

Walton-Verona Independent School District

**Financial Statements
With Supplementary Information
Year Ended June 30, 2023
With Independent Auditors' Report**

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

June 30, 2023

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Independent Auditors' Report

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on pages 4-8, 52-54, and 59-68 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Walton-Verona Independent School District's basic financial statements. The information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

**Independent Auditors' Report
(Continued)**

Other Information (Continued)

The information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information on pages 50-51, 55-58, and 69-70 as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Change in Accounting Principle

As discussed in Note 20 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective as of July 1, 2022. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
November 15, 2023

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023

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

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$9,141,186.
- The General Fund had \$23,490,873 in revenue, excluding proceeds for KISTA liabilities and interfund transfers, which primarily consisted of the state program (SEEK), property, local occupational license taxes, utilities and motor vehicle taxes. Excluding interfund transfers, there were \$21,841,433 in General Fund expenditures.

CURRENT ISSUES

Walton – Verona Independent Schools continue to perform as one of the top districts in the state. Our primary objectives are to continue to develop students who grow and achieve academically, are college and/or career ready when they graduate, are involved in their community, and provide the best return possible on the community's investment in education.

As our community continues to grow, so does our student enrollment. Our facilities have continually been upgraded and expanded during this period of sustained growth, but creating classroom space remains a challenge. As the development of new housing within our district boundaries continues, our goal is to match this growth with the addition of adequate and efficient instructional spaces.

Insufficient funding from the state continues to be a source of significant concern for all school districts, including our own. For over a decade, state funding has not kept up with the increases in operating expenses associated with numerous unfunded state mandates. This includes the rate of inflation, increased salaries, increasing retirement contributions, and reductions to or the elimination of areas of state support such as professional development for teachers, instructional resources for students, and funding for preschool and all-day kindergarten.

The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming our students deserve without increasing taxes locally. This is a direct result of legislators not making the necessary changes needed at the state level, knowing that districts will have no other choice than to make up for their shortcomings by raising local property tax rates. In this climate of shrinking state support, the Walton - Verona Independent School District will maintain fiscally responsible policies to continue providing quality academic, extra-curricular, and community service programs to all of its students.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2023 (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-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.

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

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 49 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$19,738,034 as of June 30, 2023.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

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

Net Position for the periods ending June 30, 2023 and 2022

The following table presents a summary of net position for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Current assets	\$ 34,111,433	\$ 9,492,854
Noncurrent assets	<u>42,578,536</u>	<u>38,291,969</u>
Total assets	<u>76,689,969</u>	<u>47,784,823</u>
Total deferred outflows	<u>6,129,276</u>	<u>3,749,867</u>
Current liabilities	3,653,476	1,939,147
Noncurrent liabilities	<u>55,533,412</u>	<u>29,816,110</u>
Total liabilities	<u>59,186,888</u>	<u>31,755,257</u>
Total deferred inflows	<u>3,892,819</u>	<u>4,081,954</u>
Net position		
Investment in capital (net of debt)	(1,268,828)	17,572,027
Restricted	18,302,944	(4,734,207)
Unassigned	<u>2,705,422</u>	<u>2,859,659</u>
Total net position	<u>\$ 19,739,538</u>	<u>\$ 15,697,479</u>

Comments on Budget Comparisons

- The District's total General Fund revenues for the fiscal year ended June 30, 2023, net of interfund transfers and proceeds for KISTA liabilities, were \$23,490,873.
- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$9,803,023 more than budget or approximately 71.6%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$21,841,433, net of interfund transfers.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Comments on Budget Comparisons (Continued)

