,568	\$ 13,996	\$ -	\$ 13,996
Business-Type	-	-	-	-	-	-
Compensated absences	\$ 17,564	\$ -	\$ 3,568	\$ 13,996	\$ -	\$ 13,996

Pension

The net pension liability associated with the County Employees Retirement System (CERS) at year end is \$768,083. See Note 5.

OPEB

The net OPEB liability associated with the County Employees Retirement System (CERS) and the State Teachers Retirement System (TRS) at year end is \$209,646 and \$701,000, respectively. See Note 6.

NOTE 5: PENSION PLANS

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

General Information about the CERS Pension Plan

Plan Description

CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, city, and school board and any additional eligible local agencies electing to participate in the Plan. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. Retirement benefits maybe extended to beneficiaries under certain circumstances. Employees are vested in the plan after five years of service.

For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old, or 25 years service and any age
Tier 2	Participation date	September 1, 2008 to December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	On or after January 1, 2014
	Unreduced retirement	At least 5 years service and 65 years old, or age 57+ with sum of service years plus age equal
	Reduced retirement	Not available

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 5: PENSION PLANS – CONTINUED

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 23.40%. The District made all required contributions for fiscal year in the amount of \$79,778.

General Information about the TRS Pension Plan

Plan Description

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

Benefits Provided

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

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

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

retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

NOTE 5: PENSION PLANS – CONTINUED

Benefits Provided - Continued

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

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

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

CERS

At June 30, 2023, the District reported a liability of \$768,083 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.0106% percent.

For the year ended June 30, 2023, the District recognized pension expense of \$100,961 related to CERS

NOTE 5: PENSION PLANS – CONTINUED

TRS

The District did not report a liability for the District’s proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State’s proportionate share of the TRS net pension liability associated with the district is \$6,663,366.

For the year ended June 30, 2023, the District recognized pension expense of \$621,152 related to TRS. The District also recognized revenue of \$621,152 for TRS support provided by the Commonwealth.

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

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

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 821	\$ 6,840	
Change of assumptions	-	-	
Change in investment experience	19,691	-	
Change in proportionate share of contributions	54,136	22,541	
	<u>74,648</u>	<u>\$ 29,381</u>	<u>\$ 45,267</u>
Subsequent contributions	79,778		
Total	<u>\$ 154,426</u>		

The contributions subsequent to the measurement date of \$79,778 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. The net deferral of \$45,267 will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2024	7,436
2025	22,466
2026	(6,455)
2027	21,820
	<u>\$ 45,267</u>

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions

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

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

The actuarial assumptions are:

CERS

Employer fiscal year end	2023
Plan year end	2022
Actuarial 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 is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

NOTE 5: PENSION PLAN (CONTINUED)

Actuarial assumptions - Continued

TRS

Employer fiscal year end	2023
Plan year end	2022

Inflation	2.50%
Salary increases, including inflation	3.00% - 7.50%
Investment return	7.10%
Municipal bond index rate:	
Prior measurement date	2.13%
Measurement date	3.37%
Year FNP is expected to be depleted	NA
Single equivalent interest rate:	
Prior measurement date	7.10%
Measurement date	7.10%
Post-retirement benefit increases	1.50% annually
Mortality	

Rates 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.

Long-term expected rate of return

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

NOTE 5: PENSION PLAN (CONTINUED)

Long-term expected rate of return – continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected real return	100.00%	4.28%
Long-term inflation assumption		2.30%

TRS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap US Equity	37.40%	4.20%
Small Cap US Equity	2.60%	4.70%
Developed International Equity	16.50%	5.30%
Emerging Markets Equity	5.50%	5.40%
Fixed Income	15.00%	-0.10%
High Yield Bonds	2.00%	1.70%
Additional categories	5.00%	2.20%
Real Estate	7.00%	4.00%
Private Equity	7.00%	6.90%
Cash	2.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

NOTE 5: PENSION PLAN (CONTINUED)

Discount rate

A single discount rate of 6.25% and 7.10% was used to measure the total pension liability for CERS and TRS, respectively, for the fiscal year ending June 30, 2022. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

Sensitivity of District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table 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 or 1-percentage-point higher than the current rate:

