



A Passion for Excellence

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

for the year ended June 30, 2023

UNION COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits. 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 Union County School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Union County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and other post-employment benefit schedules on pages 3 through 10 and pages 53 through 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2023, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Union County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.


Alford, Nance, Jones, & Oakley LLP
November 11, 2023

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

As management of the Union County Public School District (the 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. The intent of this discussion and analysis is to review the District's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the additional information found within the body of the audit report.

Financial Highlights

- During the 2022-2023 school year, Union County Public Schools served 2,130 students through a preschool, 3 elementary schools, a middle school, high school, alternative school and the Victory Tech High School located at the Earle C. Clements Job Corps Center.
- The District continues to maintain a solvent financial condition. Through cost containment, community partnerships and effective utilization of grant funding, the district continues to diligently manage all staffing, instructional and support programs.

In total, net position of the District increased \$10,088,708. Net position of governmental activities increased by \$9,319,327 with \$9,469,926 restricted for capital outlay related to the upcoming renovation of the Union County High School vocational building. The net position of business-type activities increased by \$769,381.

- During fiscal year 2023 the District received \$8,619,923 in general fund state SEEK funding. The guaranteed per pupil base for 2023 was \$4,100 and was calculated using the 2019 average daily attendance to help curb the effect of student attendance due to the pandemic. In the 2021 Special Session, the Kentucky General Assembly added 2022 SEEK funding for full day Kindergarten. Transportation was only partially funded through the SEEK calculation during the fiscal year 2023. Transportation funding received in the amount of \$1,064,355 was prorated at 68.85% of the total cost of \$1,545,937 leaving a balance of unfunded costs of \$481,582 to be funded at the local level.
- Local taxes provide approximately 32% of the annual general fund revenues and are critical to the General Fund. For the 2023 tax year, both property and motor vehicle assessed values experienced a combined increase of 5% or \$56,050,524. While rising property values add to local revenue streams, the increased assessments reduce the state SEEK contribution.

Assessment of property subject to taxation on January 1, 2022, which was certified to the District Board of Education by the Commissioner, reported total real and personal property valuation of \$1,005,647,596 and motor vehicle valuation of \$163,523,444. The real estate and personal property rate assessed was 72.3 cents per \$100 of assessed property. The total property tax collected was \$6,235,081. Due to a software system failure experienced by the Kentucky Department of Revenue, 2021 and 2022 property tax bills for unmined coal were not processed. A new software system was implemented and unmined coal tax bills are expected to be mailed to taxpayers in early 2024 with collection anticipated for February 2024. The motor vehicle property tax rate was 55.7 cents per \$100 of assessed property, and the total collected was \$1,038,595.

- Utility receipts increased \$118,372 or 8.18% from the prior year. The total collection for the year was \$1,447,433. During any given year the change can be attributed to a combination of usage, fluctuating prices and rate of collection. The Department of Revenue collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- For the 2023 fiscal year, the District implemented a district-wide 2% raise in staff salaries. In addition to the district-wide raise, the District implemented additional pay incentives to support recruitment and retention efforts. The incentives included competitive market pay increases for classified staff and professional development stipends for new and veteran certified staff.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Financial Highlights, continued

- Utilizing a combination of funding sources from both the General Fund and the Special Revenue Fund's American Rescue Plan and the Elementary and Secondary Emergency Relief grants, the District was able to purchase new reading curriculum for elementary and middle school grade levels. The curriculum included student and teacher materials, teacher training, and an 8-year digital resource subscription. The total cost of the reading curriculum was \$440,124 of which \$129,849 was paid by federal grant funds.
- Total capital assets of governmental activities decreased in the net amount of \$307,008. Construction in progress decreased \$2,430,010 with the completion of roofing projects. Governmental capital asset additions totaled \$3,519,734 and consisted of \$3,058,510 for new roofs installed at the Union County Middle School and the Union County High School vocational building, \$446,224 of other depreciable assets and \$15,000 of land (Sturgis tennis courts) donated by the Union County Fiscal Court. Total net asset disposals for governmental activities was \$8,615. Depreciation expense was recorded in the amount of \$1,388,117.

Total capital assets of business type activities decreased by \$19,648 which is the amount of depreciation expense. During the year, business type activities disposed \$20,438 of fully depreciated assets.

- District facility activity during the 2023 fiscal year addressed several issues identified as part of the District's ongoing needs assessment process. In 2020 the District initiated roofing projects at UCMS, MES, SES and the UCHS vocational school. The total cost of the entire project was \$6,910,037 and was funded through a combination of offers of assistance from the School Facility Construction Commission (SFCC), restricted cash and the issuance of local bonds. As of June 30, 2023 roof installation at all schools was complete.

In 2022, the District approved a project to replace four rooftop HVAC units that provide heating and cooling for the main gymnasium at Union County High School. The total cost of the project is estimated to be \$224,499 and will be funded by a combination of restricted Capital Outlay funds, restricted SFCC funds, and residual SFCC cash from previous projects. Due to supply chain disruptions involving the HVAC equipment the projected completion date was delayed until September 2023.

In May of 2022 the District was notified by the SFCC that in accordance with HB1 of the 2022 General Assembly, the District had been awarded \$8,582,500 in grant funds to be used towards the renovation of the UCHS vocational building. The grant proceeds were received in November 2022. The District will be required to contribute 10% of the total project cost with local resources. The District is in the preliminary planning stages for the project.

In December 2022 a winter freeze caused a pipe to rupture at the Union County Middle School resulting in a major flood event. The District approved an emergency BG for recovery and repair efforts. As of June 30, 2023 the District had incurred direct costs totaling \$531,470 but anticipates full coverage of the claim under property insurance.

In February and March 2023 two windstorm events caused significant roof damage at the Union County High School. The District approved an emergency BG for recovery and repair efforts. The estimated cost to replace the roof is \$548,000 and the District is expecting full coverage of the claim under property insurance.

- As with most school districts our unmet needs exceed our current bonding potential. Reevaluation of the District Facility Plan was completed in 2023 by the District's Local Planning Committee. The determined amount of unmet facility funding for the District is \$60,412,417. The District will continue to monitor facilities and refer to its long-range facility plan established with community input as stipulated by the Kentucky Department of Education's regulations.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Using the Basic Financial Statements

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

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

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

Both of these district-wide statements are divided into two district kinds of activities:

- **Government Activities** – The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Capital Assets and related debt that are also supported by taxes and intergovernmental revenues are reported within this section.
- **Business Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations and childcare centers. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software system. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- **Governmental Funds** - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, and debt service fund. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the

Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements provided.

- **Proprietary Funds** - The proprietary fund includes the food service and childcare centers that are also found in the business type activities fund. These funds use the same basis of accounting as business type activities; therefore, the statements for the proprietary fund will essentially match.
- **Fiduciary Funds** - The fiduciary funds are trust funds established by benefactors to aid in student education, student welfare, and teacher support.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Using the Basic Financial Statements, continued

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

Government-wide Financial Analysis

The following table is a summary of the District's net position as of June 30, 2023 and 2022.

| | Governmental Activities | | Business Type Activities | | Total | |
|---------------------------------------|-------------------------|---------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Current Assets | \$ 27,467,963 | \$ 17,024,033 | \$ 2,368,173 | \$ 1,792,447 | \$ 29,836,136 | \$ 18,816,480 |
| Capital or Non-current Assets | 17,675,722 | 17,982,730 | 126,120 | 145,768 | 17,801,842 | 18,128,498 |
| Total Assets | 45,143,685 | 35,006,763 | 2,494,293 | 1,938,215 | 47,637,978 | 36,944,978 |
| Deferred Outflows of Resources | 7,129,390 | 4,428,086 | 539,092 | 438,415 | 7,668,482 | 4,866,501 |
| Current Liabilities | 4,417,681 | 3,632,044 | 500 | 400 | 4,418,181 | 3,632,444 |
| Non-current Liabilities | 23,779,897 | 20,508,890 | 1,632,921 | 1,630,369 | 25,412,818 | 22,139,259 |
| Total Liabilities | 28,197,578 | 24,140,934 | 1,633,421 | 1,630,769 | 29,830,999 | 25,771,703 |
| Deferred Inflows of Resources | 4,767,307 | 5,305,052 | 339,430 | 455,108 | 5,106,737 | 5,760,160 |
| Net investment in capital assets | 10,134,696 | 9,149,355 | 126,120 | 145,768 | 10,260,816 | 9,295,123 |
| Restricted for Capital Outlay | 9,469,926 | 1,175,585 | - | - | 9,469,926 | 1,175,585 |
| Unrestricted | (296,432) | (336,077) | 934,414 | 145,385 | 637,982 | (190,692) |
| Total Net Position | \$ 19,308,190 | \$ 9,988,863 | \$ 1,060,534 | \$ 291,153 | \$ 20,368,724 | \$ 10,280,016 |

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions* and included the District's liability for the net pension obligation and the liability for other postemployment benefits. Due to state pension plan and OPEB liabilities reflected on the District's balance sheet, Net Position may not be the best indicator of a government's financial position

The pension and OPEB liabilities are related to the state pension funds which are legislated and controlled by the state of Kentucky and at this time are not fully funded. Fully funding the state's pension and benefit plans is a recurring agenda item for the Kentucky legislature. Future remedies may include changes to benefit calculations, employee and/or employer contribution rates and investment strategies. The District has always paid its entire employer contribution based on the rates enacted by each pension body.

The following is a summary of the District's changes in net position as of June 30, 2023 and 2022.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Government-wide Financial Analysis, continued

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|-------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Program Revenues | | | | | | |
| Charges for services | \$ 399,332 | \$ 258,608 | \$ 161,538 | \$ 114,866 | \$ 560,870 | \$ 373,474 |
| Operating grants and contributions | 14,994,366 | 5,458,766 | 2,018,542 | 2,271,679 | 17,012,908 | 7,730,445 |
| Capital grants and contributions | 945,387 | 870,487 | - | - | 945,387 | 870,487 |
| Total Program Revenue | 16,339,085 | 6,587,861 | 2,180,080 | 2,386,545 | 18,519,165 | 8,974,406 |
| | | | | | | |
| General Revenues | | | | | | |
| Taxes | 8,721,110 | 8,811,287 | - | - | 8,721,110 | 8,811,287 |
| Intergovernmental | 15,219,243 | 13,483,445 | - | - | 15,219,243 | 13,483,445 |
| Earnings on investments | 352,933 | 192,694 | 21,783 | 13,447 | 374,716 | 206,141 |
| Gain (Loss) on disposal fixed assets | 326,513 | 1,376 | - | - | 326,513 | 1,376 |
| Miscellaneous | 1,313,939 | 636,754 | - | - | 1,313,939 | 636,754 |
| Total General Revenue | 25,933,738 | 23,125,556 | 21,783 | 13,447 | 25,955,521 | 23,139,003 |
| | | | | | | |
| Total Revenues and Transfers | 42,272,823 | 29,713,417 | 2,201,863 | 2,399,992 | 44,474,686 | 32,113,409 |
| | | | | | | |
| Program Expenses | | | | | | |
| Instruction | 18,995,518 | 16,256,159 | - | - | 18,995,518 | 16,256,159 |
| Support services | 12,539,947 | 10,664,385 | - | - | 12,539,947 | 10,664,385 |
| Facilities acquisition and construction | 695,973 | 284,316 | - | - | 695,973 | 284,316 |
| Interest on long-term debt | 189,232 | 203,335 | - | - | 189,232 | 203,335 |
| Food services | 46,027 | 9,286 | 1,531,544 | 1,389,234 | 1,577,571 | 1,398,520 |
| Daycare services | 150,986 | 135,512 | (99,062) | (35,996) | 51,924 | 99,516 |
| Community Service | 335,814 | 281,180 | - | - | 335,814 | 281,180 |
| Total Program Expenses | 32,953,497 | 27,834,173 | 1,432,482 | 1,353,238 | 34,385,979 | 29,187,411 |
| | | | | | | |
| Transfers | - | - | - | - | - | - |
| Increase (Decrease) in Net Position | 9,319,327 | 1,879,244 | 769,381 | 1,046,754 | 10,088,707 | 2,925,998 |
| Net Position- Beginning | 9,988,863 | 8,109,619 | 291,153 | (755,601) | 10,280,016 | 7,354,018 |
| Net Position- Ending | \$ 19,308,190 | \$ 9,988,863 | \$ 1,060,534 | \$ 291,153 | \$ 20,368,723 | \$ 10,280,016 |

In accordance with Implementation of Government Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions*, and Government Accounting Standards Board Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than OPEBs*, food service financial results include provisions for deferred outflows and inflows related to both the state net pension and postemployment benefits other than OPEBs liabilities.

Governmental Activities

- The beginning fund balance for Governmental Funds at July 1, 2022 was \$13,916,828. The ending fund balance as of June 30, 2023 was \$23,586,058. The net increase of \$9,669,230 and was due to an increase in the Construction fund balance of \$8,327,247, an increase in the fund balance of the General Fund in the amount of \$1,347,189 offset by a decrease in the Nonmajor Governmental funds of \$5,206.
- The Special Revenue fund expenditures for the year were \$5,030,799. The primary sources of revenues for this fund were state grants totaling \$9,778,090 and federal grants totaling \$4,039,445. The Special Revenue Fund expended \$1,976,970 in funds from the American Rescue Plan and the Elementary and Secondary Emergency Relief Fund. These funds covered costs for a significant technology purchases, instructional programs and materials, intervention teachers to assist with learning loss due to the pandemic, school guidance counselors, staff professional development and costs to provide child care services for students.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities, continued

- The Governmental Fund expenditures for Debt Service payments were a total of \$687,316 which included \$517,000 for principal payments and \$170,316 for interest payments.
- The Governmental Fund expenditures for Construction were a total of \$1,335,228 expended for the purpose of roofing projects at UCMS and the UCHS vocational school and a HVAC project for the UCHS gymnasium.

Total revenue for the governmental funds was \$41,607,013. The following schedule provides a comparison of the District-wide revenues for governmental activities for the current and previous years.

| | 2023 | 2022 | Change |
|------------------------------------|----------------------|----------------------|----------------------|
| Revenues | | | |
| Local Sources: | | | |
| Taxes: | | | |
| Property | \$ 6,235,081 | \$ 6,503,511 | \$ (268,430) |
| Motor Vehicle | 1,038,595 | 978,331 | 60,264 |
| Utility | 1,447,433 | 1,329,061 | 118,372 |
| Unmined mineral | - | 384 | (384) |
| Earnings on investments | 352,933 | 192,694 | 160,239 |
| Other local revenues | 1,318,784 | 677,701 | 641,083 |
| Intergovernmental-Local | 79,672 | 40,346 | 39,326 |
| Intergovernmental-State | 26,763,797 | 16,065,180 | 10,698,617 |
| Intergovernmental-Indirect Federal | 4,039,445 | 3,713,464 | 325,981 |
| Intergovernmental-Direct Federal | 331,273 | 213,084 | 118,189 |
| Total revenues | \$ 41,607,013 | \$ 29,713,756 | \$ 11,893,257 |

Instruction costs comprise 58% of governmental program expenses. Support services comprise 37% of governmental expenses. Non-instructional expense for facilities, community services, food service operations, day care services, interest and other items account for nearly 5% of governmental expenses. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The table below shows the total cost of services and the net cost of services for government activities. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. The total cost of services includes state on-behalf payments in the amounts of \$7,680,253 for fiscal year 2023.

| | Total Cost of Services | | Net Cost of Services | |
|---|-------------------------------|-------------------|-----------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Instruction | 18,995,518 | 16,256,159 | 5,106,441 | 11,491,154 |
| Support services | 12,202,753 | 10,664,385 | 11,447,788 | 10,137,994 |
| Community Service | 335,814 | 281,180 | | |
| Food service operations | 46,027 | 9,286 | - | - |
| Day care services | 150,986 | 135,512 | - | - |
| Facilities acquisition and construction | 695,973 | 284,316 | (49,858) | (286,899) |
| Interest on long-term debt | 189,232 | 203,335 | 110,040 | (95,937) |
| Total Program Expenses | 32,616,303 | 27,834,173 | 16,614,411 | 21,246,312 |

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

Governmental Activities, continued

Business-Type Activities

The District's business-type activities include food service operations and day care services. These programs had total program revenues of \$2,180,080 and expenses of \$1,432,482 for fiscal year 2023. Of the revenues, \$161,538 was charges for services and \$2,018,542 was from State and Federal operating grants.