- General Fund actual expenditures exceeded budget expenditures by \$5,180,917 in instruction. This is a result of the District recording "on behalf" payments made by the State.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Revenues		
Program revenues		
Charges for services	\$ 687,672	\$ 265,039
Operating grants and contributions	<u>2,903,707</u>	<u>3,139,333</u>
Total program revenues	<u>3,591,379</u>	<u>3,404,372</u>
General revenues		
Taxes	11,465,555	10,160,528
Federal and state sources	11,715,392	3,876,716
Earnings on investments	792,312	36,112
Miscellaneous	<u>3,033,939</u>	<u>1,258,893</u>
Total general revenues	<u>27,007,198</u>	<u>15,332,249</u>
Total revenues	<u>30,598,577</u>	<u>18,736,621</u>
Expenses		
Instructional	15,044,091	5,877,769
Student support services	1,015,703	810,301
Instructional support	1,188,320	990,179
District administration	1,160,685	1,146,416
School administration	1,143,129	1,036,468
Business support	514,559	458,937
Plant operations	2,303,137	3,025,485
Student transportation	1,539,445	1,458,323
Other	255,095	123,455
Debt service	1,045,737	584,535
Food service	<u>1,346,617</u>	<u>1,149,372</u>
Total expenses	<u>26,556,518</u>	<u>16,661,240</u>
Excess of revenues over expenses	<u>\$ 4,042,059</u>	<u>\$ 2,075,381</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2023
(Continued)**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONTINUED)

General Fund Revenue

The majority of General Fund revenue was derived from local property taxes (42.7%) with state funding, in total, making up 54.1% of total revenue.

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$795,368 in contingency (3.6%). The beginning cash balance for the fiscal year is \$9,141,186.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Dr. Matt Baker, Superintendent or to Mr. Kevin Ryan, Director of Finance at (859) 485-4181 or by mail at 16 School Road, Walton, Kentucky 41094.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – District Wide
As of June 30, 2023**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and cash equivalents	\$ 7,077,088	\$ 515,553	\$ 7,592,641
Investments	25,090,502	-	25,090,502
Accounts receivable	1,387,943	1,074	1,389,017
Inventories for consumption	-	39,273	39,273
Total current	<u>33,555,533</u>	<u>555,900</u>	<u>34,111,433</u>
Noncurrent:			
Land	1,075,533	-	1,075,533
Construction in progress	4,547,022	-	4,547,022
Land improvements	1,595,692	-	1,595,692
General equipment	639,464	337,321	976,785
Buildings and improvements	51,150,091	146,981	51,297,072
Furniture and equipment	2,865,260	-	2,865,260
Less: accumulated depreciation	<u>(19,382,842)</u>	<u>(395,986)</u>	<u>(19,778,828)</u>
Total noncurrent	<u>42,490,220</u>	<u>88,316</u>	<u>42,578,536</u>
Total assets	<u>76,045,753</u>	<u>644,216</u>	<u>76,689,969</u>
Deferred outflows	<u>5,929,381</u>	<u>199,895</u>	<u>6,129,276</u>
Liabilities and Net Position			
Liabilities			
Current:			
Accrued interest	614,026	-	614,026
Current portion of bonds payable	1,530,000	-	1,530,000
Current portion of KISTA liabilities	99,549	-	99,549
Current portion of accrued sick leave	18,413	-	18,413
Accrued payroll and related expenses	-	-	-
Accounts payable	1,385,016	6,472	1,391,488
Total current	<u>3,647,004</u>	<u>6,472</u>	<u>3,653,476</u>
Noncurrent:			
Accrued sick leave	165,712	-	165,712
KISTA liabilities	409,199	-	409,199
MIF net OPEB liability	6,485,234	222,682	6,707,916
CERS net pension liability	6,123,930	210,276	6,334,206
Bond obligations	41,916,379	-	41,916,379
Total noncurrent	<u>55,100,454</u>	<u>432,958</u>	<u>55,533,412</u>
Total liabilities	<u>58,747,458</u>	<u>439,430</u>	<u>59,186,888</u>
Deferred inflows	<u>3,763,590</u>	<u>129,229</u>	<u>3,892,819</u>
Net Position			
Invested in capital assets, net of related debt	(1,357,144)	88,316	(1,268,828)
Restricted	18,115,808	187,136	18,302,944
Unrestricted	2,705,422	-	2,705,422
Total net position	<u>\$ 19,464,086</u>	<u>\$ 275,452</u>	<u>\$ 19,739,538</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Activities – District Wide
Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction	\$ 15,044,091	\$ 263,462	\$ 1,666,079	\$ -	\$ (13,114,550)	\$ -	\$ (13,114,550)
Student support services	1,015,703	-	207,098	-	(808,605)	-	(808,605)
Instruction staff support services	1,188,320	-	-	-	(1,188,320)	-	(1,188,320)
District administration	1,160,685	-	-	-	(1,160,685)	-	(1,160,685)
School administration	1,143,129	-	-	-	(1,143,129)	-	(1,143,129)
Business	514,559	-	-	-	(514,559)	-	(514,559)
Plant operation and maintenance	2,303,137	-	-	-	(2,303,137)	-	(2,303,137)
Student transportation	1,539,445	-	30,440	-	(1,509,005)	-	(1,509,005)
Facilities acquisition and construction	-	13,331	-	-	13,331	-	13,331
Community service activities	132,487	-	128,731	-	(3,756)	-	(3,756)
Other	122,608	-	-	-	(122,608)	-	(122,608)
Interest on long-term debt	1,045,737	-	-	-	(1,045,737)	-	(1,045,737)
Total governmental activities	25,209,901	276,793	2,032,348	-	(22,900,760)	-	(22,900,760)
Business-type Activities							
Food service	1,346,617	410,879	871,359	-	-	(64,379)	(64,379)
Total business-type activities	1,346,617	410,879	871,359	-	-	(64,379)	(64,379)
Total school district	\$ 26,556,518	\$ 687,672	\$ 2,903,707	\$ -	(22,900,760)	(64,379)	(22,965,139)
			General Revenues				
			Taxes		11,465,555	-	11,465,555
			Investment earnings		782,099	10,213	792,312
			Federal and state sources		11,715,392	-	11,715,392
			Miscellaneous		3,074,567	-	3,074,567
			Special items:				
			Loss on sale of fixed assets		(40,628)	-	(40,628)
			Total general and special revenues		26,996,985	10,213	27,007,198
			Change in net position		4,096,225	(54,166)	4,042,059
			Net position - beginning		15,367,861	329,618	15,697,479
			Net position - ending		\$ 19,464,086	\$ 275,452	\$ 19,739,538