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate	7.25%
	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
District's proportionate share of the CERS net pension liability	\$ 960,008	\$ 768,083	\$ 609,344

Pension plan fiduciary net position

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

NOTE 6: OPEB PLAN

General Information about the CERS Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, City, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	
Participation date	Before July 1, 2003
Insurance eligibility	10 years of service credit required
Benefit	Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 2	
Participation date	After September 1, 2008 and before December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually
Tier 3	
Participation date	After December 31, 2013
Insurance eligibility	15 years of service credit required
Benefit	Set dollar amount based on service credit accrued, increased annually

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 3.39%. The District made all required contributions for the fiscal year in the amount of \$11,518.

NOTE 6: OPEB PLAN (CONTINUED)

General Information about the TRS Plan

Plan Description

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

Benefits Provided

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

Contributions

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. The District made all required contributions for the fiscal year in the amount of \$37,497.

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

CERS

At June 30, 2023, the District reported a liability of \$209,646 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District's proportion of the net OPEB liability was based on the District's share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District's proportionate share was 0.0102%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$39,369 related to CERS.

NOTE 6: OPEB PLAN (CONTINUED)

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

TRS

At June 30, 2023, the District reported a liability of \$701,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The District’s proportion of the net OPEB liability was based on the District’s share of 2022 contributions to the OPEB plan relative to the 2022 contributions of all participating employers, actuarially determined. At June 30, 2022 the District’s proportionate share was 0.0282%.

For the year ended June 30, 2023, the District recognized OPEB expense of \$24,533 related to TRS.

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

	CERS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 21,103	\$ 48,077	
Change of assumptions	33,157	27,321	
Change in investment experience	8,509	-	
Change in proportionate share of contributions	37,716	12,586	
	<u>100,485</u>	<u>\$ 87,984</u>	<u>\$ 12,501</u>
Subsequent contributions	11,558		
Total	<u>\$ 112,043</u>		

	TRS		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 295,000	
Change of assumptions	142,000	-	
Change in investment experience	37,000	-	
Change in proportionate share of contributions	277,000	31,000	
	<u>456,000</u>	<u>\$ 326,000</u>	<u>\$ 130,000</u>
Subsequent contributions	37,497		
Total	<u>\$ 493,497</u>		

NOTE 6: OPEB PLAN (CONTINUED)

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

	Total		
	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 21,103	\$ 343,077	
Change of assumptions	175,157	27,321	
Change in investment experience	45,509	-	
Change in proportionate share of contributions	314,716	43,586	
	556,485	\$ 413,984	\$ 142,501
Subsequent contributions	49,055		
Total	\$ 605,540		

The contributions subsequent to the measurement date of \$49,055 will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. The net deferral of \$142,501 will be recognized as pension expense as follows:

Year ending June 30	Net Deferral
2024	\$ 19,222
2025	15,114
2026	(7,237)
2027	48,402
2028	43,000
Thereafter	24,000
	\$ 142,501

Implicit Subsidy

The fully-insured premiums paid 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 employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2022 were 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 ending June 30, 2022, using generally accepted actuarial principles

There were no other material assumption changes.

CERS:

Employer fiscal year end	2023
Plan year end	2022

Actuarial 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 is recognized
Amortization method	Level percent of pay
Amortization period	30-year closed period at June 30, 2019
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase - nonhazardous	3.30% to 10.30%
Salary increase - hazardous	3.55% to 19.05%
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from P-2014 mortality improvement scale using a base year of 2019
Healthcare trend rates:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022, gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023, gradually decreasing to an ultimate trend rate of 4.05% over a 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.

NOTE 6: OPEB PLAN (CONTINUED)

Actuarial assumptions – continued

TRS

Employer fiscal year end	2023
Plan year end	2022
Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including inflation	3.00% - 7.50%
Investment return	
Health trust	7.10%
Life trust	7.10%
Municipal bond index rate:	3.37%
Year FNP is expected to be depleted	
Health trust	NA
Life trust	NA
Single equivalent interest rate:	
Health trust	7.10%
Life trust	7.10%
Health trust health care cost trends	
Under age 65	7.00% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2032
Ages 65 and older	5.125% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2035
Medicare Part B premiums	6.97% for FYE 2022 decreasing to an ultimate rate of 4.50% by FYE 2034

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% and 2.50% per annum for CERS and TRS, respectively.