The Food Service Program offers students excellent nutrition through a variety of breakfast and lunch meal choices. Meals are prepared and served each school day and several weeks during the summer through the Summer Feed Program. Business activities receive no support from tax revenues. The District will continue to monitor the charges and costs of this activity. If it becomes necessary, the District will make adjustments to the operations of these activities.

Capital Assets and Debt Administration

As of June 30, 2023 the district held \$17,801,842 in capital assets (net of accumulated depreciation). This included land, construction in progress, school buildings, athletic facilities, maintenance facilities, transportation facilities, administrative facilities and other equipment. The cumulative total depreciable assets were \$58.8 million with accumulated depreciation of \$41.9 million.

| | Governmental | | Business-Type | | Total | |
|-----------------------------|----------------------|----------------------|-------------------|-------------------|----------------------|----------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Land | \$ 398,153 | \$ 383,153 | \$ - | \$ - | \$ 398,153 | \$ 383,153 |
| Land Improvements | 796,188 | 799,676 | - | - | \$ 796,188 | \$ 799,676 |
| Buildings & Improvements | 14,537,430 | 12,471,323 | - | - | \$ 14,537,430 | \$ 12,471,323 |
| Technology Equipment | 222,273 | 290,960 | - | - | \$ 222,273 | \$ 290,960 |
| Vehicles | 906,619 | 827,723 | - | - | \$ 906,619 | \$ 827,723 |
| General | 481,682 | 446,507 | 126,120 | 145,768 | \$ 607,802 | \$ 592,275 |
| Construction in Progress | 333,377 | 2,763,388 | - | - | \$ 333,377 | \$ 2,763,388 |
| Total Capital Assets | \$ 17,675,722 | \$ 17,982,730 | \$ 126,120 | \$ 145,768 | \$ 17,801,842 | \$ 18,128,498 |

Summary of Long-Term Debt

At the fiscal year-end the district had \$26,088,218 in long-term debt with \$10,406,163 in pension liability (effect of GASB 68 implementation), \$7,968,618 in postemployment benefits other than pensions (effect of GASB 75 implementation), \$7,469,437 bonds outstanding, and compensated absences of \$244,000.

Comments on General Fund Budget Comparisons

General Fund Revenues

The total General fund operating revenues budgeted for fiscal year 2023 in the original budget was \$23,800,126. The final operating revenue budget for the General fund was \$23,800,126. The actual operating revenue received was \$25,208,040. That is an increase of \$1,407,914 under the final General fund revenue budget which is primarily attributed to the amount of on behalf payments included in revenue as part of GASB 34.

General Fund Expenses

The original general fund budget for expenditures was \$24,230,042. The original contingency amount budgeted in that total was \$1,575,162. The final general fund budget for expenditures was \$24,230,042. The final budgeted amount for contingencies was \$1,575,163. For fiscal year 2023 actual revenue for the general fund was \$25,208,040 and actual

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

expenditures were \$24,416,673. The district's general fund had an unfavorable increase in expenditures resulting primarily from amount of on behalf benefits included in expenditures as part of GASB 34.

General Fund Budgetary Implications and District Challenges for the Future

During the 2023 school year, the District has been able to stabilize the budget with the use of normalized SEEK funding and the utilization of federal ESSER and ARP grant funds. Real budget concerns will begin to arise with 2025 budget as the infusion of new funds and stopgap measures cease.

The COVID-19 pandemic created challenges for the District beyond those financial in nature. Prior to the pandemic, teacher shortages existed throughout Kentucky and the problem has only worsened during the pandemic. Due to market conditions and budget constraints many benefits have been ceased or reduced and staff salaries have become less competitive. While teacher shortages remain an issue, the District also contends with staffing support vacancies in areas such as transportation, custodial positions and food service. The District continues efforts to recruit and retain quality teachers and support staff to deliver a quality and ever improving education for our students all with limited revenue resources.

The legislative body of the State has historically not fully funded many of the mandates passed on to local school districts. This has presented a significant financial challenge as the District has worked to fund an assortment of mandates with inadequate state funding. This practice, over time, has placed a significant strain on the District's resources. The District maintains a conservative contingency plan to deal with inadequacies in state funding, but the contingency plan would only address funding shortfalls for a short-term time period. A long-term solution at the state level must be developed and enacted by the state legislature to ensure adequate funding for Kentucky's public school districts. To balance inadequate state funding, local boards have been forced to increase taxes, placing a burden on local taxpayers and local school districts.

As the level of funding provided by the State declines, local districts are forced to rely upon local tax revenue. Contributing 35% to the annual revenue, local tax revenue is a critical component in the operating budget. *The growth and stability of the real estate market as well as industry activity remains critical in sustaining local tax revenues and reasonable tax rates for taxpayers.*

The financial impact of declining enrollment has also been a difficult challenge for the school district over the past few years. The district's student enrollment, which drives the majority of our funding, has experienced a downward trend over the past few years. Decreased funding has resulted in reduced instructional resources and positions, professional development opportunities and the inability to fund competitive cost of living salary adjustments.

With careful planning and monitoring of District finances, utilization of grant opportunities and community partnerships, the management team, in cooperation with the Board of Education, will continue to implement plans to stabilize the General Fund to provide a quality education for our students and ideal working conditions for employees of the Union County Public Schools.

Report purpose and contact information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Amy Morris, Director of Finance, at 270-389-1694, by email at amy.morris@union.kyschools.us, or by mail at 4500 US Hwy 60W, Morganfield, Kentucky.

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023**

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash | \$ 12,534,660 | \$ 2,259,989 | \$ 14,794,649 |
| Investments | - | - | - |
| Accounts receivable: | | | |
| Taxes | 569,438 | - | 569,438 |
| Accounts, net | 427,970 | 11,670 | 439,640 |
| Intergovernmental - state | 19,706 | - | 19,706 |
| Intergovernmental - federal | 3,506,015 | 38,337 | 3,544,352 |
| Inventory | - | 58,177 | 58,177 |
| Prepaid insurance | 349,922 | - | 349,922 |
| Restricted cash | 10,060,252 | - | 10,060,252 |
| Total Current Assets | 27,467,963 | 2,368,173 | 29,836,136 |
| Noncurrent Assets | | | |
| Capital assets, net of accumulated depreciation | 17,675,722 | 126,120 | 17,801,842 |
| Total Noncurrent Assets | 17,675,722 | 126,120 | 17,801,842 |
| Total Assets | 45,143,685 | 2,494,293 | 47,637,978 |
| Deferred Outflows of Resources | | | |
| Deferred outflows from pension contributions | 2,481,734 | 338,190 | 2,819,924 |
| Deferred outflows from OPEB contributions | 4,590,000 | 200,902 | 4,790,902 |
| Deferred savings from refunding bonds | 57,656 | - | 57,656 |
| Total Deferred Outflows | 7,129,390 | 539,092 | 7,668,482 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 383,117 | - | 383,117 |
| Payable from restricted assets | 100,763 | - | 100,763 |
| Accrued liabilities | 218,476 | - | 218,478 |
| Retainage payable | 20,744 | - | 20,744 |
| Unearned revenue | 2,991,199 | - | 2,991,199 |
| Accrued interest | 28,482 | - | 28,482 |
| Current portion of: | | | |
| Bond obligations | 527,000 | - | 527,000 |
| Accrued sick leave | 147,900 | 500 | 148,400 |
| Total Current Liabilities | 4,417,681 | 500 | 4,418,181 |
| Noncurrent Liabilities | | | |
| Noncurrent portion of: | | | |
| Outstanding bonds | 6,942,437 | - | 6,942,437 |
| Accrued sick leave | 82,700 | 12,900 | 95,600 |
| Net OPEB liability | 7,622,178 | 346,440 | 7,968,618 |
| Net pension liability | 9,132,582 | 1,273,581 | 10,406,163 |
| Total Noncurrent Liabilities | 23,779,897 | 1,632,921 | 25,412,818 |
| Total Liabilities | 28,197,578 | 1,633,421 | 29,830,999 |
| Deferred Inflows of Resources | | | |
| Deferred inflows from OPEB contributions | 3,662,485 | 185,357 | 3,847,842 |
| Deferred inflows from pension contribution | 1,104,822 | 154,073 | 1,258,895 |
| Total Deferred Inflows | 4,767,307 | 339,430 | 5,106,737 |
| Net Position | | | |
| Net investment in capital assets | 10,134,696 | 126,120 | 10,260,816 |
| Restricted for: | | | |
| Capital outlay | 9,469,926 | - | 9,469,926 |
| Unrestricted | (296,432) | 934,414 | 637,982 |
| Total Net Position | \$ 19,308,190 | \$ 1,060,534 | \$ 20,368,724 |

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

| | General Fund | Special Revenue Grant Fund | Construction Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------------------|----------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 12,534,660 | | | | \$ 12,534,660 |
| Receivables: | | | | | |
| Taxes | 569,438 | | | | 569,438 |
| Miscellaneous | 381,601 | | 46,369 | | 427,970 |
| Intergovernmental - State | | | | | - |
| Intergovernmental - Federal | | 3,506,015 | | | 3,506,015 |
| Due from other funds | 547,091 | | | | 547,091 |
| Prepaid assets | 349,922 | | | | 349,922 |
| Restricted cash | | | \$ 9,127,905 | \$ 932,347 | 10,060,252 |
| Total assets | \$ 14,382,712 | \$ 3,506,015 | \$ 9,174,274 | \$ 932,347 | \$ 27,995,348 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 367,381 | \$ 7,725 | | \$ 8,011 | \$ 383,117 |
| Accrued payroll and related expenses | 218,476 | | | | 218,476 |
| Retainage payable | | | \$ 20,744 | - | 20,744 |
| Due to other funds | | 547,091 | | | 547,091 |
| Current portion of accrued sick leave | 147,900 | | | | 147,900 |
| Unearned revenue | 40,000 | 2,951,199 | | | 2,991,199 |
| Payable from restricted assets | | | 100,763 | | 100,763 |
| Total liabilities | 773,757 | 3,506,015 | 121,507 | 8,011 | 4,409,290 |
| Fund Balances | | | | | |
| Nonspendable, Prepaid assets | 349,922 | | | | 349,922 |
| Restricted for: | | | | | |
| Capital Projects | | | 9,052,767 | 417,159 | 9,469,926 |
| Committed for: | | | | | |
| Sick Leave | 230,600 | | | | 230,600 |
| Transportation Buses | 1,200,000 | | | | 1,200,000 |
| Vocational renovations | 4,000,000 | | | | 4,000,000 |
| Technology equipment | 1,000,000 | | | | 1,000,000 |
| Assigned to: | | | | | |
| Encumbrances | 1,106,625 | | | | 1,106,625 |
| District and Student activities | | | | 507,177 | 507,177 |
| Unassigned | | | | | |
| General fund | 5,721,808 | | | | 5,721,808 |
| Total fund balances | 13,608,955 | - | 9,052,767 | 924,336 | 23,586,058 |
| Total liabilities and fund balances | \$ 14,382,712 | \$ 3,506,015 | \$ 9,174,274 | \$ 932,347 | \$ 27,995,348 |

The accompanying notes are an integral part of the financial statements

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

| | | |
|---|-----------|-------------------|
| Total governmental fund balance per fund financial statements. | \$ | 23,586,058 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. | | 17,675,722 |
| Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position. (Deferred savings from refunding bonds \$57,655, Intergovernmental - state receivable for KSFCC portion of accrued interest \$19,706) | | 77,361 |
| Certain amounts related to the net pension and OPEB liabilities are not reported in the governmental funds but are deferred in the statement on net position | | |
| Pension deferred outflows | | 2,481,734 |
| OPEB deferred outflows | | 4,590,000 |
| Pension deferred inflows | | (1,104,822) |
| OPEB deferred inflows | | (3,662,485) |
| Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position. Long-term liabilities at year end consist of: | | |
| Bond obligations | | (7,469,436) |
| Net pension liability | | (9,132,582) |
| Net TRS OPEB liability | | (5,128,000) |
| Net CERS OPEB liability | | (2,494,178) |
| Accrued interest | | (28,482) |
| Compensated absences | | (82,700) |
| Net position of governmental activities | <u>\$</u> | <u>19,308,190</u> |

The accompanying notes are an integral part of the financial statements

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

| | General Fund | Special Revenue Grant Fund | Construction Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------------------|----------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes: | | | | | |
| Property | \$ 5,650,495 | | | \$ 584,586 | \$ 6,235,081 |
| Motor vehicle | 1,038,595 | | | | 1,038,595 |
| Utility | 1,447,433 | | | | 1,447,433 |
| Unmined mineral | 0 | | | | - |
| Earnings on investments | 144,413 | | \$ 195,207 | 13,313 | 352,933 |
| Other local revenues | 492,297 | \$ 16,458 | | 826,487 | 1,335,242 |
| Intergovernmental - Local | 63,214 | | | | 63,214 |
| Intergovernmental - State | 16,040,320 | 9,778,090 | | 945,387 | 26,763,797 |
| Intergovernmental - Indirect federal | | 4,376,638 | | | 4,376,638 |
| Intergovernmental - Direct federal | 331,273 | | | | 331,273 |
| Total revenues | <u>25,208,040</u> | <u>14,171,186</u> | <u>195,207</u> | <u>2,369,773</u> | <u>41,944,206</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction | 13,645,307 | 3,931,430 | | 770,308 | 18,347,045 |
| Support services: | | | | | |
| Student | 1,851,282 | 222,444 | | 10,832 | 2,084,558 |
| Instruction staff | 712,327 | 167,296 | | 21,756 | 901,379 |
| District administrative | 933,826 | | | | 933,826 |
| School administrative | 1,730,316 | | | | 1,730,316 |
| Business | 925,788 | 437,374 | | | 1,363,162 |
| Plant operation and maintenance | 2,705,485 | 26,315 | | | 2,731,800 |
| Student transportation | 1,911,068 | 69,301 | | | 1,980,369 |
| Food service operation | | 46,027 | | | 46,027 |
| Community service activities | 1,274 | 316,819 | | - | 318,093 |
| Day care operations | | 150,986 | | | 150,986 |
| Capital outlay: | | | | | |
| Facilities acquisition and construction | | | 1,335,228 | - | 1,335,228 |
| Debt service: | | | | | |
| Principal | | | | 517,000 | 517,000 |
| Interest | | | | 170,316 | 170,316 |
| Total expenditures | <u>24,416,673</u> | <u>5,367,992</u> | <u>1,335,228</u> | <u>1,490,212</u> | <u>32,610,105</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>791,367</u> | <u>8,803,194</u> | <u>(1,140,021)</u> | <u>879,561</u> | <u>9,334,101</u> |
| Other Financing Sources (Uses) | | | | | |
| Insurance proceeds | 332,061 | | | - | 332,061 |
| Proceeds from sale of assets | 3,068 | | | - | 3,068 |
| Transfers in | 261,509 | 40,815 | 9,467,268 | 451,535 | 10,221,127 |
| Transfers out | (40,815) | (8,844,009) | | (1,336,303) | (10,221,127) |
| Total other financing sources (uses) | <u>555,823</u> | <u>(8,803,194)</u> | <u>9,467,268</u> | <u>(884,768)</u> | <u>335,129</u> |
| Net change in fund balance | 1,347,190 | - | 8,327,247 | (5,207) | 9,669,230 |
| Fund balance, July 1, 2022 | 12,261,765 | | 725,520 | 929,543 | 13,916,828 |
| Fund balance, June 30, 2023 | <u>\$ 13,608,955</u> | <u>\$ -</u> | <u>\$ 9,052,767</u> | <u>\$ 924,336</u> | <u>\$ 23,586,058</u> |

The accompanying notes are an integral part of the financial statements

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

| | | |
|---|-----------|------------------|
| Net change in fund balance - total governmental funds | \$ | 9,669,230 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year. | | (307,007) |
| Certain accruals do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Change in accrued sick leave) | | (15,650) |
| Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position. | | 529,839 |
| Capitalized savings from bond refundings must be amortized over the remaining life of the bonds | | (20,965) |
| Net effect on pension expense of the allocation of pension expense per GASB 68 | | (204,250) |
| Net effect on employee benefits of the allocation of OPEB expense per GASB 75 | | (327,057) |
| Accruals of interest payments on long-term debt do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Net of receivable for KSFCC for their share of accrued interest) | | (4,812) |
| Change in net position of governmental activities | <u>\$</u> | <u>9,319,328</u> |