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Current:					
Cash (overdraft) and cash equivalents	\$ 8,459,499	\$ (1,190,940)	\$ (677,965)	\$ 486,494	\$ 7,077,088
Investments	-	-	25,090,502	-	25,090,502
Accounts receivable	195,518	1,192,425	-	-	1,387,943
Total current	<u>\$ 8,655,017</u>	<u>\$ 1,485</u>	<u>\$ 24,412,537</u>	<u>\$ 486,494</u>	<u>\$ 33,555,533</u>
Liabilities and Fund Balances					
Liabilities					
Current:					
Accounts payable	209,382	1,485	1,145,035	29,114	1,385,016
Total current	<u>209,382</u>	<u>1,485</u>	<u>1,145,035</u>	<u>29,114</u>	<u>1,385,016</u>
Total liabilities	<u>209,382</u>	<u>1,485</u>	<u>1,145,035</u>	<u>29,114</u>	<u>1,385,016</u>
Fund Balances					
Restricted:					
Capital projects	94,409	-	23,267,502	-	23,361,911
Sick Leave	92,062	-	-	-	92,062
Other	-	-	-	457,380	457,380
Assigned	4,755,591	-	-	-	4,755,591
Unassigned	3,503,573	-	-	-	3,503,573
Total fund balances	<u>8,445,635</u>	<u>-</u>	<u>23,267,502</u>	<u>457,380</u>	<u>32,170,517</u>
Total liabilities and fund balances	<u>\$ 8,655,017</u>	<u>\$ 1,485</u>	<u>\$ 24,412,537</u>	<u>\$ 486,494</u>	<u>\$ 33,555,533</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2023**