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

CERS

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	4.45%
Private Equity	10.00%	10.15%
Core bonds	10.00%	0.28%
Specialty credit/high yield	10.00%	2.28%
Cash	0.00%	-0.91%
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
<u>Expected real return</u>	<u>100.00%</u>	<u>4.28%</u>
<u>Long-term inflation assumption</u>		<u>2.30%</u>

TRS - MIF

Asset Class	Target Allocation	Long-term Expected Nominal 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%
High Yield	8.00%	1.70%
Other categories	9.00%	2.20%
Cash (LIBOR)	1.00%	-0.30%
<u>Expected real return</u>	<u>100.00%</u>	<u>7.10%</u>
<u>Long-term inflation assumption</u>		<u>2.50%</u>

NOTE 6: OPEB PLAN (CONTINUED)

Long-term expected rate of return - continued

TRS - LIF

Asset Class	Target Allocation	Long-term Expected Nominal Return
US Equity	40.00%	4.40%
International Equity	23.00%	5.60%
Fixed Income	18.00%	-0.10%
Real Estate	6.00%	4.00%
Private Equity	5.00%	6.90%
Additional Categories	6.00%	2.10%
Cash (LIBOR)	2.00%	-0.30%
Expected real return	100.00%	7.10%
Long-term inflation assumption		2.50%

Discount rate

Single discount rates of 5.70% and 7.10% for CERS and TRS respectively 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, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan 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.

NOTE 6: OPEB PLAN (CONTINUED)

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 5.70% nonhazardous and 5.61% hazardous 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 or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>4.70%</u>	<u>Current</u> <u>Discount Rate</u> <u>5.70%</u>	<u>1% Increase</u> <u>6.70%</u>
District's proportionate share of the CERS net OPEB liability	\$ 280,264	\$ 209,646	\$ 151,269
		<u>Current</u> <u>Discount Rate</u> <u>7.10%</u>	<u>1% Increase</u> <u>8.10%</u>
District's proportionate share of the TRS net OPEB liability	\$ 880,000	\$ 701,000	\$ 553,000
Total	<u>\$ 1,160,264</u>	<u>\$ 910,646</u>	<u>\$ 704,269</u>

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability	\$ 155,867	\$ 209,646	\$ 274,225
District's proportionate share of the TRS net OPEB liability	526,000	701,000	919,000
Total	<u>\$ 681,867</u>	<u>\$ 910,646</u>	<u>\$ 1,193,225</u>

OPEB plan fiduciary net position

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

NOTE 7: ON-BEHALF

For the year ended June 30, 2023, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 942,437
Debt service	71,135
Food service	8,546
	<u>\$ 1,022,118</u>

Type	
Retirement	\$ 621,152
Health insurance less federal reimbursement	239,680
Life insurance	434
Administrative fee	3,468
HRA/Dental/Vision insurance	21,525
Technology	64,724
Debt service	71,135
	<u>\$ 1,022,118</u>

NOTE 8: FUND TRANSFERS

The following transfers were made during the year:

From Fund	To Fund	Purpose	Amount
Special Revenue	General	Indirect Costs	\$ 37,704
General	Special Revenue	Technology Match	3,609
General	Construction	Capital Projects	5,864
Capital Outlay	Construction	Capital Projects	18,309
Building	Construction	Projects	34,066
Building	Debt Service	Debt Service	60,269
Construction	Debt Service	Debt Service	4,820
			<u>\$ 164,641</u>

NOTE 9: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District's grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 10: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2023, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal year.

NOTE 11: GASB 96

The District adopted *GASB 96, Subscription-Based Information Technology Arrangements (SBITA)*. The District did not identify any contracts that would require reporting under GASB 96.