The accompanying notes are an integral part of the financial statements

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

| | SCHOOL FOOD SERVICES | OTHER PROGRAM | TOTAL ENTERPRISE FUNDS |
|--|---------------------------------|--------------------------|---------------------------------------|
| Assets: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 1,885,392 | \$ 374,597 | \$ 2,259,989 |
| Accounts receivable | | | |
| Accounts, net | | 11,670 | 11,670 |
| Intergovernmental - Indirect Federal | 38,337 | | 38,337 |
| Inventories | 58,177 | | 58,177 |
| Total Current Assets | <u>1,981,906</u> | <u>386,267</u> | <u>2,368,173</u> |
| Noncurrent Assets: | | | |
| Capital assets | 583,871 | | 583,871 |
| Less: accumulated depreciation | (457,751) | | (457,751) |
| Total Noncurrent Assets | <u>126,120</u> | <u>-</u> | <u>126,120</u> |
| Total Assets | <u>2,108,026</u> | <u>386,267</u> | <u>2,494,293</u> |
| Deferred Outflows of Resources: | | | |
| Deferred Outflows from OPEB | 200,634 | 268 | 200,902 |
| Deferred Outflows from CERS Contribution | 337,805 | 385 | 338,190 |
| Total Deferred Outflows | <u>538,439</u> | <u>653</u> | <u>539,092</u> |
| Total Assets and Deferred Outflows | <u>\$ 2,646,465</u> | <u>\$ 386,920</u> | <u>\$ 3,033,385</u> |
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Current portion of accrued sick leave | 500 | | 500 |
| Total Current Liabilities | <u>500</u> | <u>-</u> | <u>500</u> |
| Noncurrent Liabilities: | | | |
| Accrued sick leave | 12,900 | | 12,900 |
| Net OPEB liability | 345,978 | 462 | 346,440 |
| Net pension liability | 1,271,486 | 2,095 | 1,273,581 |
| Total noncurrent liabilities | <u>1,630,364</u> | <u>2,557</u> | <u>1,632,921</u> |
| Total Liabilities | <u>1,630,864</u> | <u>2,557</u> | <u>1,633,421</u> |
| Deferred Inflows of Resources: | | | |
| Deferred Inflows from OPEB Contribution | 185,111 | 246 | 185,357 |
| Deferred Inflows from CERS Contribution | 153,820 | 253 | 154,073 |
| Total Deferred Inflows | <u>338,931</u> | <u>499</u> | <u>339,430</u> |
| Net Position: | | | |
| Net investment in capital assets | 126,120 | - | 126,120 |
| Restricted | | | |
| Unrestricted | 550,550 | 383,864 | 934,414 |
| Total Net Position | <u>676,670</u> | <u>383,864</u> | <u>1,060,534</u> |
| Total Liabilities, Deferred Inflows, and Net Position | <u>\$ 2,646,465</u> | <u>\$ 386,920</u> | <u>\$ 3,033,385</u> |

The accompanying notes are an integral part of the financial statements

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

| | <u>SCHOOL FOOD SERVICES</u> | <u>OTHER PROGRAM</u> | <u>TOTAL ENTERPRISE FUNDS</u> |
|---|---------------------------------|--------------------------|---------------------------------------|
| Operating Revenues: | | | |
| Lunchroom sales | \$ 43,752 | | \$ 43,752 |
| Community service activities | | \$ 70,578 | 70,578 |
| Other operating revenues | 47,208 | | 47,208 |
| Total Operating Revenues | <u>90,960</u> | <u>70,578</u> | <u>161,538</u> |
| Operating Expenses: | | | |
| Salaries and wages | 444,950 | | 444,950 |
| Employee benefits | 187,830 | (142,167) | 45,663 |
| Professional and contract services | 16,751 | 28,197 | 44,948 |
| Materials and supplies | 858,525 | 11,191 | 869,716 |
| Depreciation | 19,648 | | 19,648 |
| Other operating expenses | 3,840 | 3,717 | 7,557 |
| Total Operating Expenses | <u>1,531,544</u> | <u>(99,062)</u> | <u>1,432,482</u> |
| Operating loss | <u>(1,440,584)</u> | <u>169,640</u> | <u>(1,270,944)</u> |
| Non-Operating Revenues: | | | |
| Federal grants | 1,617,421 | | 1,617,421 |
| Donated commodities | 205,020 | | 205,020 |
| State grants | 114,879 | 81,222 | 196,101 |
| Gain (Loss) on disposal of fixed assets | | | - |
| Interest income | 15,943 | 5,840 | 21,783 |
| Total Non-Operating Revenues | <u>1,953,263</u> | <u>87,062</u> | <u>2,040,325</u> |
| Change in Net Position | 512,679 | 256,702 | 769,381 |
| Total Net Position - Beginning | 163,991 | 127,162 | 291,153 |
| Total Net Position - Ending | <u>\$ 676,670</u> | <u>\$ 383,864</u> | <u>\$ 1,060,534</u> |

The accompanying notes are an integral part of the financial statements

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

| | SCHOOL FOOD SERVICES | OTHER PROGRAM | TOTAL ENTERPRISE FUNDS |
|--|---------------------------------|--------------------------|---------------------------------------|
| Cash Flows from Operating Activities: | | | |
| Cash received from lunchroom sales | \$ 43,752 | | \$ 43,752 |
| Cash received from user charges and other | 47,208 | \$ 70,578 | 117,786 |
| Cash payments to employees for services | (591,328) | 429 | (590,899) |
| Cash payments to suppliers for goods and services | (674,678) | (39,388) | (714,066) |
| Cash payments for other operating activities | (3,840) | (3,717) | (7,557) |
| Net cash provided (Used) for operating activities | <u>(1,178,886)</u> | <u>27,902</u> | <u>(1,150,984)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Non-operating grants received | 1,937,878 | 69,123 | 2,007,001 |
| Net cash provided for noncapital financing activities | <u>1,937,878</u> | <u>69,123</u> | <u>2,007,001</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Acquisition of capital assets | - | - | - |
| Cash Flows from Investing Activities: | | | |
| Interest on investments | 15,943 | 5,840 | 21,783 |
| Net increase(decrease) in cash and cash equivalents | 774,935 | 102,865 | 877,800 |
| Cash and cash equivalents - Beginning of the year | 1,110,457 | 271,732 | 1,382,189 |
| Cash and cash equivalents - End of the year | <u>\$ 1,885,392</u> | <u>\$ 374,597</u> | <u>\$ 2,259,989</u> |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities: | | | |
| Operating loss | \$ (1,440,584) | \$ 169,640 | \$ (1,270,944) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided(Used) in Operating Activities: | | | |
| Depreciation | 19,648 | | 19,648 |
| Commodities used | 205,020 | | 205,020 |
| On behalf payments recorded | 101,788 | 428 | 102,216 |
| Changes in assets and liabilities: | | | |
| Inventory | (4,422) | | (4,422) |
| Accrued sick leave | 5,400 | | 5,400 |
| Net pension liability and deferrals | (65,736) | (142,166) | (207,902) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (1,178,886)</u> | <u>\$ 27,902</u> | <u>\$ (1,150,984)</u> |
| Schedule of noncash transactions: | | | |
| Benefits paid by state of Kentucky on behalf of District | \$ 101,788 | \$ 428 | \$ 102,216 |
| Donated commodities received from Federal Government | 205,020 | | 205,020 |
| | <u>\$ 306,808</u> | <u>\$ 428</u> | <u>\$ 307,236</u> |

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies

a. Reporting Entity

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

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

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Union County School District has one blended component unit.

Blended Component Unit:

Union County School District Finance Corporation - On April 20, 1989, the Union County, Kentucky, Board of Education resolved to authorize the establishment of the Union County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Union County Board of Education also comprise the Corporation's Board of Directors.

b. Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service program or department and are therefore, clearly identifiable with a specific function or segment. Program

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

b. Basis of Presentation, continued

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 expense with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has the following funds:

Governmental Fund Types

- 1) The **General Fund** is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unreserved fund balances are considered as resources available for use. This is a major fund of the District.
- 2) **Special Revenue Funds** account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes.
 - a) The **Special Revenue (Grant) Fund** accounts for proceeds of federal, state and local grants that are legally restricted to disbursements for specified purposes. Unused balances are returned to the grantor at the close of specified project periods. 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.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

b. Basis of Presentation, continued

- b) The *District Activity Fund* is used to account for funds to support co-curricular and extra-curricular activities not raised or expended by student groups.
 - c) The *School Activity Fund* is used to account for funds raised and expended by student groups to support co-curricular and extra-curricular activities. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- 3) *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
- a) The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan and corresponding debt service.
 - b) The *Facility Support Program (FSPK) Fund* accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and corresponding debt service.
 - c) The *Construction Fund* accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- 4) The *Debt Service Fund* is used to account for the accumulation of resources for, and payment of, general long-term debt, principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Types

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Services Fund, and the Child Care Program Fund.

- 1) The *School Food Services Fund* is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Services Fund is a major fund.
- 2) The *Child Care Program Fund* is used to account for after school programs established to provide supervised activities for children in the afternoon.

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The District has no trust funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the board holds for others in an agency capacity. The District has no Agency funds.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

c. Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

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

d. Estimates

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

e. Cash and Cash Equivalents/Restricted Cash/Investments

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements, in debt service funds per debt agreements, and in the District Activity Fund and School Activity Fund per fund financial requirements. (See Note 2)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 2)

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

e. Cash and Cash Equivalents/Restricted Cash/Investments, continued

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The district does not have any investments that are measured using Level 2 or Level 3 inputs.

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

- Certificates of Deposit of \$83,406 are valued using quoted market prices (Level 1 inputs), the carrying amount approximated fair value due to the short-term highly liquid nature.

f. Allowance for Doubtful Accounts

Student accounts receivable are stated net of an allowance for doubtful accounts. The District estimated the allowance based on its historical experience of the uncollected accounts at June 30. The allowance for doubtful accounts was \$491 at June 30, 2023.

g. Inventories/Commodities

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds which record inventory using the accrual basis of accounting. Inventories are valued at cost or at the estimated fair value at the date of donation, using the first-in, first-out method. For the purposes of the statement of cash flows, federal grants received does not include non-cash commodities received in the amount of \$205,020

h. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements 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 one thousand dollars with the exception of computers, digital

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

h. Capital Assets, continued

cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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

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

i. Unearned Revenue

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

j. Accrued Sick Leave

The Union County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Separation of employment for any reason other than retirement results in the employee forfeiting accumulated days. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience and any employee age 55 or older with at least five years experience.

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Current Portion of Accrued Sick Leave" in the general fund. The non-current portion of the liability is not reported.

k. Accrued Liabilities/Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statement. Bond discounts and premiums are recorded as deferred

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

k. Accrued Liabilities/Long-Term Obligations, continued

outflows of resources (deferred savings from refunding bonds) in the government-wide financial statements and amortized on a straight line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually

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

l. Net Position and Fund Balance

District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of restricted net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Outlay – The component of net position that reports the financial resources restricted to pay for construction activities.

Restricted for Debt Service – The component of net position that reports the financial resources restricted to pay for debt service on capital related debt less current accrual of interest.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, Net of Related Debt, Net Position Restricted for Capital Outlay, or Net Position Restricted for Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. At June 30, 2023, the District had \$349,922 of prepaid assets recorded as nonspendable fund balance.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

l. Net Position and Fund Balance, continued

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2023, the District had the following amounts restricted for capital outlay: FSPK \$152,189 SEEK \$264,970 and Construction \$9,052,767.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2023: Sick leave \$230,600, Buses \$1,200,000, Vocational renovations \$4,000,000 and Technology equipment \$1,000,000.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which results in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. At June 30, 2023, the District had \$1,106,625 assigned related to encumbrances and \$507,177 for District and Student Activity funds.

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

m. Property Taxes

Property taxes are levied annually by ordinance, usually in October on the assessed value listed as of the property January 1, for all real and personal property in the District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2023 were 72.3 cents per \$100 valuation for real and personal property and 55.7 cents per \$100 valuation for motor vehicles, of which 6.4 cents is for participation in Facility Support Program.

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

n. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

n. Interfund Activity, continued

particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

o. Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when bonds are issued. In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

p. Pensions

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

q. Other Postemployment Benefits (OPEB)

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

r. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

r. Deferred Outflows of Resources and Deferred Inflows of Resources, continued

Deferred outflows related to pensions and OPEB are reported in the statement of net position. A deferred outflow from pension's and OPEB's results from System contributions made subsequent to the measurement date, difference between expected and actual experience, net difference between projected and actual investment earnings on pension and OPEB plan investments, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. This amount from System contributions made subsequent to the measurement date are deferred and will be recognized as a reduction of net pension liability and net OPEB liability in the year ending June 30, 2023. The other components of deferred outflows are deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

Deferred outflows from a bond refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows related to pensions and OPEB are reported in the statement of net position. A deferred inflow from pension's and OPEB's results from net differences between expected and actual earnings on pension and OPEB plan investments and the changes in proportions in differences between employer contributions and proportionate share of contributions. This amount is deferred and will be recognized as a reduction of pension and OPEB expense over the next several years.

s. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2023. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

t. Prepaid Expenses

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 1. Summary of Significant Accounting Policies, continued

u. New Accounting Standards implemented

In May of 2020, the GASB issued Statement No. 96 to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Statement is effective for reporting periods beginning after June 15, 2022. The District’s management has determined the effects are immaterial to the financial statements.

Note 2. Cash and Deposits

At June 30, 2023, the carrying amounts of the District’s deposits were \$24,854,304 (excluding cash on hand \$597) and the bank balances were \$25,498,845. Of the bank balances, \$335,880 was insured by federal depository insurance, \$25,162,965 was covered by collateral held by the pledging bank’s escrow agent in District’s name.

The District’s cash and cash equivalents at June 30, 2023 consisted of the following:

| | Bank Balance | Book Balance |
|--|-------------------------|-------------------------|
| Fifth Third Bank Certificates of Deposit | 41,174 | 41,174 |
| Old National Bank Certificate of Deposit | 2,232 | 2,232 |
| Old National Bank Checking | 121 | 121 |
| United Community Bank Checking | 25,415,318 | 24,770,777 |
| United Community Bank Certificate of Deposit | 40,000 | 40,000 |
| | \$ 25,498,845 | 24,854,304 |
| Restricted cash | | (10,060,252) |
| Unrestricted cash and cash equivalents | | \$ 14,794,052 |
| Reported in the financial statement: | | |
| Governmental funds | | \$ 12,534,660 |
| Proprietary funds | | 2,259,392 |
| | | \$ 14,794,052 |

Restricted cash at June 30, 2023 consists of the following:

| | |
|------------------------|----------------------|
| District Activity Fund | 77,718 |
| Student Activity Fund | 437,470 |
| FSPK | 152,189 |
| SEEK Fund | 264,970 |
| Construction Fund | 9,127,905 |
| | \$ 10,060,252 |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 3. Capital Assets