Total fund balance per fund financial statements		\$ 32,170,517
Capital assets are used in governmental activities are not financials resources and therefore are not reported as assets in governmental funds		
Construction in progress	4,547,022	
Cost of capital assets	57,326,040	
Accumulated depreciation	<u>(19,382,842)</u>	42,490,220
Deferred outflows		
Bond refinancing	107,763	
Related to MIF	3,817,828	
MIF contributions made after the measurement date	354,959	
Related to CERS	939,016	
CERS contributions made after the measurement date	<u>709,815</u>	5,929,381
Deferred inflows related to CERS		
Related to CERS	(802,846)	
Related to OPEB	<u>(2,960,744)</u>	(3,763,590)
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Long-term liabilities at year end consist of:		
Bonds payable	(43,665,000)	
Bond discount	218,621	
KISTA liabilities	(508,748)	
Accrued interest on bonds	(614,026)	
Net OPEB liability	(6,485,234)	
Net pension liability	(6,123,930)	
Accrued sick leave	<u>(184,125)</u>	<u>(57,362,442)</u>
Net position for governmental activities		<u>\$ 19,464,086</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 10,039,166	\$ -	\$ -	\$ 1,426,389	\$ 11,465,555
Earnings on investments	345,919	-	436,180	-	782,099
State sources	12,697,768	835,252	-	1,592,081	15,125,101
Federal sources	20,391	1,197,096	-	-	1,217,487
Other revenues	387,629	-	-	677,349	1,064,978
Total revenues	<u>23,490,873</u>	<u>2,032,348</u>	<u>436,180</u>	<u>3,695,819</u>	<u>29,655,220</u>
Expenditures					
Instructional	13,122,241	1,700,865	-	634,215	15,457,321
Student support services	802,487	207,098	-	-	1,009,585
Staff support services	1,188,320	-	-	-	1,188,320
District administration	1,160,352	-	-	-	1,160,352
School administration	1,141,502	-	-	-	1,141,502
Business support services	514,559	-	-	-	514,559
Plant operation and maintenance	2,193,631	-	-	-	2,193,631
Student transportation	1,558,011	30,440	-	-	1,588,451
Community service operations	3,756	128,731	-	-	132,487
Facility acquisition and construction	-	-	4,327,462	29,114	4,356,576
Debt service:					
Principal	136,912	-	-	1,445,000	1,581,912
Interest	19,662	-	-	549,022	568,684
Bond issuance costs	-	-	122,608	-	122,608
Total expenditures	<u>21,841,433</u>	<u>2,067,134</u>	<u>4,450,070</u>	<u>2,657,351</u>	<u>31,015,988</u>
Excess (deficit) of revenues over expenditures	<u>1,649,440</u>	<u>(34,786)</u>	<u>(4,013,890)</u>	<u>1,038,468</u>	<u>(1,360,768)</u>
Other Financing Sources (Uses)					
Proceeds from sale of bond	-	-	25,000,000	-	25,000,000
Bond discount	-	-	(223,070)	-	(223,070)
Operating transfers in	-	34,786	1,992,723	2,580,181	4,607,690
Operating transfers out	(879,831)	-	-	(3,727,859)	(4,607,690)
Total other financing sources (uses)	<u>(879,831)</u>	<u>34,786</u>	<u>26,769,653</u>	<u>(1,147,678)</u>	<u>24,776,930</u>
Net change in fund balances	769,609	-	22,755,763	(109,210)	23,416,162
Fund balance, July 1, 2022	<u>7,676,026</u>	<u>-</u>	<u>511,739</u>	<u>566,590</u>	<u>8,754,355</u>
Fund balance, June 30, 2023	<u>\$ 8,445,635</u>	<u>\$ -</u>	<u>\$ 23,267,502</u>	<u>\$ 457,380</u>	<u>\$ 32,170,517</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023**

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

Net change in total fund balances per fund financial statements \$ 23,416,162

Governmental funds report capital outlays as expenditures because they use
current financial resources. However in the statement of activities
the cost of those assets is allocated over their estimated useful lives
and reported as depreciation expense. This is the amount by which capital
outlays exceed depreciation expense for the year.