REQUIRED SUPPLEMENTARY INFORMATION

Southgate Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ 1,372,584	\$ 1,372,584	\$ 1,468,020	\$ 95,436
State sources	1,271,414	1,271,414	1,557,903	286,489
Federal sources	20,000	20,000	27,338	7,338
Total revenues	2,663,998	2,663,998	3,053,261	389,263
Expenditures				
Instruction	1,504,050	1,504,050	1,551,844	(47,794)
Support services:				-
Student	291,967	291,967	276,670	15,297
Instuction staff	236,901	236,901	206,194	30,707
District administrative	397,218	397,218	433,522	(36,304)
School administrative	179,119	179,119	215,434	(36,315)
Business	62,765	62,765	64,723	(1,958)
Plant operations	321,118	321,118	186,929	134,189
Food service	-	-	6,961	(6,961)
Contingency	401,679	401,679	-	401,679
Total expenditures	3,394,817	3,394,817	2,942,277	452,540
Excess (deficiency) of revenues over expenditures	(730,819)	(730,819)	110,984	841,803
Other financing sources (uses)				
Transfers in	-	-	37,705	37,705
Transfers out	(9,362)	(9,362)	(9,473)	(111)
Total other financing sources (uses)	(9,362)	(9,362)	28,232	37,594
Net change in fund balances	(740,181)	(740,181)	139,216	879,397
Fund balances - beginning of year	739,933	739,933	745,783	5,850
Fund balances - end of year	\$ (248)	\$ (248)	\$ 884,999	\$ 885,247

Southgate Independent School District
 Budgetary Comparison Schedule – Special Revenue Fund
 June 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
Local sources	\$ -	\$ -	\$ 18,402	\$ 18,402
State sources	156,198	156,198	83,122	(73,076)
Federal sources	236,440	236,440	961,891	725,451
Total revenues	392,638	392,638	1,063,415	670,777
Expenditures				
Instruction	395,887	395,887	889,924	(494,037)
Support services:				-
Student	1,308	1,308	12,706	(11,398)
Instruction staff	3,134	3,134	41,531	(38,397)
District administrative	350	350	-	350
Plant operations	-	-	79,256	(79,256)
Food service	-	-	4,463	(4,463)
Community service	1,300	1,300	1,228	72
Total expenditures	401,979	401,979	1,029,108	(627,129)
Excess (deficiency) of revenues over expenditures	(9,341)	(9,341)	34,307	1,297,906
Other financing sources (uses)				
Transfers in	3,500	3,500	3,609	109
Transfers out	-	-	(37,704)	(37,704)
Total other financing sources (uses)	3,500	3,500	(34,095)	(37,595)
Net change in fund balances	(5,841)	(5,841)	212	6,053
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ (5,841)	\$ (5,841)	\$ 212	\$ 6,053

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

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

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

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

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

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

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

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

The Board has the ability to amend the working budget.

Southgate Independent School District
Schedule of District's Share of Net Pension Liability and Contributions – CERS
June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0106%	\$ 768,083	\$ 293,514	261.68%	52.42%
2022	2021	0.0096%	\$ 610,291	\$ 249,817	244.30%	55.95%
2021	2020	0.0105%	\$ 807,335	\$ 282,651	285.63%	47.81%
2020	2019	0.0094%	\$ 658,504	\$ 236,163	278.83%	50.45%
2019	2018	0.0071%	\$ 432,655	\$ 176,063	245.74%	53.54%
2018	2017	0.0074%	\$ 434,959	\$ 180,915	240.42%	53.32%
2017	2016	0.0067%	\$ 329,589	\$ 111,594	295.35%	55.50%
2016	2015	0.0067%	\$ 288,667	\$ 294,834	97.91%	59.97%
2015	2014	0.0082%	\$ 267,336	\$ 172,689	154.81%	66.80%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 79,778	\$ 79,778	\$ -	\$ 340,932	23.40%
2022	\$ 62,167	\$ 62,167	\$ -	\$ 293,514	21.18%
2021	\$ 48,215	\$ 48,215	\$ -	\$ 249,817	19.30%
2020	\$ 54,551	\$ 54,551	\$ -	\$ 282,651	19.30%
2019	\$ 38,305	\$ 38,305	\$ -	\$ 236,163	16.22%
2018	\$ 25,494	\$ 25,494	\$ -	\$ 176,063	14.48%
2017	\$ 25,237	\$ 25,237	\$ -	\$ 180,915	13.95%
2016	\$ 13,860	\$ 13,860	\$ -	\$ 111,594	12.42%
2015	\$ 37,591	\$ 37,591	\$ -	\$ 294,834	12.75%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Southgate Independent School District
Schedule of District's Share of Net Pension Liability and Contributions - TRS
June 30, 2023