During the year ended June 30, 2023, the following changes occurred in capital assets:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|------------------------------|---------------------|---------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets that are not depreciated: | | | | |
| Land | \$ 383,153 | \$ 15,000 | \$ - | \$ 398,153 |
| Construction in progress | 2,763,388 | 323,913 | 2,753,924 | 333,377 |
| Total Non-depreciable Historical Cost | <u>3,146,541</u> | <u>338,913</u> | <u>2,753,924</u> | <u>731,530</u> |
| Capital assets that are depreciated: | | | | |
| Land improvements | 2,019,725 | 56,349 | | 2,076,074 |
| Buildings and improvements | 46,737,081 | 3,090,182 | | 49,827,263 |
| Technology equipment | 2,458,636 | | 1,132,234 | 1,326,402 |
| Vehicles | 3,823,649 | 254,510 | 59,888 | 4,018,271 |
| General | 1,500,524 | 103,693 | 27,181 | 1,577,036 |
| Total Depreciable Historical Cost | <u>56,539,615</u> | <u>3,504,734</u> | <u>1,219,303</u> | <u>58,825,046</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,220,049 | 59,837 | | 1,279,886 |
| Buildings and improvements | 34,265,758 | 1,024,075 | | 35,289,833 |
| Technology equipment | 2,167,676 | 67,487 | 1,131,034 | 1,104,129 |
| Vehicles | 2,995,926 | 175,614 | 59,888 | 3,111,652 |
| General | 1,054,017 | 61,104 | 19,767 | 1,095,354 |
| Total Accumulated Depreciation | <u>41,703,426</u> | <u>1,388,117</u> | <u>1,210,689</u> | <u>41,880,854</u> |
| Total Depreciable Historical Cost, Net | <u>14,836,189</u> | <u>2,116,617</u> | <u>8,614</u> | <u>16,944,192</u> |
| Governmental Activities: | | | | |
| Capital Assets, Net | <u>\$ 17,982,730</u> | <u>\$ 2,455,530</u> | <u>\$ 2,762,538</u> | <u>\$ 17,675,722</u> |
| | | | | |
| Business-Type Activities: | | | | |
| Capital assets that are depreciated: | | | | |
| Technology equipment | \$ 50,859 | \$ - | | \$ 50,859 |
| General | 533,012 | | 20,348 | 512,664 |
| Total Depreciable Historical Cost | <u>583,871</u> | <u>-</u> | <u>20,348</u> | <u>563,523</u> |
| Less accumulated depreciation for: | | | | |
| Technology equipment | 50,859 | - | | 50,859 |
| General | 387,244 | 19,648 | 20,348 | 386,544 |
| Total Accumulated Depreciation | <u>438,103</u> | <u>19,648</u> | <u>20,348</u> | <u>437,403</u> |
| Total Depreciable Historical Cost, Net | <u>\$ 145,768</u> | <u>\$ (19,648)</u> | <u>\$ -</u> | <u>\$ 126,120</u> |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 3. Capital Assets, continued

Depreciation expense was charged to governmental functions as follows:

| | | |
|----------------------------------|-----------|------------------|
| Instruction | \$ | 509,317 |
| Support services: | | |
| Student support services | | 33,360 |
| Instruction staff | | 636 |
| District administration | | 24,301 |
| School administration | | 59,328 |
| Business support | | 214 |
| Plant operations and maintenance | | 600,644 |
| Student transportation | | 160,317 |
| Total Depreciation Expense | <u>\$</u> | <u>1,388,117</u> |

Note 4. Long-Term Debt

Bonded Debt Obligations

On certain bond issues, the District has entered into "participation agreements" with the Kentucky School Facility Construction Commission (KSFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

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

| <u>Issue</u> | <u>Original Amount</u> | <u>Interest Rates</u> |
|--------------------------|------------------------|-----------------------|
| Issue of 2013, Refunding | 2,440,000 | 1.00% - 2.15% |
| Issue of 2014 | 355,000 | 1.00% - 2.15% |
| Issue of 2016 | 1,045,000 | 1.00% - 3.00% |
| Issue of 2020 | 305,000 | 2.75% - 3.25% |
| Issue of 2021 | 5,720,000 | 2.00% |

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 4. Long-Term Debt, continued

Bonded Debt Obligations, continued

| | District | | School Facility Construction Commission | | Total | | Total |
|---------|-------------------|---------------------|--|---------------------|---------------------|---------------------|---------------------|
| | Interest | Principal | Interest | Principal | Interest | Principal | |
| | 2023-24 | 81,026 | 306,330 | 70,333 | 220,670 | 151,359 | |
| 2024-25 | 74,900 | 312,506 | 65,837 | 220,494 | 140,737 | 533,000 | 673,737 |
| 2025-26 | 68,649 | 317,431 | 61,307 | 230,569 | 129,956 | 548,000 | 677,956 |
| 2026-27 | 61,989 | 180,803 | 56,354 | 177,197 | 118,343 | 358,000 | 476,343 |
| 2027-28 | 58,373 | 182,321 | 52,230 | 181,679 | 110,603 | 364,000 | 474,603 |
| 2028-29 | 54,727 | 187,743 | 48,037 | 186,257 | 102,764 | 374,000 | 476,764 |
| 2029-30 | 50,972 | 189,022 | 43,702 | 190,978 | 94,674 | 380,000 | 474,674 |
| 2030-31 | 47,192 | 194,200 | 39,292 | 190,800 | 86,484 | 385,000 | 471,484 |
| 2031-32 | 43,308 | 200,072 | 34,836 | 200,928 | 78,144 | 401,000 | 479,144 |
| 2032-33 | 39,306 | 199,827 | 30,113 | 206,173 | 69,419 | 406,000 | 475,419 |
| 2033-34 | 35,310 | 208,358 | 25,209 | 213,642 | 60,519 | 422,000 | 482,519 |
| 2034-35 | 31,143 | 208,452 | 20,120 | 188,548 | 51,263 | 397,000 | 448,263 |
| 2035-36 | 26,974 | 214,184 | 15,958 | 193,816 | 42,932 | 408,000 | 450,932 |
| 2036-37 | 22,690 | 218,537 | 14,180 | 129,463 | 36,870 | 348,000 | 384,870 |
| 2037-38 | 18,319 | 221,792 | 11,366 | 132,208 | 29,685 | 354,000 | 383,685 |
| 2308-39 | 13,883 | 227,838 | 8,484 | 136,162 | 22,367 | 364,000 | 386,367 |
| 2039-40 | 9,326 | 229,738 | 5,524 | 140,262 | 14,850 | 370,000 | 384,850 |
| 2040-41 | 4,732 | 236,586 | 2,468 | 123,414 | 7,200 | 360,000 | 367,200 |
| | <u>\$ 742,819</u> | <u>\$ 4,035,740</u> | <u>\$ 605,350</u> | <u>\$ 3,263,260</u> | <u>\$ 1,348,169</u> | <u>\$ 7,299,000</u> | <u>\$ 8,647,169</u> |

During the year ended June 30, 2023, the following changes occurred in long-term liabilities:

| | Balance July 1, 2022 | Additions | Reductions | Balance June 30, 2023 | Due within one year |
|---------------------------|-------------------------|---------------------|-------------------|--------------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds | \$ 7,816,000 | | \$ 517,000 | \$ 7,299,000 | \$ 527,000 |
| Premium (Discounts) | 179,401 | | 8,964 | 170,437 | - |
| | <u>7,995,401</u> | <u>-</u> | <u>525,964</u> | <u>7,469,437</u> | <u>527,000</u> |
| Capital lease obligation | 3,875 | - | 3,875 | - | - |
| Net pension liability | 7,446,125 | 1,686,457 | | 9,132,582 | - |
| Net OPEB liability | 5,517,314 | 2,104,864 | | 7,622,178 | - |
| Accrued sick leave | 224,700 | 41,607 | 35,707 | 230,600 | 147,900 |
| | <u>\$ 21,187,415</u> | <u>\$ 3,832,928</u> | <u>\$ 565,546</u> | <u>\$ 24,454,797</u> | <u>\$ 674,900</u> |
| Business-Type Activities: | | | | | |
| Net pension liability | \$ 1,239,478 | \$ 34,103 | | \$ 1,273,581 | - |
| Net OPEB liability | 372,091 | | 25,651 | 346,440 | - |
| Accrued sick leave | 18,800 | 3,021 (A) | 8,421 | 13,400 | \$ 500 |
| | <u>\$ 1,630,369</u> | <u>\$ 37,124</u> | <u>\$ 34,072</u> | <u>\$ 1,633,421</u> | <u>\$ 500</u> |

(A) This amount represents the net addition in compensated absences, ie, days earned less days taken.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 4. Long-Term Debt, continued

Bonded Debt Obligations, continued

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013, dated April 1, 2013, in the amount of \$2,440,000, were issued for the purpose of refunding the outstanding Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2006, dated April 1, 2006, maturing April 1, 2017 and thereafter. The 2006 Bonds maturing April 1, 2014 through April 1, 2016 will not be defeased and remain payable under the original terms. This refunding was undertaken to reduce total debt service payments over the next twelve years by \$147,948 and resulted in an economic gain of \$129,437. In April 2016, the in-substance debt was paid in full.

During 2014, Union County School District Finance Corporation School Building Revenue Bond, Series 2014, dated January 16, 2014 in the amount of \$355,000, was issued to finance construction of improvements at Uniontown Elementary School. The KSFCC is participating at 100% of the debt service of the bonds.

During 2016, Union County School District Finance Corporation School Building Revenue Bond, Series 2016 dated February 1, 2016 in the amount of \$1,045,000, was issued to finance HVAC improvements at Union County High, Union County Middle, Sturgis Elementary and Morganfield Elementary schools. The KSFCC is participating 100% of the debt service of the bonds.

During 2020, Union County School District Finance Corporation School Building Revenue Bonds Series 2020, dated January 16, 2020, in the amount of \$305,000 was issued to finance equipment and technology improvements to various schools. The KSFCC is participating at 100% of the debt service of the bonds.

During 2021, Union County School District Finance Corporation School Building Revenue Bonds Series 2021, dated June 8, 2021, in the amount of \$5,720,000 was issued to finance roof improvements to various schools. The KSFCC is participating at 36% of the debt service of the bonds.

Note 5. Capital Lease Obligations

The District has entered into various lease agreements with RICOH for financing the acquisitions of copiers. The RICOH lease payments are paid by the General Fund and reported as instructional. The capital lease obligations are included in depreciation expense and allocated to the instructional, business support, and school administrative functions. The following is an analysis of leased property under capital leases by class:

| <u>RICOH Leases</u> | <u>Class of Property</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> |
|-------------------------|---------------------------|-------------|-------------------------------------|
| 2017 | Technology (9 Copiers) | \$100,760 | \$100,760 |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 6. Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District can but is not required to contribute to the Plans. In addition, the District retains authority to amend or terminate these plans. During the year ended June 30, 2023, employees of the District contributed \$122,536 to 401(k) plans and \$900 to 403(b) plans.

Note 7. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrating involvement and who do not perform the investing functions for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$14,185 to these plans during the year ended June 30, 2023.

Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky

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

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

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

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New members (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued

benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for members hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Members at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested members 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 members and \$5,000 for retired or disabled members.

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 members are required to contribute 12.855% of their salaries to the System. The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions of the amount 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008 and before January 1, 2022. Non-university members who began participating on or after January 1, 2022 contribute 14.75%. 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.

The Union County School District's total payroll for the year was \$15,249,493. The payroll for employees covered under TRS was \$11,196,337. For the year ended June 30, 2023, the Commonwealth contributed \$4,539,943 to TRS for the pension benefit of our participating employees. The District's contributions to TRS for the years ending June 30, 2023, 2022 and 2021 were \$283,616, \$536,594 and \$458,273, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Because the State, as a non-employer contributing entity, is required by Kentucky Revised Statutes to contribute 100% of the District's contractually required contributions, the District reports no pension liabilities, pension expenses, deferred outflows of resources, or deferred inflows of resources related to TRS.

The portion of the TRS net pension liability that was associated with the District recognized at June 30, 2023, was as follows:

| | | |
|---|-----------|-------------------|
| District's proportionate share of the net pension liability | \$ | - |
| State's proportionate share of the net pension liability associated with the District | | 48,700,628 |
| Total | \$ | 48,700,628 |

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued

June 30, 2022, the measurement date, the State's proportion of the TRS net pension liability associated with the District was 0.2875% percent which was a decrease of .0014% from its proportion measured as of June 30, 2021 of 0.2889%

For the year ended June 30, 2023, the District recognized on-behalf pension expense and revenue of \$4,539,943 for contributions provided by the State.

Actuarial Assumptions- The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|----------------|
| Inflation | 2.50% |
| Salary increases, including inflation | 3.00% to 7.50% |
| Long-term Investment rate of return, net of pension plan investment expense & inflation | 7.10% |
| Municipal Bond Index Rate: | |
| Prior Measurement Date | 2.13% |
| Measurement Date | 3.37% |
| Year FNP is projected to be depleted | N/A |
| Single Equivalent Interest Rate, net of pension plan investment expense & inflation: | |
| Prior Measurement Date | 7.10% |
| Measurement Date | 7.10% |
| Post-Retirement Benefit Increases | 1.50% annually |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2015, to June 30, 2020, adopted by the TRS Board on September 20, 2021.

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 8. Pension Benefits- Teachers' Retirement System of the State of Kentucky, continued

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| U.S. Equity | 40.0% | 4.6% |
| International Equity | 22.0% | 5.4% |
| Fixed Income | 15.0% | -0.01% |
| Additional Categories | 7.0% | 2.0% |
| Real Estate | 7.0% | 4.0% |
| Private Equity | 7.0% | 6.9% |
| Cash | 2.0% | -0.3% |
| Total | <u>100.0%</u> | |

Discount Rate- The discount rate used to measure the total pension liability (TPL) as of the Measurement Date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. TRS assumed that Plan member contributions will be made at the current contribution rates and that employer contributions will be made at Actuarially Determined Contribution rates, adjusted by 95%, for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate—The following presents the State's proportionate share of the net pension liability associated with the District calculated using the discount rate of 7.1% as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage-point lower (6.1%) or 1-percentage-point higher (8.1%) than the current rate:

| | <u>1% Decrease</u> 6.10% | <u>Current Discount Rate</u> 7.10% | <u>1% Increase</u> 8.10% |
|---|-----------------------------|---------------------------------------|-----------------------------|
| State's proportionate share of net pension liability associated with the District | 62,157,789 | 48,700,628 | 37,490,861 |

Plan Fiduciary Net Position- Detailed information about the TRS fiduciary net position is available in the publicly available financial report.

Payable to the Pension Plan- Because the State is required by statute to contribute 100% of the District's contractually required pension contributions, the District reports no payable for such pension contributions at June 30, 2023.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky

Other Postemployment Benefits (OPEB)

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

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

Medical Insurance Plan (MIP)

Plan description – In addition to the pension benefits described in Note 6, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The MIP is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the collective net OPEB MIP liability and the related deferred outflows or deferred inflows.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

Life Insurance Plan (LIP)

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

Benefits Provided – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon death of the member to the member’s estate or to a party designated by the member.

Contributions – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the State. Employers do not contribute to the LIP.

At June 30, 2023, the District did not report a liability for a proportionate share of the collective net OPEB LIP liability, nor any related deferred outflows or deferred inflows, because the State of Kentucky provides the OPEB LIP support directly to TRS on behalf of the District, and the District does not contribute to the LIP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At June 30, 2023, the District reported a liability of \$5,128,000 for its proportionate share of the collective net MIP OPEB liability that reflected a reduction for state MIP OPEB support provided to the District. The collective net MIP OPEB liability was measured as of June 30, 2022, and the total MIP OPEB liability used to calculate the collective net MIP OPEB liability was based on a projection of the District’s long-term share of contributions to the MIP OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District’s proportion was 0.206574%, a increase of .053617% from its proportion measured as of June 30, 2021 of 0.152957%.