Depreciation expense	(143,766)	
Retirement of capital assets	(40,628)	
Capital outlays	<u>4,471,767</u>	4,287,373

Bond proceeds are reported as financing sources in governmental fund and
thus contribute to the change in fund balance. In the statement of net
position however, issuing debt increase long-term liabilities and does
not affect the statement of activities. Similarly, repayment of principal
is an expenditure in the governmental funds but reduces the liability in
the statement of net position

Bond principal paid	1,480,000	
Proceeds from bond issue	(25,000,000)	
Bond discount	223,070	
Amortization of bond discount	(4,449)	
KISTA liabilities principal paid	208,181	
Amortization of bond refinancing	(34,224)	
Deferred outflows related to pensions	365,072	
Deferred outflows related to OPEB	1,959,983	
Deferred inflows related to pensions	204,758	
Deferred inflows related to OPEB	(12,337)	

Generally, expenditures recognized in this fund financial statement are limited
to only those that use current financial resources, but expenses are
recognized in the statement of activities when they are incurred.

	<u>(2,997,364)</u>	
Change in net position of governmental activities		<u>\$ 4,096,225</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Net Position – Proprietary Funds
As of June 30, 2023**

	Food Service	Total
Assets		
Current		
Cash and cash equivalents	\$ 515,553	\$ 515,553
Accounts Receivable	1,074	1,074
Inventories for consumption	39,273	39,273
Total current	555,900	555,900
Noncurrent		
General equipment	337,321	337,321
Buildings and improvements	146,981	146,981
Less: accumulated depreciation	(395,986)	(395,986)
Total noncurrent	88,316	88,316
Total assets	644,216	644,216
Deferred outflows	199,895	199,895
Liabilities and Net Position		
Liabilities		
Current		
Accounts payable	\$ 6,472	\$ 6,472
Total current	6,472	6,472
Noncurrent		
MIF net OPEB liability	222,682	222,682
CERS net pension liability	210,276	210,276
Total noncurrent	432,958	432,958
Total liabilities	439,430	439,430
Deferred inflows	129,229	129,229
Net Position		
Invested in assets, net of debt	88,316	88,316
Restricted	187,136	187,136
Total net position	\$ 275,452	\$ 275,452

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2023**

	Food Service	Total
Operating revenues		
Lunchroom sales	\$ 409,006	\$ 409,006
Other operating revenues	1,873	1,873
Total operating revenues	410,879	410,879
Operating expenses		
Salaries and benefits	792,829	792,829
Contract services	19,607	19,607
Materials and supplies	532,049	532,049
Depreciation	806	806
Other operating expenses	1,326	1,326
Total operating expenses	1,346,617	1,346,617
Operating loss	(935,738)	(935,738)
Nonoperating revenues		
Federal grants	578,107	578,107
State grants	226,537	226,537
Donated commodities and other donations	66,715	66,715
Interest income	10,213	10,213
Total nonoperating revenues	881,572	881,572
Change in net position	(54,166)	(54,166)
Total net position, July 1, 2022	329,618	329,618
Total net position, June 30, 2023	\$ 275,452	\$ 275,452

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023**

	<u>Food Service Fund</u>	<u>Total</u>
Cash flows from operating activities		
Cash received from lunchroom sales	\$ 409,006	\$ 409,006
Cash received from other activities	1,873	1,873
Cash payments to employees for services	(765,222)	(765,222)
Cash payments to suppliers for goods and services	(552,850)	(552,850)
Cash payments for other operating activities	<u>(1,326)</u>	<u>(1,326)</u>
Net cash used in operating activities	<u>(908,519)</u>	<u>(908,519)</u>
Cash flows from noncapital financing activities		
Non-operating revenues received	<u>871,359</u>	<u>871,359</u>
Net cash provided by noncapital financing activities	<u>871,359</u>	<u>871,359</u>
Cash flows from investing activities		
Interest on investments	<u>10,213</u>	<u>10,213</u>
Net cash provided by investing activities	<u>10,213</u>	<u>10,213</u>
Net decrease in cash and cash equivalents	(26,947)	(26,947)
Cash and cash equivalents - beginning	<u>542,500</u>	<u>542,500</u>
Cash and cash equivalents - ending	<u>\$ 515,553</u>	<u>\$ 515,553</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (935,738)	\$ (935,738)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	806	806
Changes in assets and liabilities:		
Increase in deferred outflows	(88,578)	(88,578)
Increase in deferred inflows	3,286	3,286
Increase in CERS net pension liability	34,213	34,213
Increase in MIF net OPEB liability	78,686	78,686
Increase in accounts payable	6,472	6,472
Increase in accounts receivable	(1,074)	(1,074)
Increase in inventories	<u>(6,592)</u>	<u>(6,592)</u>
Net cash used in operating activities	<u>\$ (908,519)</u>	<u>\$ (908,519)</u>
Schedule of non-cash transactions:		
Donated commodities received from federal government	<u>\$ 66,715</u>	<u>\$ 66,715</u>
On-behalf payments	<u>\$ 217,005</u>	<u>\$ 217,005</u>