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

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	2022	0.0000%	\$ -	\$ 6,663,366	\$ 1,271,333	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 4,671,204	\$ 1,131,233	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 5,374,349	\$ 1,188,066	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 5,291,147	\$ 1,196,466	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 4,894,985	\$ 1,144,166	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 8,761,297	\$ 977,367	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 9,240,614	\$ 977,367	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 6,992,493	\$ 977,367	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 7,434,525	\$ 977,367	0.00%	45.59%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 1,249,900	0.00%
2022	\$ -	\$ -	\$ -	\$ 1,271,333	0.00%
2021	\$ -	\$ -	\$ -	\$ 1,131,233	0.00%
2020	\$ -	\$ -	\$ -	\$ 1,188,066	0.00%
2019	\$ -	\$ -	\$ -	\$ 1,196,466	0.00%
2018	\$ -	\$ -	\$ -	\$ 1,144,166	0.00%
2017	\$ -	\$ -	\$ -	\$ 977,367	0.00%
2016	\$ -	\$ -	\$ -	\$ 977,367	0.00%
2015	\$ -	\$ -	\$ -	\$ 977,367	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No material changes

Southgate Independent School District
Schedule of District's Share of Net OPEB Liability and Contributions - CERS
June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.0102%	\$ 209,646	\$ 293,651	71.39%	60.95%
2022	2021	0.0096%	\$ 183,213	\$ 249,817	73.34%	58.41%
2021	2020	0.0105%	\$ 254,098	\$ 282,651	89.90%	51.67%
2020	2019	0.0081%	\$ 154,661	\$ 236,163	65.49%	60.44%
2019	2018	0.0097%	\$ 126,112	\$ 176,063	71.63%	57.62%
2018	2017	0.0119%	\$ 149,839	\$ 180,915	82.82%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 11,558	\$ 11,558	\$ -	\$ 340,944	3.39%
2022	\$ 16,973	\$ 16,973	\$ -	\$ 293,651	5.78%
2021	\$ 11,891	\$ 11,891	\$ -	\$ 249,817	4.76%
2020	\$ 13,454	\$ 13,454	\$ -	\$ 282,651	4.76%
2019	\$ 12,422	\$ 12,422	\$ -	\$ 236,163	5.26%
2018	\$ 8,274	\$ 8,274	\$ -	\$ 176,063	4.70%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

The discount rate to calculate the total OPEB liability and OPEB expense increased from 5.0% to 5.70%. There were no other material plan provision changes.

Southgate Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Medical Insurance Plan
 June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.0282%	\$ 701,000	\$ 230,000	\$ 1,271,333	55.14%	47.75%
2022	2021	0.0191%	\$ 410,000	\$ 333,000	\$ 1,131,233	36.24%	51.47%
2021	2020	0.0206%	\$ 510,000	\$ 408,000	\$ 1,188,066	42.93%	32.58%
2020	2019	0.0206%	\$ 603,000	\$ 487,000	\$ 1,196,466	50.40%	32.58%
2019	2018	0.0193%	\$ 669,000	\$ 498,000	\$ 1,144,166	58.47%	25.54%
2018	2017	0.0171%	\$ 610,000	\$ 576,000	\$ 977,366	62.41%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ 37,497	\$ 37,497	\$ -	\$ 1,249,900	3.00%
2022	\$ 38,140	\$ 38,140	\$ -	\$ 1,271,333	3.00%
2021	\$ 33,937	\$ 33,937	\$ -	\$ 1,131,233	3.00%
2020	\$ 35,642	\$ 35,642	\$ -	\$ 1,188,066	3.00%
2019	\$ 35,894	\$ 35,894	\$ -	\$ 1,196,466	3.00%
2018	\$ 34,325	\$ 34,325	\$ -	\$ 1,144,166	3.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