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

| | MIP | LIP |
|---|--------------|-----------|
| District's proportionate share of the net OPEB liability | \$ 5,128,000 | \$ - |
| State's proportionate share of the net OPEB liability associated with the District | 1,685,000 | 84,000 |
| Total | \$ 6,813,000 | \$ 84,000 |

For the year ended June 30, 2023, the District recognized MIP OPEB expense of \$90,045 and on-behalf MIP revenue of \$90,045 for support provided by the State. For the year ended June 30, 2023, the District recognized on-behalf LIP OPEB expense of \$6,396 and revenue of \$6,396 for support provided by the State. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to the MIP OPEB from the following sources:

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

| | MIP | |
|--|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience Assumption changes | \$ 1,041,000 | \$ 2,156,000 |
| Net difference between projected and actual investment earnings on OPEB plan investments | 273,000 | - |
| Changes in proportionation and differences between District contributions and proportionate share of contributions | 1,546,000 | 172,000 |
| District contributions subsequent to the measurement date | 283,616 | - |
| Total | \$ 3,143,616 | \$ 2,328,000 |

Of the total amount reported as deferred outflows of resources related to the MIP OPEB, \$283,616 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net MIP OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to MIP OPEB will be recognized in the District’s MIP OPEB expense as follows:

| Year ended June 30: | |
|---------------------|--------------|
| 2024 | \$ (112,000) |
| 2025 | \$ (51,000) |
| 2026 | \$ 5,000 |
| 2027 | \$ 318,000 |
| 2028 | \$ 265,000 |
| Thereafter | \$ 107,000 |
| Total | \$ 532,000 |

Actuarial assumptions – The total MIP and LIP OPEB liabilities in the June 30, 2021 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

| | |
|--|--|
| Investment rate of return, net of | |
| OPEB plan investment expense & inflation: | |
| MIP | 7.10% |
| LIP | 7.10% |
| Projected salary increases | 3.00% to 7.50%, including inflation |
| Inflation Rate | 2.50% |
| Real Wage Growth | 0.25% |
| Wage Inflation | 2.75% |
| Healthcare cost trend rates, | |
| MIP only: | |
| Under 65 | 7.00% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2032 |
| Ages 65 and Older | 5.125% for FY 2022 decreasing to an ultimate rate of 4.5% by FY 2025 |
| Medicare Part B Premiums | 6.97% for FY 2022 with an ultimate rate of 4.5% by 2034 |
| Municipal Bond Index Rate | 2.13% |
| Discount Rate: | |
| MIP | 7.10% |
| LIP | 7.10% |
| Single Equivalent Interest Rate, | |
| at prior measurement date and measurement date | |
| MIP | 7.10% |
| LIP | 7.10% |

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

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020, valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

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

| Asset Class | Target Allocation | | 30 Year Expected Geometric Real Rate of Return | |
|-----------------------------------|-------------------|---------------|--|-------|
| | MIP | LIP | MIP | LIP |
| Global Equity | 58.0% | 0.0% | 5.1% | 0.0% |
| U.S. Equity | 0.0% | 40.0% | 0.0% | 4.4% |
| International Equity | 0.0% | 23.0% | 0.0% | 5.6% |
| Fixed Income | 9.0% | 18.0% | -0.1% | -0.1% |
| Real Estate | 6.5% | 6.0% | 4.0% | 4.0% |
| Private Equity | 8.5% | 5.0% | 6.9% | 6.9% |
| Additional Categories: High Yield | 8.0% | 0.0% | 1.7% | 0.0% |
| Other Additional Categories | 9.0% | 6.0% | 2.2% | 2.1% |
| Cash (LIBOR) | 1.0% | 2.0% | -0.3% | -0.3% |
| Total | 100.0% | 100.0% | | |

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

Sensitivity of the District’s proportionate share of the collective net MIP OPEB liability to changes in the discount rate- The following table presents the District’s proportionate share of the collective net MIP OPEB liability, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net MIP OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

| | 1% Decrease 6.10% | Current Discount Rate 7.10% | 1% Increase 8.10% |
|------------------------|----------------------|--------------------------------|----------------------|
| Net MIP OPEB liability | 6,434,000 | 5,128,000 | 4,047,000 |

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 9. Other Postemployment Benefits – Teachers’ Retirement System of the State of Kentucky, continued

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|------------------------|--------------------|---------------------------|--------------------|
| Net MIP OPEB liability | 3,844,000 | 5,128,000 | 6,725,000 |

OPEB plans’ fiduciary net position - Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial reports.

Payable to the OPEB Plans – The District reported payables of \$0 for the outstanding amount of MIP and LIP OPEB contributions due to the Plans at June 30, 2023.

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System

Plan Description - Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit pension / OPEB plan administered by Kentucky Retirement Systems (KRS). CERS covers members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. Kentucky Revised Statute Section 61.645 assigns the authority to establish and amend benefit provisions to the Board of Trustees of Kentucky Retirement Systems (Board). KRS issues a publicly available financial report that can be obtained at www.kyret.ky.gov or by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Benefits Provided - CERS provides for retirement, disability, and death benefits to system members through its Pension Fund, as well as other postemployment benefits (OPEB) for hospital and medical insurance through its Insurance Fund.

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Retirement benefits are determined using a formula which considers the member’s final compensation; benefit factors set by statute which vary depending upon the type / amount of service, participation date, and retirement date; and years of service. Plan members with a participation date prior to September 1, 2008 are eligible to retire with full benefits at any time with 27 or more years of service credit, or at age 65 with at least 4 years of service credit.

Plan members with a participation date on or after September 1, 2008, are eligible to retire with full benefits at age 57 if the member’s age and years of service equal 87, or at age 65 with at least 5 years of service credit.

Other postemployment benefits provided by CERS consist of prescribed contributions for whole or partial payments of required premiums to purchase hospital and medical insurance.

Contributions – State statute requires active members to contribute 5% of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the KRS Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752.

The District’s actuarially determined contribution amounts, based on annual creditable compensation for the years ended June 30, 2023, 2022 and 2021 were \$906,943, \$843,393, and \$669,876, respectively, equal to the required contributions for each year.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

The District's actuarially determined contribution rates and contribution amounts, based on annual creditable compensation for the years ended June 30, 2023, were as follows:

| | <u>Contribution Rates</u> | <u>Contributions</u> |
|---------|-------------------------------|----------------------|
| Pension | 23.40% | \$ 906,944 |
| OPEB | 3.39% | 131,391 |
| Total | <u>26.79%</u> | <u>\$ 1,038,335</u> |

Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions and OPEB – The net pension and OPEB liabilities reported as June 30, 2023, were measured as of June 30, 2020, and the total pension and OPEB liabilities used to calculate the net pension liability and net OPEB liability were determined by an actuarial valuation as of June 30, 2021. The District's proportion of the liabilities was based on a projection of the District's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2022, measurement date, the District's pension and OPEB proportion was 0.143950% and 0.143937%, a increase of 0.007722% and 0.007744% from its proportion measured as of June 30, 2021, of 0.136228% and 0.136196%.

The District's pension and OPEB liabilities and expense as of and for the year ended June 30, 2023, were as follows:

| | <u>Net Pension Liability</u> | <u>Net OPEB Liability</u> |
|----------------------|----------------------------------|-------------------------------|
| Proportionate Share | <u>\$ 10,406,165</u> | <u>\$ 2,840,616</u> |
| Pension/OPEB Expense | <u>\$ 986,531</u> | <u>\$ 430,842</u> |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

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

| | Pension | | OPEB | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Liability experience | \$ 11,126 | \$ 92,671 | \$ 285,932 | \$ 651,419 |
| Assumption changes | | | 449,263 | 370,190 |
| Investment experience | 1,415,967 | 1,149,191 | 528,952 | 413,658 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 485,888 | 17,034 | 149,332 | 84,576 |
| Implicit subsidy | | | 102,415 | |
| District contributions subsequent to the measurement date | 906,943 | - | 131,390 | - |
| Total | \$ 2,819,924 | \$ 1,258,896 | \$ 1,647,284 | \$ 1,519,843 |

The \$906,943 and \$131,390 of deferred outflows of resources resulting from the District's pension and OPEB contributions subsequent to the measurement date will be recognized as a reduction of the net pension and OPEB liabilities in future years. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension and OPEB expense as follows:

| Year ending June 30, | Pension | OPEB |
|----------------------|-------------------|---------------------|
| 2024 | \$ 259,572 | \$ (5,263) |
| 2025 | 186,344 | (7,271) |
| 2026 | (82,447) | (131,519) |
| 2027 | 295,616 | 37,689 |
| Thereafter | - | - |
| | \$ 659,085 | \$ (106,364) |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Actuarial assumptions—The total pension / OPEB liabilities in the June 30, 2022 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Inflation | 2.30% |
| Salary increases, average | 3.3% - 10.3% |
| Investment rate of return, net of investment expense & inflation | 6.25% |
| Healthcare cost trend rates (OPEB) | Initial trend starting at 6.20% for Pre-65, or 5.50% for Post-65 ,and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years for Pre-65, or 10 years for Post-65 |

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

Actuarial assumptions, continued

Mortality rates were based on the following assumptions and assume a margin for future mortality improvement:

Pre-retirement mortality: RP-2000 Combined Mortality Table projected with Scale BB to 2013. Male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%.

Post-retirement mortality (non-disabled): RP-2000 Combined Mortality Table projected with Scale BB to 2013-2018. Female mortality rates are set back one year.

Post-retirement mortality (disabled): RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013-2018. Male mortality rates are set back four years.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Growth | 60.00% | |
| Public equity | 50.00% | 4.45% |
| Private equity | 10.00% | 10.15% |
| Fixed Income | 20.00% | |
| Core fixed income | 10.00% | 0.28% |
| Specialty credit | 10.00% | 2.28% |
| Cash | 0.00% | -0.91% |
| Inflation protected | 20.00% | |
| Real Estate | 10.00% | 3.67% |
| Real Return | 10.00% | 4.07% |
| Total | 100.00% | |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Discount Rate - The discount rates used to measure the total pension / OPEB liabilities at the measurement dates and changes since the prior year were as follows:

| | Pension | OPEB |
|------------------------------|----------------|-------------|
| Discount rate, June 30, 2021 | 6.25% | 5.20% |
| Increase(decrease) | | .50% |
| Discount rate, June 30, 2022 | 6.25% | 5.70% |

The discount rate of 6.25% used to measure the total pension liability was based on the expected rate of return on pension plan investments. The discount rate of 5.20% used to measure the total OPEB liability was based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021.

The projection of cash flows used to determine the discount rates is based on the assumption that each participating employer in CERS will contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability.

Sensitivity of the District's Proportionate Share of the Net Pension and OPEB Liabilities to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension / OPEB liabilities, as well as what the District's proportionate share of the net pension / OPEB liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | District's porportionate share | | |
|-----------------------|---------------------------------------|------------------------------|--------------------|
| | 1% Decrease | Current Discount Rate | 1% Increase |
| | 5.25% | 6.25% | 7.25% |
| Net Pension Liability | 13,006,415 | 10,406,165 | 8,255,542 |
| | 4.70% | 5.70% | 6.70% |
| Net OPEB Liability | 3,797,451 | 2,840,616 | 2,049,633 |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 10. Pension and Other Postemployment Benefits- County Employees Retirement System, continued

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trends Rates - The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Current healthcare cost trend rate | 1% Increase |
|---|---|---|---|
| | 5.25% Pre-65 or 5.50% Post-65 decreasing to 3.05% | 6.25% Pre-65 or 5.50% Post-65 decreasing to 4.05% | 7.25% Pre-65 or 5.50% Post-65 decreasing to 5.05% |
| District's Proportionate Share of Net OPEB Liability | 2,111,935 | 2,840,616 | 3,715,625 |

Plan Fiduciary Net Position - Detailed information about the CERS fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report.

Payables to the Pension / OPEB Plans – The District reported the following payables for the outstanding amount of pension/OPEB contributions due to CERS for the year ended June 30, 2023:

| Pension | OPEB |
|----------------|-------------|
| \$ - | \$ - |

Note 11. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays annual premiums for coverage to Liberty Mutual Insurance for their general liability and property insurance coverage. The District purchases unemployment insurance through the Kentucky Employers Mutual Insurance. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 12. COBRA

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

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 13. Transfer of funds

The interfund balances as of June 30, 2023 consisted of a receivable in the General fund from the Special Revenue fund in the amount of \$547,091 for cash deficit in pooled cash account. Interfund transfers for the year consisted of the following:

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|--|----------------------------|----------------------|-----------------------------|
| <u>Nonmajor Governmental Funds:</u> | | | |
| FSPK | Debt Service | Debt Payments | 388,044 |
| Student Activity | District Activity Fund | District Transfer | <u>63,491</u> |
| Total Nonmajor governmental funds | | | <u>451,535</u> |
| Special Revenue Grant Fund | Construction | Capital expenditures | 8,582,500 |
| Special Revenue Grant Fund | General | Indirect Costs | 220,692 |
| General | Special Revenue Grant Fund | Match SFCC offer | 40,816 |
| SEEK | Construction | Capital expenditures | 152,251 |
| FSPK | Construction | Capital expenditures | 732,517 |
| Special Revenue Grant Fund | General | Flex Focus | <u>40,816</u> |
| Total Major governmental funds | | | <u>9,769,592</u> |
| Total Transfers | | | <u><u>\$ 10,221,127</u></u> |

Note 14. Contingencies

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

As shown in Note 4 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 2013, 2014, 2016, 2020 and 2021. In the unlikely event the Commonwealth of Kentucky defaults on their portion of the bond series, the District is responsible to repay the amount in full. The KSFCC's portion as of June 30, 2023 was \$3,868,610.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 15. Deficit Operating/Net Position

There are no funds of the District that currently have a deficit net position but some funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance. The operating deficits were funded by available resources at the beginning of the year.

| | Operations |
|-----------|------------|
| FSPK Fund | \$ 86,160 |

Note 16. On-behalf Payments

The Commonwealth of Kentucky made payments on behalf of the District as follows for the year ended June 30, 2023. The amounts are included in the General Fund, Debt Service, Food Service Fund and Child Care Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments are recorded as additional instruction expense and the health insurance, flexible spending plan, and life insurance payments (net of administrative fees) are allocated to the various expense functions based on a ratio of employees and technology payments are recorded as District Administration expense. In the Debt Service Fund, the payments are recorded as principal and interest payments. In the Food Service and Day Care Funds, all of the payments are recorded as additional employee benefits.

| | |
|---|--------------|
| Kentucky Teachers Retirement System | \$ 4,539,943 |
| Health insurance, flexible spending plan, life insurance, net of administrative fees | 2,842,185 |
| Technology | 100,641 |
| Debt Service | 299,272 |
| | \$ 7,782,041 |
| | |
| Amounts Reported in: | |
| General Fund | \$ 7,380,553 |
| Food Service Fund | 101,788 |
| Day Care Fund | 428 |
| Debt Service Fund | 299,272 |
| | \$ 7,782,041 |

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2023**

Note 17. Commitments

The District had the following outstanding construction projects, as evidenced by contracts, purchase orders or BG-1 forms, as applicable, as of June 30, 2023.

| <u>Project</u> | <u>Total Commitment</u> | <u>Incurred To Date</u> | <u>Commitment Remaining</u> |
|-------------------------------|-----------------------------|-----------------------------|---------------------------------|
| UHS HVAC Main Gym | 224,499 | 217,699 | 6,800 |
| Vocational School Renovations | 8,582,500 | 115,678 | 8,466,822 |
| UHS Roof Repair (Emergency) | 548,000 | - | 548,000 |
| Total | <u>\$ 9,354,999</u> | <u>\$ 333,377</u> | <u>\$ 9,021,622</u> |

In March of 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures. As a result, COVID-19, and the related restrictive measures, have had a significant adverse effect upon many sectors of the economy. We believe the ultimate financial effect of the COVID-19 pandemic on the District is likely to be determined by factors which are uncertain, unpredictable, and outside of the control of the District. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect the future revenues.

Note 18. Subsequent Events

Management has evaluated subsequent events through November 11, 2023 the date on which the financial statements were available to be issued.