The accompanying notes are an integral part of these financial statements

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

The District has the following funds:

I. Governmental Fund Types

- (A) 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 unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 69. This is a major fund of the District.
- (C) The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

(D) 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).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky Fund (FSPK) 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.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. The District is committed to construction contracts in the amount of \$22,831,322 for ongoing projects. This is a major fund of the District.

II. Debt Service Fund

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

III. Proprietary Fund (Enterprise Fund)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local government through its pronouncements (Statements and Interpretations).

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

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

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

Unearned Revenue – Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

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

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

Taxes

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than GAAP of the United States of America. The major differences between the budgetary basis and the GAAP basis are:

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

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

Cash and Cash Equivalents

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

Fair Value Measurements

Generally accepted accounting principles has established a three-level hierarchy for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 inputs are unadjusted quoted prices for identical assets in active markets; Level 2 inputs are observable quoted prices for similar assets in active markets; Level 3 inputs are unobservable and reflect management's best estimate of what market participants would use as fair value.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

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 district-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 district-wide statement of net position and in the respective funds.

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments. The entire compensated absence liability is reported on the district-wide financial statements.

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of KISTA liabilities, 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves

Beginning with fiscal year 2012 the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

Net Position

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

Operating Revenues and Expenses

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Activity

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by 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.

NOTE 2 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, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 CASH AND CASH EQUIVALENTS

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS

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

	Balance			Balance
<u>Governmental Activities</u>	<u>June 30, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2023</u>
Land	\$ 1,075,533	\$ -	\$ -	\$ 1,075,533
Construction in progress	271,403	4,673,139	397,520	4,547,022
Land improvements	1,546,486	49,206	-	1,595,692
Buildings and improvements	51,095,900	54,191	-	51,150,091
Technology equipment	263,872	-	-	263,872
Vehicles	2,594,391	59,990	52,993	2,601,388
General equipment	606,703	32,761	-	639,464
Totals at historical cost	<u>57,454,288</u>	<u>4,869,287</u>	<u>450,513</u>	<u>61,873,062</u>
Less: accumulated depreciation				
Land improvements	747,704	6,402	-	754,106
Buildings and improvements	16,147,288	109,378	-	16,256,666
Technology equipment	156,249	2,910	-	159,159
Vehicles	1,841,434	21,578	12,365	1,850,647
General equipment	358,766	3,498	-	362,264
Total accumulated depreciation	<u>19,251,441</u>	<u>143,766</u>	<u>12,365</u>	<u>19,382,842</u>
Governmental activities capital assets - net	<u>\$ 38,202,847</u>	<u>\$ 4,725,521</u>	<u>\$ 438,148</u>	<u>\$ 42,490,220</u>
<u>Business - Type Activities</u>				
General equipment	\$ 337,321	\$ -	\$ -	\$ 337,321
Buildings and improvements	146,981	-	-	146,981
Totals at historical cost	<u>484,302</u>	<u>-</u>	<u>-</u>	<u>484,302</u>
Less: accumulated depreciation				
General equipment	264,516	636	-	265,152
Buildings and improvements	130,664	170	-	130,834
Total accumulated depreciation	<u>395,180</u>	<u>806</u>	<u>-</u>	<u>395,986</u>
Business - type activities capital assets - net	<u>\$ 89,122</u>	<u>\$ (806)</u>	<u>\$ -</u>	<u>\$ 88,316</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense by function for the fiscal year ended June 30, 2023 was as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Instruction	\$ 15,198	\$ -
Student support services	6,118	-
District administration	333	-
School administration	1,627	-
Plant operation and maintenance	109,506	-
Food service	-	806
Student transportation	10,984	-
Total	\$ 143,766	\$ 806