Southgate Independent School District
 Schedule of District's Share of Net OPEB Liability and Contributions – TRS Life Insurance Plan
 June 30, 2023

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2023	2022	0.0000%	\$ -	\$ 11,000	\$ 1,271,333	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 4,000	\$ 1,131,233	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 12,000	\$ 1,188,066	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 11,000	\$ 1,196,466	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 10,000	\$ 1,144,166	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 7,000	\$ 4,670,750	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2023	\$ -	\$ -	\$ -	\$ 1,249,900	0.00%
2022	\$ -	\$ -	\$ -	\$ 1,271,333	0.00%
2021	\$ -	\$ -	\$ -	\$ 1,131,233	0.00%
2020	\$ -	\$ -	\$ -	\$ 1,188,066	0.00%
2019	\$ -	\$ -	\$ -	\$ 1,196,466	0.00%
2018	\$ -	\$ -	\$ -	\$ 1,144,166	0.00%

Changes Since Last Actuarial Valuation

Benefits

No changes

Assumptions

No changes

SUPPLEMENTARY INFORMATION

Southgate Independent School District
 Combining Balance Sheet – Nonmajor Funds
 June 30, 2023

	School Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 9,148	\$ -	\$ -	\$ -	\$ -	\$ 9,148
Total assets	\$ 9,148	\$ -	\$ -	\$ -	\$ -	\$ 9,148
Fund balances						
Restricted	\$ 9,148	\$ -	\$ -	\$ -	\$ -	\$ 9,148
Total fund balances	9,148	-	-	-	-	9,148
Total liabilities and fund balances	\$ 9,148	\$ -	\$ -	\$ -	\$ -	\$ 9,148

Southgate Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
June 30, 2023

	School Activity Fund	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	Total Governmental Funds
Revenues						
From local sources:						
Property taxes	\$ -	\$ -	\$ 69,358	\$ -	\$ -	\$ 69,358
Earnings on investments	27	-				27
Other local	14,873	-				14,873
Intergovernmental - state SEEK		17,187	17,954			35,141
Intergovernmental - state on-behalf		-			71,136	71,136
Total revenues	14,900	17,187	87,312	-	71,136	190,535
Expenditures						
Instruction	9,672	-	-	-	-	9,672
Support services:						
Student	3,413	-	-	-	-	3,413
Plant operations	-	-	4	-	-	4
Food service	995	-	-	-	-	995
Building acquisition	-	-	-	58,238	-	58,238
Debt service	-	-	-	-	136,225	136,225
Total expenditures	14,080	-	4	58,238	136,225	208,547
Excess (deficiency) of revenues over expenditures	820	17,187	87,308	(58,238)	(65,089)	(18,012)
Other financing sources (uses)						
Transfers in	-	-	-	58,238	65,089	123,327
Transfers out	-	(18,309)	(94,335)	(4,820)	-	(117,464)
Total other financing sources (uses)	-	(18,309)	(94,335)	53,418	65,089	5,863
Net change in fund balances	820	(1,122)	(7,027)	(4,820)	-	(12,149)
Fund balances - beginning of year	8,328	1,122	7,027	4,820		21,297
Fund balances - end of year	\$ 9,148	\$ -	\$ -	\$ -	\$ -	\$ 9,148

Southgate Independent School District
Statement of School Activity Funds
Southgate Independent School
June 30, 2023

Fund Name	Cash Balance				Cash Balance
	July 1, 2022	Receipts	Expenditure	Transfers	June 30, 2023
Preschool	\$ 133	\$ -	\$ -	\$ -	\$ 133
Kindergarten	16	675	-	-	691
First grade	7	-	-	-	7
Second grade	-	-	-	-	-
Third grade	134	-	-	-	134
Fourth grade	9	-	-	-	9
Fifth grade	23	112	130	-	5
Sixth grade	108	-	-	-	108
Seventh grade	133	-	42	-	91
Eighth grade	7	144	150	-	1
Eighth grade trip	-	261	-	-	261
Band	558	-	-	-	558
NKOA	186	6,100	6,376	90	-
Student needs	1,919	1,444	1,512	(51)	1,800
Library	59	2,047	1,902	-	204
Student council	834	1,300	1,011	-	1,123
Yearbook	761	761	1,161	-	361
Office	2,391	26	80	-	2,337
K-4 school field trip	564	1,011	995	-	580
Student incentives	39	-	-	(39)	-
Art	191	-	-	-	191
GOTR	6	-	-	-	6
Farmers grant	250	-	-	-	250
PBIS	-	1,019	721	-	298
<u>Due to student groups</u>	<u>\$ 8,328</u>	<u>\$ 14,900</u>	<u>\$ 14,080</u>	<u>\$ -</u>	<u>\$ 9,148</u>