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

| | <u>BUDGETED AMOUNTS</u> | | | VARIANCES WITH FINAL BUDGET |
|---|-------------------------|--------------------|----------------------|--------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | FAVORABLE (UNFAVORABLE) |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes: | | | | |
| Property | \$ 5,746,517 | \$ 5,651,322 | \$ 5,650,495 | \$ (827) |
| Motor vehicle | 967,683 | 999,683 | 1,038,595 | 38,912 |
| Utilities | 1,190,000 | 1,340,000 | 1,447,433 | 107,433 |
| Unmined minerals | 460,000 | 460,000 | - | (460,000) |
| Earnings on investments | 90,000 | 90,000 | 144,413 | 54,413 |
| Other local revenues | 353,200 | 309,195 | 492,297 | 183,102 |
| Intergovernmental - Local | 100,000 | 63,200 | 63,214 | 14 |
| Intergovernmental - State | 14,642,726 | 14,636,726 | 16,040,320 | 1,403,594 |
| Intergovernmental - Federal | 250,000 | 250,000 | 331,273 | 81,273 |
| Total Revenues | 23,800,126 | 23,800,126 | 25,208,040 | 1,407,914 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 13,401,600 | 13,447,389 | 13,645,307 | (197,918) |
| Support services: | | | | |
| Student | 1,804,791 | 1,717,893 | 1,851,282 | (133,389) |
| Instructional staff | 624,639 | 665,179 | 712,327 | (47,148) |
| District administration | 845,772 | 981,252 | 933,826 | 47,426 |
| School administration | 1,434,772 | 1,516,605 | 1,730,316 | (213,711) |
| Business | 949,140 | 911,566 | 925,788 | (14,222) |
| Plant operations and maintenance | 2,869,326 | 2,642,861 | 2,705,485 | (62,624) |
| Student transportation | 2,337,217 | 2,343,698 | 1,911,068 | 432,630 |
| Community service activities | 3,599 | 3,599 | 1,274 | 2,325 |
| Adult education | | | - | |
| Capital Outlay: | | | | |
| Facilities acquisition and construction | | | | |
| Debt Service: | | | | |
| Principal | | | - | - |
| Interest | | | - | - |
| Total Expenditures | 24,270,856 | 24,230,042 | 24,416,673 | (186,631) |
| Excess(deficiency) of revenues over expenditures | (470,730) | (429,916) | 791,367 | 1,221,283 |
| Other Financing Sources (Uses): | | | | |
| Proceeds from sale of fixed assets | | | 3,068 | 3,068 |
| Insurance proceeds | | | 332,061 | 332,061 |
| Operating transfers in | | | 261,509 | 261,509 |
| Operating transfers out | | (40,815) | (40,815) | - |
| Contingency | (1,575,163) | (1,575,162) | | 1,575,162 |
| Total Other Financing Sources (Uses) | (1,575,163) | (1,615,977) | 555,823 | 2,171,800 |
| Net Change in Fund Balance | (2,045,893) | (2,045,893) | 1,347,190 | 3,393,083 |
| Fund balance June 30, 2022 | 2,045,893 | 2,045,893 | 12,261,765 | 10,215,872 |
| Fund balance June 30, 2023 | \$ - | \$ - | \$ 13,608,955 | 13,608,955 |

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2023**

| | <u>BUDGETED AMOUNTS</u> | | | VARIANCES WITH FINAL BUDGET |
|---|-------------------------|------------------|--------------------|------------------------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | <u>FAVORABLE (UNFAVORABLE)</u> |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes: | | | | |
| Property | | | | |
| Motor vehicle | | | | |
| Utilities | | | | |
| Unmined minerals | | | | |
| Earnings on investments | | | | |
| Intergovernmental - State | \$ 1,310,195 | \$ 1,228,987 | \$ 9,778,090 | \$ 8,549,103 |
| Intergovernmental - Federal | 1,528,058 | 2,138,483 | 4,376,638 | 2,238,155 |
| Revenue in lieu of taxes | | | | |
| Other state revenue | | | | |
| Other local revenues | | | 16,458 | 16,458 |
| Total Revenues | <u>2,838,253</u> | <u>3,367,470</u> | <u>14,171,186</u> | <u>10,803,716</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 2,319,904 | 2,376,610 | 3,931,430 | (1,554,820) |
| Support services: | | | | |
| Student | 77,706 | 77,706 | 222,444 | (144,738) |
| Instructional staff | 133,011 | 129,488 | 167,296 | (37,808) |
| District administration | | | - | - |
| School administration | | | - | - |
| Business | | 2,656 | 437,374 | (434,718) |
| Plant operations and maintenance | 70,602 | 17,482 | 26,315 | (8,833) |
| Student transportation | | 470,858 | 69,301 | 401,557 |
| Community services | 237,030 | 251,854 | 316,819 | (64,965) |
| Day care operations | | | 150,986 | (150,986) |
| Food service operations | | | 46,027 | (46,027) |
| Capital Outlay: | | | | |
| Facilities acquisition and construction | | | | |
| Debt Service: | | | | |
| Principal | | | | |
| Interest | | | | |
| Total Expenditures | <u>2,838,253</u> | <u>3,326,654</u> | <u>5,367,992</u> | <u>(2,041,338)</u> |
| Excess(deficiency) of revenues over expenditures | <u>0</u> | <u>40,816</u> | <u>8,803,194</u> | <u>8,762,378</u> |
| Other Financing Sources (Uses): | | | | |
| Proceeds from sale of fixed assets | | | | |
| Proceeds from bonds | | | | |
| Operating transfers in | | (40,816) | 40,815 | 81,631 |
| Operating transfers out | | | (8,844,009) | (8,844,009) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(40,816)</u> | <u>(8,803,194)</u> | <u>(8,762,378)</u> |
| Net Change in Fund Balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance July 1, 2022 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance June 30, 2023 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**UNION COUNTY SCHOOL DISTRICT
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR BUDGETARY PROCESS
FOR THE YEAR ENDED JUNE 30, 2023**

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| District's proportion of the plan total net pension liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net pension liability associated with the District | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the District | <u>48,700,628</u> | <u>37,597,107</u> | <u>40,430,918</u> | <u>39,871,348</u> | <u>37,473,487</u> | <u>83,029,951</u> | <u>92,975,785</u> | <u>73,805,718</u> | <u>65,341,991</u> |
| Total | <u>\$ 48,700,628</u> | <u>\$ 37,597,107</u> | <u>\$ 40,430,918</u> | <u>\$ 39,871,348</u> | <u>\$ 37,473,487</u> | <u>\$ 83,029,951</u> | <u>\$ 92,975,785</u> | <u>\$ 73,805,718</u> | <u>\$ 65,341,991</u> |
| District's covered-employee payroll | \$ 11,186,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 | \$ 9,403,467 | \$ 10,086,380 | \$ 10,203,588 | \$ 10,040,188 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 56.40% | 65.59% | 58.30% | 58.80% | 59.30% | 39.83% | 35.22% | 42.48% | 45.59% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT
 SCHEDULE OF PENSION CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|
| District's contractually required contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's contributions in relation to the contractually required contribution | - | - | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | | | | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 11,196,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 | \$ 9,403,467 | \$ 10,086,350 | \$ 10,203,588 | \$ 10,040,188 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

*The amounts presented for each fiscal year were determined as of June 30.
 Schedule is intended to show information for ten years.
 Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
For the Year Ended June 30, 2023

Changes of Benefit Terms

| | |
|------|------|
| 2023 | None |
| 2022 | None |
| 2021 | None |
| 2020 | None |
| 2019 | None |
| 2018 | None |
| 2017 | None |
| 2016 | None |

Changes of Assumptions

| | |
|------|--|
| 2023 | The municipal bond index rate increased from 2.13% to 3.37% |
| 2022 | The assumed long-term investment rate of return was changed from 7.5% to 7.1% The price inflation assumption was lowered from 3.0% to 2.5%. The calculation of SEIR results in an assumption change from 7.5% to 7.1% |
| 2021 | None |
| 2020 | The municipal bond index rate decreased from 3.89% to 3.5%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%. |
| 2019 | The municipal bond index rate increased from 3.56% to 3.89%. The discount rate increased from 4.49% to 7.50%. |
| 2018 | The municipal bond index rate increased from 3.01% to 3.56%. The single equivalent interest rate, net of pension plan investment expense, including inflation increased from 4.20% to 4.49%. The inflation rate decreased from 3.50% to 3.00%. |
| 2017 | The municipal bond index rate decreased from 3.82% to 3.01%. The discount rate decreased from 4.88% to 4.20%. |
| 2016 | None |

UNION COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITIES
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| <u>MEDICAL INSURANCE PLAN (MIP)</u> | | | | | | |
| District's proportion of the plan total net MIP OPEB liability | 0.20657% | 0.15296% | 0.15176% | 0.15463% | 0.14644% | 0.16100% |
| District's proportionate share of the net MIP OPEB liability associated with the District | \$ 5,128,000 | \$ 3,282,000 | \$ 3,830,000 | \$ 4,526,000 | \$ 5,081,000 | \$ 5,741,000 |
| State's proportionate share of the net MIP OPEB liability associated with the District | <u>1,685,000</u> | <u>2,665,000</u> | <u>3,068,000</u> | <u>3,655,000</u> | <u>4,379,000</u> | <u>4,690,000</u> |
| Total | <u>\$ 6,813,000</u> | <u>\$ 5,947,000</u> | <u>\$ 6,898,000</u> | <u>\$ 8,181,000</u> | <u>\$ 9,460,000</u> | <u>\$ 10,431,000</u> |
| District's covered-employee payroll | \$ 11,196,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 | \$ 9,403,467 |
| District's proportionate share of the net MIP OPEB liability as a percentage of its covered-employee payroll | 45.80% | 30.53% | 37.51% | 46.36% | 52.40% | 61.05% |
| Plan fiduciary net position as a percentage of the total MIP OPEB liability | 47.80% | 51.74% | 39.10% | 32.60% | 25.50% | 21.18% |
| <u>LIFE INSURANCE PLAN (LIP)</u> | | | | | | |
| District's proportion of the plan total net LIP OPEB liability | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% | 0.0000% |
| District's proportionate share of the net LIP OPEB liability associated with the District | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net LIP OPEB liability associated with the District | <u>84,000</u> | <u>35,000</u> | <u>93,000</u> | <u>85,000</u> | <u>75,000</u> | <u>63,000</u> |
| Total | <u>\$ 84,000</u> | <u>\$ 35,000</u> | <u>\$ 93,000</u> | <u>\$ 85,000</u> | <u>\$ 75,000</u> | <u>\$ 63,000</u> |
| District's covered-employee payroll | \$ 11,196,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 | \$ 9,403,467 |
| District's proportionate share of the net LIP OPEB liability as a percentage of its covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total LIP OPEB liability | 74.00% | 89.15% | 71.60% | 73.40% | 75.00% | 79.99% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

Last 10 Fiscal Years*

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| <u>MEDICAL INSURANCE PLAN (MIP)</u> | | | | | |
| District's contractually required contributions | \$ 283,616 | \$ 536,594 | \$ 458,273 | \$ 268,152 | \$ 260,846 |
| District's contributions in relation to the contractually required contributions | <u>(283,616)</u> | <u>(536,594)</u> | <u>(458,273)</u> | <u>(268,152)</u> | <u>(260,846)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 11,196,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 |
| Contributions as a percentage of covered-employee payroll | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| <u>LIFE INSURANCE PLAN (LIP)</u> | | | | | |
| District's contractually required contributions | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's contributions in relation to the contractually required contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 11,196,331 | \$ 10,749,479 | \$ 10,211,116 | \$ 9,762,288 | \$ 9,696,483 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF THE STATE OF KENTUCKY
For the Year Ended June 30, 2023**

MEDICAL INSURANCE PLAN (MIP)

Changes of Benefit Terms

| | |
|------|--|
| 2023 | None |
| 2022 | None |
| 2021 | None |
| 2020 | None |
| 2019 | None |
| 2018 | With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEPH "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010. |

Changes of Assumptions

| | |
|------|--|
| 2023 | The municipal bond index rate increased from 2.13% to 3.37% The healthcare trend rates were updated to reflect future anticipated experience. |
| 2022 | The assumed long-term investment rate of return was changed from 8.0% to 7.1% The price inflation assumption was lowered from 3.0% to 2.5% |
| 2021 | The municipal bond index rate decreased from 3.50% - 7.20% The projected salary increases decreased from 3.50% - 7.30% to 3.50% - 7.20% |
| 2020 | The municipal bond index rate decreased from 3.89% to 3.50%. The projected salary increases increased from 3.50% - 7.20% to 3.50% - 7.30%. |
| 2019 | The municipal bond index rate increased from 3.56% to 3.89%. |
| 2018 | None |

LIFE INSURANCE PLAN (LIP)

Changes of Benefit Terms

| | |
|------|------|
| 2023 | None |
| 2022 | None |
| 2021 | None |
| 2020 | None |
| 2019 | None |
| 2018 | None |

Changes of Assumptions

| | |
|------|--|
| 2023 | The municipal bond index rate increased from 2.13% to 3.37%. |
| 2022 | The assumed long-term investment rate of return was changed from 7.5% to 7.1% The price inflation assumption was lowered for 3.0% to 2.5% |
| 2021 | The municipal bond index rate decreased from 3.50% to 2.20% |
| 2020 | The municipal bond index rate decreased from 3.89% to 3.50%. |
| 2019 | The municipal bond index rate increased from 3.56% to 3.89%. |
| 2018 | None |

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.143950% | 0.136228% | 0.132385% | 0.138863% | 0.142757% | 0.144050% | 0.147620% | 0.154510% | 0.156407% |
| District's proportionate share of the net pension liability | \$ 10,406,165 | \$ 8,665,603 | \$ 10,153,820 | \$ 9,766,297 | \$ 8,694,641 | \$ 8,431,689 | \$ 7,268,002 | \$ 6,843,304 | \$ 5,074,432 |
| District's covered-employee payroll | \$ 3,893,372 | \$ 4,003,464 | \$ 3,492,418 | \$ 3,414,709 | \$ 3,516,082 | \$ 3,577,327 | \$ 3,521,226 | \$ 3,533,955 | \$ 3,609,158 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 267.28% | 216.95% | 290.74% | 286.01% | 247.28% | 235.70% | 206.41% | 187.98% | 140.59% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.42% | 57.33% | 47.81% | 50.45% | 63.54% | 53.30% | 55.50% | 59.97% | 66.80% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 906,943 | \$ 843,393 | \$ 669,876 | \$ 617,596 | \$ 559,520 | \$ 517,997 | \$ 491,211 | \$ 439,159 | \$ 460,208 |
| Contributions in relation to the contractually required contribution | (906,943) | (843,393) | (669,876) | (617,596) | (559,520) | (517,997) | (491,211) | (439,159) | (460,208) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 3,893,372 | \$ 4,003,464 | \$ 3,492,418 | \$ 3,414,709 | \$ 3,516,082 | \$ 3,577,327 | \$ 3,521,226 | \$ 3,533,955 | \$ 3,609,158 |
| Contributions as a percentage of covered-employee payroll | 23.29% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.42% | 12.75% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM**

Last 10 Fiscal Years*

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net OPEB liability | 0.143937% | 0.136196% | 0.132346% | 0.138943% | 0.142757% | 0.144050% |
| District's proportionate share of the net OPEB liability | 2,840,616 | 2,607,405 | 3,195,753 | 2,336,959 | 2,534,622 | 2,895,898 |
| District's covered-employee payroll | \$ 3,893,372 | \$ 4,003,464 | \$ 3,492,418 | \$ 3,414,709 | \$ 3,516,082 | \$ 3,577,327 |
| District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 72.96% | 65.13% | 91.51% | 68.44% | 72.09% | 80.95% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 60.95% | 62.91% | 51.67% | 60.44% | 57.62% | 52.40% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM

Last 10 Fiscal Years*

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 131,390 | \$ 230,270 | \$ 165,213 | \$ 152,319 | \$ 181,984 | \$ 168,134 |
| Contributions in relation to the contractually required contribution | <u>(131,390)</u> | <u>(230,270)</u> | <u>(165,213)</u> | <u>(152,319)</u> | <u>(181,984)</u> | <u>(168,134)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| District's covered-employee payroll | \$ 3,893,372 | \$ 4,003,464 | \$ 3,492,418 | \$ 3,414,709 | \$ 3,516,082 | \$ 3,577,327 |
| Contributions as a percentage of covered-employee payroll | 3.37% | 5.78% | 4.73% | 4.46% | 5.26% | 4.70% |

*The amounts presented for each fiscal year were determined as of June 30.
Schedule is intended to show information for ten years.
Additional years will be displayed as they become available.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
COUNTY EMPLOYEES RETIREMENT SYSTEM
For the Year Ended June 30, 2023**

Changes of Benefit Terms

| | |
|------|------|
| 2023 | None |
| 2022 | None |
| 2021 | None |
| 2020 | None |
| 2019 | None |
| 2018 | None |
| 2017 | None |
| 2016 | None |

Changes of Assumptions

Pension and OPEB:

2021 The healthcare cost trend rates for Pre-65 changed from 7.25% to 7.00% and changed from 3.10% to 5.00% for Post-65

2020 The salary increases assumption was changed from 3.05% to 3.30%.

2019 The salary increases assumption was changed from 2.00% to 3.05%.

2018 The inflation rate decreased from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The investment rate of return, net of investment expense & inflation decreased from 7.50% to 6.25%.

The payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) decreased from 4.00% to 2.00%.

OPEB:

2023 The single discount rate was changed from 5.2% to 5.7%
The Healthcare trend rates were updated to reflect future anticipated experience.