Southgate Independent School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures for FYE 6/30/2023</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005	\$ 48,890
National School Lunch Program	10.555	7750002	114,533
	10.555	9980000	16,483
	10.555	Commodities	<u>9,275</u> \$ 189,181
State Administrative Expenses for Child Nutrition	10 560	77000001	146
State Pandemic EBT Administrative Costs Grant	10.649	9990000	628
Total U.S. Department of Agriculture			<u>189,955</u>
<u>U.S. Department of Justice</u>			
<i>Passed through Northern Kentucky Cooperative for Educational Services</i>			
STOP School Violence	16.839		1,770
Total U.S. Department of Justice			<u>1,770</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education_Grants to States (IDEA, Part B)	84.027	3810002	95,116
Special Education_Preschool Grants (IDEA, Preschool)	84.173	3800002	9,922
Title I Grants to Local Educational Agencies	84.010	3100002	107,843
Title II Supporting Effective Instruction State Grants	84.367	3230002	11,472

Southgate Independent School District
 Schedule of Expenditures of Federal Awards
 June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing</u>	<u>Pass Through Grantor's Number</u>	<u>Federal Expenditures for FYE 6/30/2023</u>
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Student Support and Academic Enrichment Program	84.424	3420002	5,844
<i>Educational Stabilization Fund</i>			
Governor's Emergency Education Relief Fund	84.425C		4,463
Elementary and Secondary School Emergency Relief Fund	84.425D	4200002	29,518
ARP Elementary and Secondary School Emergency Relief Fund	84.425U	4300002	<u>505,557</u>
Total U.S Department of Education			<u>769,735</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Kentucky Department of Education</i>			
Student Support and Academic Enrichment Program	93.575		190,386
Total U.S Department of Health and Human Services			<u>190,386</u>
Total Expenditures of Federal Awards			<u><u>\$1,151,846</u></u>

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2023.

NOTE 5: COMMODITIES

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

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 989,229
Federal grants reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	180,680
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	9,275
Total federal awards	<u>1,179,184</u>
Less Medicaid reimbursement	<u>(27,338)</u>
<u>Schedule of expenditures of federal awards</u>	<u>\$ 1,151,846</u>



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Southgate Independent School District (District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated November 7, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 7, 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.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 7, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not 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 the 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*, the Uniform Guidance 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, 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 the 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 the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

November 7, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Type of report the auditor issued on compliance with major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance (2 CFR 500.516(a))?

_____ Yes X None reported

Identification of Major Programs

ALN	Name of Federal Program or Cluster
84.425C	COVID-19 Govenner's Education Emergency Relief Fund
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER)
84.425U	COVID-19 American Rescue Plan (ARP) ESSER

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee

_____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

NO PRIOR FINDINGS

Southgate Independent School District
Management Letter
June 30, 2023

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

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

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated November 7, 2023 contains our report on the District's internal control. This letter does not affect our report dated November 7, 2023 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendation with various District personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

Maddox & Associates CPAs Inc.
November 7, 2023

2023-01. During our testing of school activity fund receipts, we noted that receipt forms were not signed by the person collecting the money and/or the school bookkeeper. Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for processing receipts.

2023-02. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have sufficient supporting documentation. Disbursements must have sufficient documentation to support the expenditure.

2023-03. During our testing of school activity fund disbursements, we noted instances of disbursements that did not have approvals of the sponsor and/or the school bookkeeper. Accounting Procedures for Kentucky School Activity Funds (Redbook) sets accounting guidelines for processing disbursements. This is a repeat of 2022-01 from the prior year.

Prior year comment 2022-02 was corrected.