2022 The single discount rate was changed from 5.34% to 5.2%

2021 The single discount rate was changed from 5.68% to 5.34%

2020 The single discount rate was changed from 5.85% to 5.68%.

2019 The single discount rate changed from 5.84% to 5.85%.

2018 The single discount rate changed from 6.89% to 5.84%.

2017 None

2016 Pension:

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

The assumed rate of inflation was reduced from 3.50% to 3.25%

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

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

UNION COUNTY SCHOOL DISTRICT
 COMBINING BALANCE SHEET- NONMAJOR GOVERNMENT FUNDS
 JUNE 30, 2023

| | Special Revenue District Activity Fund | Special Revenue School Activity Fund | FSPK Fund | SEEK Capital Outlay Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|--|--|--|-------------------|-----------------------------------|-------------------------|--|
| Assets | | | | | | |
| Cash and cash equivalents | | | | | | |
| Accounts receivable: | | | | | | |
| Restricted cash | \$ 77,718 | \$ 437,470 | \$ 152,189 | \$ 264,970 | \$ - | \$ 932,347 |
| Total assets | \$ 77,718 | \$ 437,470 | \$ 152,189 | \$ 264,970 | \$ - | \$ 932,347 |
| Liabilities and Fund Balances: | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | | \$ 8,011 | | | | \$ 8,011 |
| Due to other funds | | | | | | |
| Total liabilities | - | 8,011 | - | - | - | 8,011 |
| Fund Balances | | | | | | |
| Restricted for: | | | | | | |
| Capital Projects | | | \$ 152,189 | \$ 264,970 | | \$ 417,159 |
| Debt Service | | | | | \$ - | - |
| Assigned for encumbrances | \$ 77,718 | 429,459 | | | | 507,177 |
| Unassigned | | | | | | - |
| Total fund balances | 77,718 | 429,459 | 152,189 | 264,970 | - | 924,336 |
| Total liabilities and fund balances | \$ 77,718 | \$ 437,470 | \$ 152,189 | \$ 264,970 | \$ - | \$ 932,347 |

**UNION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| | Special Revenue District Activity Fund | School Activity Fund | FSPK Fund | SEEK Capital Outlay Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
|--|--|-------------------------|--------------------|-----------------------------------|-------------------------|--|
| Revenues: | | | | | | |
| From local sources: | | | | | | |
| Taxes: | | | | | | |
| Property | | | \$ 584,586 | | | \$ 584,586 |
| Earnings on investments | | \$ 4,108 | 6,118 | \$ 3,087 | | 13,313 |
| Other local revenue | \$ 3,307 | \$ 823,180 | | | | 826,487 |
| Donations | | | | | | - |
| Intergovernmental - State | | | 443,697 | 202,418 | 299,272 | 945,387 |
| Total revenues | <u>3,307</u> | <u>827,288</u> | <u>1,034,401</u> | <u>205,505</u> | <u>299,272</u> | <u>2,369,773</u> |
| Expenditures: | | | | | | |
| Instruction | 40,355 | 729,953 | | | | 770,308 |
| Student support | | 10,832 | | | | 10,832 |
| Instructional staff support | | 21,756 | | | | 21,756 |
| Community service: | | | | | | - |
| Capital outlay: | | | | | | - |
| Facilities acquisition and construction | | | | | | - |
| Debt Service: | | | | | | - |
| Principal | | | | | 517,000 | 517,000 |
| Interest | | | | | 170,316 | 170,316 |
| Bond issuance costs | | | | | | - |
| Total expenditures | <u>40,355</u> | <u>762,541</u> | <u>-</u> | <u>-</u> | <u>687,316</u> | <u>1,490,212</u> |
| Excess (deficit) of revenues over expenditures | <u>(37,048)</u> | <u>64,747</u> | <u>1,034,401</u> | <u>205,505</u> | <u>(388,044)</u> | <u>879,561</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 63,491 | | | | 388,044 | 451,535 |
| Transfers out | | (63,491) | (1,120,561) | (152,251) | | (1,336,303) |
| Total other financing sources (uses) | <u>63,491</u> | <u>(63,491)</u> | <u>(1,120,561)</u> | <u>(152,251)</u> | <u>388,044</u> | <u>(884,768)</u> |
| Excess (deficit) of revenues and other financing sources over expenditures and other financing uses | <u>26,443</u> | <u>1,256</u> | <u>(86,160)</u> | <u>53,254</u> | <u>-</u> | <u>(5,207)</u> |
| Fund balance, July 1, 2022 | <u>51,275</u> | <u>428,203</u> | <u>238,349</u> | <u>211,716</u> | | <u>929,543</u> |
| Fund balance, June 30, 2023 | <u>\$ 77,718</u> | <u>\$ 429,459</u> | <u>\$ 152,189</u> | <u>\$ 264,970</u> | <u>\$ -</u> | <u>\$ 924,336</u> |

**UNION COUNTY SCHOOL DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCES ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| | Cash Balances July 1, 2022 | Receipts | Disbursements | Cash Balances June 30, 2023 | Accounts Receivable June 30, 2023 | Accounts Payable June 30, 2023 | Fund Balances June 30, 2023 |
|-------------------------------|-------------------------------------|-------------------|-------------------|--------------------------------------|--|---|--------------------------------------|
| <u>Activity Funds</u> | | | | | | | |
| Union County High School | \$ 281,225 | \$ 568,254 | \$ 578,723 | \$ 270,756 | \$ - | \$ 8,011 | \$ 262,745 |
| Union County Middle School | 82,850 | 99,061 | 85,239 | 96,672 | - | - | 96,672 |
| Sturgis Elementary School | 38,015 | 62,701 | 59,161 | 41,555 | - | - | 41,555 |
| Uniontown Elementary School | 11,932 | 42,967 | 45,380 | 9,519 | - | - | 9,519 |
| Morganfield Elementary School | 21,410 | 54,304 | 56,746 | 18,968 | - | - | 18,968 |
| | <u>\$ 435,432</u> | <u>\$ 827,287</u> | <u>\$ 825,249</u> | <u>\$ 437,470</u> | <u>\$ -</u> | <u>\$ 8,011</u> | <u>\$ 429,459</u> |

The Activity Funds cash balances at June 30, 2023 consisted of the following:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 354,064 |
| Certificates of deposit | 83,406 |
| | <u>\$ 437,470</u> |

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| | Cash Balances July 1, 2022 | Receipts | Disbursements | Transfers In | Transfers Out | Cash Balances June 30, 2023 | Accounts Receivable June 30, 2023 | Accounts Payable June 30, 2023 | Fund Balances June 30, 2023 |
|-------------------------------|-------------------------------------|----------|---------------|-----------------|------------------|--------------------------------------|--|---|--------------------------------------|
| 100 General Fund | \$ 571 | \$ 607 | \$ - | \$ - | \$ 281 | \$ 897 | \$ - | \$ - | \$ 897 |
| 101 Drink Machine | 123 | 433 | 305 | - | - | 251 | - | - | 251 |
| 102 Student Reward Money/PBIS | 71 | 246 | 317 | - | - | - | - | - | - |
| 103 Start Up Cash | - | 5,000 | 4,800 | - | 200 | - | - | - | - |
| 105 Interest | 2,584 | 2,297 | - | - | 2,287 | 2,594 | - | - | 2,594 |
| 200 Faculty/Staff Flower | 2 | 298 | 300 | - | - | - | - | - | - |
| 201 Guidance | 12 | 12 | - | - | 24 | - | - | - | - |
| 202 Guidance Testing | 3,884 | 3,756 | 1,606 | - | - | 6,034 | - | - | 6,034 |
| 203 Staff/Preschool | 161 | - | - | - | - | 161 | - | - | 161 |
| 300 Art Club | - | 36 | - | - | - | 36 | - | - | 36 |
| 301 Beta | 1,479 | 5,166 | 6,539 | - | 106 | - | - | - | - |
| 303 E A C | - | - | 30 | 30 | - | - | - | - | - |
| 304 F.B.L.A. | - | 14,101 | 14,176 | 252 | - | 177 | - | - | 177 |
| 305 F.E.A. | 33 | 3,528 | 4,088 | 1,370 | - | 843 | - | - | 843 |
| 306 F.F.A. | 14,266 | 48,201 | 50,718 | 123 | - | 11,872 | - | 3,000 | 8,872 |
| 307 Foreign Language | 319 | - | - | - | - | 319 | - | - | 319 |
| 308 Gamers Guild | 142 | - | - | - | - | 142 | - | - | 142 |
| 309 HOSA | 8,452 | 8,484 | 8,311 | - | 128 | 8,497 | - | - | 8,497 |
| 310 Leadership | 18 | - | 140 | 122 | - | - | - | - | - |
| 311 National Honor Society | 441 | 630 | 385 | - | - | 686 | - | - | 686 |
| 312 NTHS | 23 | - | - | - | - | 23 | - | - | 23 |
| 314 PEP | 6,226 | 2,084 | 1,651 | 45 | - | 6,704 | - | - | 6,704 |
| 315 Science Club | 23 | 50 | 102 | 29 | - | - | - | - | - |
| 316 VICA(Skills USA) | 90 | 110 | 190 | - | - | 10 | - | - | 10 |
| 318 SOAP | 409 | 141 | 211 | - | - | 339 | - | - | 339 |
| 319 Health Service | 1,411 | 3,406 | 3,138 | 218 | - | 1,897 | - | - | 1,897 |
| 320 Performing Arts | 2,722 | 3,241 | 4,655 | 23 | - | 1,331 | - | - | 1,331 |
| 321 Academic Team | 50 | 334 | 353 | - | - | 31 | - | - | 31 |
| 322 Art Studio | 2,093 | - | 553 | 17 | - | 1,557 | - | - | 1,557 |
| 323 Gifted & Talented | 186 | - | - | - | - | 186 | - | - | 186 |
| 324 Links YSC | 1,197 | 4,000 | 2,111 | 6 | - | 3,092 | - | 300 | 2,792 |
| 325 Project Graduation | 4,116 | 13,184 | 12,438 | 38 | - | 4,900 | - | 300 | 4,600 |
| 326 Teenpower | 38 | - | - | - | - | 38 | - | - | 38 |
| 328 FCA | 170 | 375 | 370 | - | - | 175 | - | - | 175 |
| 329 Interact | - | 3,285 | 3,285 | - | - | - | - | - | - |
| 400 MSD | 879 | 7,279 | 5,984 | 7 | - | 2,181 | - | - | 2,181 |
| 401 2023 GRAD | 4,114 | - | 3,631 | 17 | - | 500 | - | 500 | - |
| 402 2021 GRAD | 38 | 13,269 | 11,297 | 470 | - | 2,480 | - | - | 2,480 |
| 403 2022 GRAD | 44 | - | - | - | - | 44 | - | - | 44 |
| 404 2025 GRAD | 8 | - | - | - | - | 8 | - | - | 8 |
| 500 Athletics General | 76,301 | 111,970 | 112,632 | - | 20,095 | 55,544 | - | 1,400 | 54,144 |
| 504 Football Boosters | 7,098 | 60,984 | 51,831 | - | 2,869 | 13,382 | - | 1,350 | 12,032 |
| 505 Boys Basketball Boosters | 11,021 | 25,339 | 23,867 | 684 | - | 13,177 | - | - | 13,177 |
| 506 Girls Basketball Boosters | 10,302 | 26,843 | 32,058 | - | 499 | 4,588 | - | - | 4,588 |
| 507 Cross Country Boosters | 87 | 2,170 | 1,088 | - | 130 | 1,039 | - | - | 1,039 |
| 508 Baseball Boosters | 20,695 | 37,776 | 38,954 | - | 463 | 19,054 | - | - | 19,054 |
| 509 Softball Boosters | 7,163 | 12,530 | 7,912 | 103 | - | 11,884 | - | - | 11,884 |
| 510 Girls Soccer Boosters | 8,347 | 5,307 | 4,063 | 387 | - | 9,978 | - | - | 9,978 |
| 511 Boys Soccer Boosters | 2,944 | - | - | 25 | - | 2,969 | - | - | 2,969 |
| 512 Golf Boosters | 1,249 | 7,160 | 6,250 | 9 | - | 2,168 | - | - | 2,168 |
| 513 Tennis Boosters | 845 | 1,570 | 980 | 6 | - | 1,441 | - | - | 1,441 |
| 514 Volleyball Boosters | 1,473 | 3,624 | 2,752 | 216 | - | 2,561 | - | - | 2,561 |
| 515 Cheer Boosters | 21,690 | 32,864 | 51,768 | 3,218 | - | 6,004 | - | - | 6,004 |
| 516 Dance Boosters | 1,371 | 9,228 | 9,191 | 12 | - | 1,420 | - | - | 1,420 |

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

| | Cash Balances July 1, 2022 | Receipts | Disbursements | Transfers In | Transfers Out | Cash Balances June 30, 2023 | Accounts Receivable June 30, 2023 | Accounts Payable June 30, 2023 | Fund Balances June 30, 2023 |
|-----------------------------------|-------------------------------------|-------------------|-------------------|------------------|------------------|--------------------------------------|--|---|--------------------------------------|
| 517 Track Boosters | 864 | 11,160 | 8,895 | - | - | 3,129 | - | - | 3,129 |
| 518 Archery Boosters | 3,365 | 9,219 | 5,827 | 42 | - | 6,799 | - | - | 6,799 |
| 519 Bass Fishing Boosters | 1,979 | 5,724 | 2,981 | - | - | 4,722 | - | - | 4,722 |
| 520 Girls Wrestling Booster | - | 1,386 | 1,001 | - | - | 385 | - | - | 385 |
| 522 Golf Athletic | 630 | - | 577 | 14 | - | 67 | - | - | 67 |
| 523 Softball Athletic | - | - | 500 | 500 | - | - | - | - | - |
| 524 Boys Soccer Athletic | 2,006 | - | - | 17 | - | 2,023 | - | - | 2,023 |
| 525 Volleyball Athletics | 1,608 | - | 1,922 | 514 | - | 200 | - | - | 200 |
| 526 Football Athletic | - | - | 7,495 | 8,284 | - | 789 | - | - | 789 |
| 527 Girls Soccer Athletic | 671 | 22 | 871 | 178 | - | - | - | - | - |
| 528 Wrestling Athletic | - | 195 | 2,603 | 2,500 | - | 92 | - | - | 92 |
| 529 Cheer Athletic | 688 | - | 719 | 757 | - | 726 | - | - | 726 |
| 530 Boys Basketball Athletic | - | - | 978 | 1,000 | - | 22 | - | - | 22 |
| 531 Girls Basketball Athletic | - | - | 955 | 1,006 | - | 51 | - | - | 51 |
| 532 Cross Country Athletic | - | - | 880 | 880 | - | - | - | - | - |
| 533 Tennis Athletic | - | - | 750 | 750 | - | - | - | - | - |
| 535 Baseball Athletic | - | - | 503 | 506 | - | 3 | - | - | 3 |
| 536 Track Athletic | 52 | - | 802 | 750 | - | - | - | - | - |
| 537 Dance Athletics | 250 | - | - | 250 | - | 500 | - | - | 500 |
| 538 Archery Athletics | 393 | - | 637 | 250 | - | 6 | - | - | 6 |
| 551 Cheer Bus | - | 425 | 375 | - | - | 50 | - | - | 50 |
| 552 Volleyball Bus | 149 | - | 149 | - | - | - | - | - | - |
| 554 Girls Soccer Bus | - | 500 | 772 | 322 | - | 50 | - | - | 50 |
| 556 Golf Bus | 225 | - | - | - | - | 225 | - | - | 225 |
| 560 Softball Bus | - | 300 | 300 | - | - | - | - | - | - |
| 561 Track Bus | - | 525 | 525 | - | - | - | - | - | - |
| 564 Cross Country Bus | - | 50 | - | - | - | 50 | - | - | 50 |
| 565 Dance Bus | 653 | 200 | 573 | - | - | 280 | - | - | 280 |
| 568 Archery Bus | 935 | 800 | 572 | 6 | - | 1,169 | - | - | 1,169 |
| 600 Band Boosters | 1,277 | 29,416 | 30,365 | 642 | - | 970 | - | 161 | 809 |
| 601 Chorus | 109 | 4,146 | 4,071 | - | - | 184 | - | - | 184 |
| 602 Trim Fees | - | 3,559 | - | - | 3,004 | 555 | - | - | 555 |
| 603 Tech Classes | 60 | 1,540 | - | - | 1,600 | - | - | - | - |
| 604 Book Rental Transfer | 40 | 22 | - | - | 62 | - | - | - | - |
| 606 Library District Transfer | 7 | 41 | - | - | 48 | - | - | - | - |
| 613 Cap and Gown | 735 | 1,485 | 1,831 | - | - | 389 | - | - | 389 |
| 699 DAF | - | - | 4,815 | 4,815 | - | - | - | - | - |
| 705 Yearbook | 3,094 | 2,064 | 4,399 | 27 | - | 786 | - | - | 786 |
| 800 Anderson Farms Scholarship | 1,076 | - | - | 26 | - | 1,102 | - | - | 1,102 |
| 801 Anne D Ryan Scholarship | - | 2,000 | 2,000 | - | - | - | - | - | - |
| 802 Coleman & Hazel Brinkley | 252 | 500 | 750 | - | - | 2 | - | - | 2 |
| 803 Dr. Douglas Hines Scholarship | 114 | - | 150 | 36 | - | - | - | - | - |
| 804 Greenwell Scholarship | 68 | - | - | - | - | 68 | - | - | 68 |
| 806 Payton Mcelroy Scholarship | 3,142 | 2,000 | 2,000 | 43 | - | 3,185 | - | 1,000 | 2,185 |
| 807 Alumni Scholarship | 373 | - | - | - | - | 373 | - | - | 373 |
| 808 Terry Goodwin Scholarship | 4,207 | - | - | 35 | - | 4,242 | - | - | 4,242 |
| 809 Meg Gatten Scholarship | 5,932 | 10,057 | 1,000 | 58 | - | 15,047 | - | - | 15,047 |
| 810 Alumni Scholarship CD | 2,601 | - | - | 22 | - | 2,623 | - | - | 2,623 |
| 811 Douglas Hines Scholarship | 2,308 | - | 150 | 19 | - | 2,177 | - | - | 2,177 |
| 812 Kyle Brantley CD (2 CDs) | 4,150 | - | - | 35 | - | 4,185 | - | - | 4,185 |
| 813 Sam Greenwell CD | 10,231 | - | - | 85 | - | 10,316 | - | - | 10,316 |
| Totals | \$ 281,225 | \$ 568,254 | \$ 578,723 | \$ 31,796 | \$ 31,796 | \$ 270,756 | \$ - | \$ 8,011 | \$ 262,745 |

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

| <u>Federal Grantor/ Pass Through Grantor/ Program Title</u> | <u>Assistance Listing Number</u> | <u>Additional Award Identification</u> | <u>Pass-through Number</u> | <u>Federal Expenditures</u> |
|--|--|--|--------------------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | | | |
| Passed through Commonwealth of Kentucky Department of Education: | | | | |
| Title I Grants to Local Education Agencies | 84.010 | | 3100002-21 | \$ 238,789 |
| Title I Grants to Local Education Agencies | 84.010 | | 3100002-22 | 279,422 |
| Title I Grants to Local Education Agencies | 84.010 | | 3100002-20 | 428 |
| Title I Grants to Local Education Agencies | 84.010 | | 3100202-20 | 21,306 |
| Title I Grants to Local Education Agencies | 84.010 | | 3100202-21 | 41,710 |
| Total Title I | | | | <u>581,653</u> |
| Special Education Cluster: | | | | |
| Special Education-Grants to States | 84.027 | | 3810002-22 | 108,852 |
| Special Education-Grants to States | 84.027 | | 3810002-21 | 427,880 |
| Special Education-Grants to States | 84.027 | | 4910002-21 | 75,802 |
| | | | | <u>612,334</u> |
| Special Education-Preschool Grants | 84.173 | | 3800002-21 | 75,119 |
| Special Education-Preschool Grants | 84.173 | | 3800002-21 | 16,350 |
| | | | | <u>91,469</u> |
| Total Special Education Cluster | | | | <u>703,803</u> |
| Improving Teacher Quality State Grants | 84.367 | | 3230002-22 | 36,723 |
| Improving Teacher Quality State Grants | 84.367 | | 3230002-20 | 2,123 |
| Improving Teacher Quality State Grants | 84.367 | | 3230002-21 | 50,675 |
| | | | | <u>89,521</u> |
| Education Stabilization Funds: | | | | |
| Elementary and Secondary School Emergency Relief Fund | 84.425 | Covid 19, 84.425 | 4980002-21 | 200 |
| 20-21 Digital Learning Coaches | 84.425 | Covid 19, 84.425 | 4000005-21 | 2,470 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | 4200002-21 | 88,174 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | 4200003-21 | 158,480 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | 4200003-21 | 19,507 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | 4300002-21 | 1,651,237 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | 4300005-21 | 2,656 |
| FY 21 Elementary and Secondary School Emergency Relief Fund II | 84.425 | Covid 19, 84.425 | GEERJUP | 58,247 |
| Total Education Stabilization Funds | | | | <u>1,976,971</u> |
| Race to the Top & Title IV | 84.424 | | 3420002-22 | 7,115 |
| Race to the Top & Title IV | 84.424 | | 3420002-20 | 864 |
| Race to the Top & Title IV | 84.424 | | 3420002-21 | 7,003 |
| | | | | <u>14,782</u> |
| Vocational Education Basic Grants to State | 84.048 | | 3710002-21 | 12,132 |
| Vocational Education Basic Grants to State | 84.048 | | 3710002-21 | 2,154 |
| Vocational Education Basic Grants to State | 84.048 | | 3710002-22 | 26,497 |
| | | | | <u>40,783</u> |
| Promoting Adolescent Health | 93.079 | | 2100001-21 | 300 |
| Kid Friendly | 84.418 | | 436F | 873 |
| Total US Department of Education, passed through Kentucky Department of Education | | | | <u>3,408,686</u> |
| <u>U.S. Department of Health & Human Services</u> | | | | |
| Passed through Kentucky Department of Education: | | | | |
| CARES - Child Care Development Fund | 93.575 | ARP PreK | 562IP | 3,508 |
| CARES - Child Care Development Fund | 93.575 | ARP Child Care | 576I | 150,986 |
| CARES - Child Care Development Fund | 93.575 | ARP PreK | 562JP | 294,386 |
| | | | | <u>448,878</u> |
| Total US Department of Health & Human Services, passed through Kentucky Department of Education | | | | <u>448,878</u> |
| <u>U.S. Department of Treasury</u> | | | | |
| Environmental Protection Agency Clean School Bus USA | 66.036 | | 603J | 25,000 |
| | | | | <u>25,000</u> |
| Federal Communications Commission Universal Service Fund | 32.004 | USAC ERATE | 559IJ | 337,194 |
| Emergency Connectivity Fund | 32.009 | ARPA ECF#1 | 559J | 156,880 |
| | | | | <u>494,074</u> |
| Total US Department of Treasury | | | | <u>519,074</u> |

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

| Federal Grantor/ Pass Through Grantor/ Program Title | Assistance Listing Number | Pass-through Number | Federal Expenditures |
|---|---------------------------------|------------------------|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed through Kentucky Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 7760005 22 | 1,455 |
| School Breakfast Program | 10.553 | 7760005 23 | 337,901 |
| | | | <u>339,356</u> |
| National School Lunch Program | | | |
| Cash Assistance | 10.555 | 7750002 22 | 231,343 |
| Cash Assistance | 10.555 | 9980000-22 | 51,976 |
| Cash Assistance | 10.555 | 9980000-23 | 25,441 |
| Cash Assistance | 10.555 | 7750002 23 | 887,124 |
| | | | <u>1,195,884</u> |
| Noncash Assistance - Commodities (Note C) | 10.555 | Fund 51 | 205,020 |
| | | | <u>205,020</u> |
| Summer Food Service Program for Children | 10.559 | 7690024 22 | 7,120 |
| Summer Food Service Program for Children | 10.559 | 7740023 22 | 69,327 |
| | | | <u>76,447</u> |
| Total Child Nutrition Cluster | | | <u>1,816,707</u> |
| State Admin Child Nutrition -Warehouse | 10.560 | 7700001-22 | 2,599 |
| Child Nutrition Discretionary Grant- Equipment | 10.649 | 9990000-22 | 3,135 |
| Total U.S. Department of Agriculture | | | <u>1,822,441</u> |
| Total Federal Expenditures | | | <u>6,199,079</u> |

Note A: Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Union County School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Because this Schedule presents only a selected portion of the operations of the Union County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District

Note B: Summary of Significant Accounting Policies:

- (1) Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Union County School District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C: Commodities:

Noncash assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

Note D: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, medicaid reimbursements(\$331,273) are not considered expenditures of federal awards for the purposes of the schedule.

Note E: Subrecipients:

There were no awards passed through to subrecipients.

Note F: Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

| | |
|---|---------------------|
| Federal Awards presented in the financial statements, by Fund: | |
| Special Revenue Fund 2 - Indirect Federal | 4,376,638 |
| Proprietary fund (food service) | 1,822,441 |
| Federal awards presented in the financial statements | <u>\$ 6,199,079</u> |
| Total federal awards reported in the Schedule of Expenditures of Federal Awards | <u>\$ 6,199,079</u> |

Alford Nance Jones & Oakley, llp

Certified Public Accountants

J. Wesley Alford, Jr., CPA
Jacqueline L. Nance, CPA

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

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, 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, and the audit requirements prescribed by the *Kentucky Public School Districts' Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County School 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, and have issued our report thereon dated November 11, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questions costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School Districts’ Audit Contract and Requirements* prescribed by the Kentucky State Committee for School District Audits.

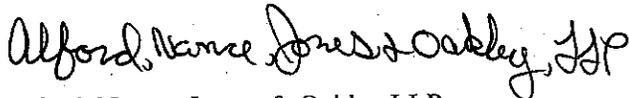
We noted certain matters other than significant deficiencies and material weaknesses that we have reported to management of the Union County School District in a separate letter dated November 11, 2023.

Union County School District’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Union County School District’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Union County School District’s was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Alford, Nance, Jones, & Oakley LLP

Madisonville, Kentucky

November 11, 2023

Alford Nance Jones & Oakley, llp

Certified Public Accountants

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

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Union County School District's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Union County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Union County School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Union County School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Alford, Nance, Jones & Oakley LLP

Alford, Nance, Jones, & Oakley LLP
Madisonville, Kentucky
November 11, 2023

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

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Union County School District were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Union County School District were disclosed during the audit.
4. There was one significant deficiency in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Union County School District expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:

Child Nutrition Cluster:
- National School Lunch 10.555
- National School Breakfast 10.553
- Summer Food Service 10.559
Education Stabilization Funds 84.425
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Union County Board of Education was determined to be a low risk auditee.

B. Findings-Financial Statements Audit

SIGNIFICANT DEFICIENCY
2023-001 – Personnel/Payroll

Condition: With regards to emergency substitute certification, we found two separate instances where two different employees were not paid a correct wage according to the approved salary schedule. Both employees were paid as a Rank V substitute which requires 64-95 college credit hours and an emergency teaching certificate. One employee met the college hour requirement, but the emergency substitute teaching certificate was not obtained from the Educational Professional Standards Board (EPSB) and placed in the personnel file. The second employee was a participant in EPSB's Emergency Non-Certified School Personnel Program and was not

required to meet the college hour requirement. This employee should have been paid as an Emergency Non-Certified Substitute Teacher rather than Rank V.

Criteria: Employees are to be paid from the approved salary schedule which lists each job classification, certification requirements (if applicable), pay rates and years of experience.

Cause: The employee with the appropriate college credit hours but without an emergency substitute teaching certificate on file, was hired mid-year as a certified substitute teacher. The employee transitioned from a full-time classified position that did not require certification to substitute teacher status. During the transition, the emergency substitute teaching certificate was not obtained from EPSB. The second employee is the District's sole non-certified substitute teacher participating in EPSB's Emergency Non-Certified School Personnel Program. During the hiring process the employee's salary was incorrectly established based upon recommendation forms and college transcripts obtained.

Effect: Because of the failure to correctly identify the employee's pay classification based on appropriate certification, pay for both employees was incorrectly established as Rank V with a daily rate of \$75 rather than an Emergency Non-Certified Substitute Teacher daily rate of \$71.

Recommendation: Union County School District should implement a system that requires a substitute teaching certificate on file prior to initiating active substitute status in the payroll system. The District should also appropriately utilize recommendation forms to identify non-certified substitute teachers participating in EPSB's Emergency Non-Certified School Personnel Program prior to the assignment of pay classification included on the approved salary schedule.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the auditor recommendation and has actively implemented a system that requires a substitute teaching certificate on file prior to initiating active substitute status within the payroll system. The District also agrees with the recommendation to appropriately utilize recommendation forms to identify non-certified substitute teachers participating in EPSB's Emergency Non-Certified School Personnel Program prior to the assignment of a pay classification included on the approved salary schedule. The District also has established a unique salary table for the non-certified substitute teacher job classification.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

US Department of Education
2023-002 Education Stabilization Funds – CFDA # 84.425
Compliance Requirement – Allowable Costs

Significant Deficiency: As discussed at Finding 2023-001, an employee was not paid the correct wage from the approved salary schedule. Because of the Union County School District's oversight during her mid-year hire, her gross wages were calculated incorrectly. Procedures should be implemented to require a re-check of the employee's qualifications before approving the employee's pay classification on the approved salary schedule.

No questioned costs were required to be reported.

D. Schedule of Prior Audit Findings

None reported relative to Financial Statements
None reported relative to Major Federal Awards

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Kentucky State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

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

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 11, 2023 contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls. This letter does not affect our report dated November 11, 2023 on the financial statements of the Union County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Alford, Nance, Jones & Oakley, LLP
Madisonville, KY
November 11, 2023

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2023**

CURRENT YEAR MANAGEMENT LETTER POINTS

School Activity Funds:

Required Forms/Procedures

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: The “Red Book” and KDE guidelines. KDE “Red Book” requires the use of specific forms (or reasonable facsimiles) for certain activities such as the (1) Multiple Receipt Form, (2) Ticket Requisition Form, (3) Donation Acknowledgment Form, (4), Inventory Control Worksheet, (5) Sale from Concessions (F-SA-17) and (6) Fundraiser Summary and/or Approval.

Cause and Effect:

FORMS

- Multiple Receipt Form: We noted instances where the multiple receipt form was not filled out or used properly by Red Book standards. (UCHS, UCMS)
- Ticket Requisition Form: We noted an instance where the ticket requisition form was not used for purposes set by Red Book. (UCHS)
- Donation Acknowledgement: We noted instances where the donation acknowledgment form was not filled out for donations over the \$250 amount. (UCMS)
- Inventory Control Worksheet: We noted instances where the inventory control worksheet was not filled out properly or was not filled out at all. (UCMS)
- Sale from Concessions (F-SA-17): We noted instances where the sale of concessions form was not used. (UCHS, UCMS)
- Fundraiser Summary and/or Approval: We noted instances where the worksheet and/or approval was not used properly for the school fundraisers. (UCHS, UES)

Recommendation: We recommend that the principal and secretary at each school review the “Red Book” and comply with its requirements regarding the use of these forms and procedures.

Response: The District Finance Officer met with school principals and bookkeepers to review each finding and discussed proper use of forms. The District Finance Officer will work to educate and train principals and school bookkeepers on the use of appropriate forms and procedures. In addition to training conducted by the District, school bookkeepers will attend Redbook training.

PRIOR YEAR MANAGEMENT LETTER POINTS

School Activity Funds:

Required Forms/Procedures

Finding: We noted instances where it appeared that Red Book forms were either not completed, were completed improperly, and/or required procedures were not followed.

Criteria: The “Red Book” and KDE guidelines. KDE “Red Book” requires the use of specific forms (or reasonable facsimiles) for certain activities such as (1) Donation Acknowledgment, (2) Sale from Concessions (F-SA-17), (3) Fundraiser Summary and (4) Credit/Procurement Sign In/Out.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2023**

Cause and Effect:

FORMS

- Donation Acknowledgement: We noted instances where the donation acknowledgment form was not filled out for donations over the \$250 amount. (UES)
- Sale from Concessions (F-SA-17): We noted instances where the sale of concessions form was not used. (UCHS)
- Fundraiser Summary: We noted instances where the worksheet was not used properly for the school fundraisers. (UCHS, UES)
- Credit/Procurement Card Sign In/Out: We noted several instances where the credit card was not signed out before use. (UES)

PROCEDURES

- We noticed instances of inappropriate expenditures from Activity Funds. (UCHS)

Recommendation: We recommend that the principal and secretary at each school review the “Red Book” and comply with its requirements regarding the use of these forms and procedures.

Response: The District Finance Officer met with the school principals and bookkeepers to review each finding and discussed the proper use of forms and the two inappropriate expenditures identified at UCHS (dirt for softball field and mole traps for soccer field). The District Finance Officer will work to educate and train principals and school bookkeepers on the use of appropriate forms and procedures. In addition to training conducted by the District, school bookkeepers will attend Redbook training. The District Finance Officer also will continue to review Monthly Financial Reports for the appropriateness of expenditures to ensure ongoing compliance.

FYE 6/30/23: Some findings were repeated in current year.