NOTE 5 COMMITMENTS UNDER KISTA LIABILITIES

The District is the borrower of equipment under KISTA liabilities expiring between 2025 and 2030. The assets and liabilities under KISTA liabilities are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related liability terms or their estimated productive lives. Depreciation of assets under KISTA liabilities is included in depreciation expense.

Future minimum payments under KISTA liabilities as of June 30, 2023, for each of the next five years and in the aggregate are as follows:

	<u>Year Ending June 30,</u>	<u>KISTA Liabilities Payable</u>
	2023-2024	\$ 112,257
	2024-2025	112,114
	2025-2026	94,116
	2026-2027	84,526
	2027-2028	81,211
	Thereafter	65,048
Total minimum payments		549,272
Less amount representing interest		40,524
Present value of net minimum liability payments		\$ 508,748

NOTE 6 ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2023 this amount totaled approximately \$184,125 for those employees with twenty-seven or more years of experience.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 7 LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued.

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
March 2012	\$ 985,000	1.500% - 2.350%
April 2014	2,485,000	1.100% - 3.500%
March 2015	7,635,000	2.000% - 2.500%
April 2016	1,435,000	1.000% - 2.300%
April 2016	3,495,000	0.900% - 3.125%
June 2018	4,430,000	1.000% - 3.000%
March 2019	2,995,000	1.950% - 3.500%
November 2019	1,485,000	1.550% - 2.100%
June 2020	380,000	1.375%
January 2021	985,000	0.400% - 1.000%
January 2023	25,000,000	2.700% - 4.125%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Walton-Verona Independent School District Finance Corporation to construct school facilities.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. Note 16 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2023 for debt service (principal and interest) are reported in Note 16.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 8 CONTINGENCIES

Grant Fund Approval

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

NOTE 9 INSURANCE AND RELATED ACTIVITIES

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

NOTE 10 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. To obtain insurance for errors and omissions, and general liability coverage, the District uses commercial insurance policies.

The District is a reimbursing employer to the state for unemployment insurance benefits and utilizes a third party administrator, KSBA Unemployment Program, for claims management. In addition, the District purchases commercial insurance policies for all other risks of loss, including for general liability and workers' compensation insurance.

NOTE 11 DEFICIT OPERATING/FUND BALANCES

The District does not have any funds with a deficit fund balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures, resulting in a corresponding reduction of fund balance:

Food Service Fund	\$	54,166
Walton-Verona Elementary School		19,846
Building Fund		152,344

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 District at risk for a substantial loss (contingency).

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 13 CONTINGENT LIABILITY

The District purchases commercial insurance policies for general liability and workers' compensation insurance.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Special Revenue Fund	Matching	\$ 34,786
General Fund	Building Fund	Acquisition	835,974
General Fund	Construction Fund	Construction	9,071
Building Fund	Construction Fund	Construction	1,983,652
Capital Outlay Fund	Debt Service Fund	Debt Service	170,484
Building Fund	Debt Service Fund	Debt Service	1,573,723

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2023 total payments of \$6,739,070 were made for life insurance, health insurance, TRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$ 6,272,250
Debt Service	249,815
Food Service	<u>217,005</u>
Total On-Behalf	<u>\$ 6,739,070</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

2012R, 2014, 2015, 2016, 2016-Ref, 2018, 2019, 2019-Ref, 2020, 2021-Ref, and 2023 Series

Fiscal Year	Walton - Verona School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2023-2024	1,306,460	1,558,810	2,865,270	223,540	58,354	281,894	3,147,164
2024-2025	1,331,134	1,457,782	2,788,916	213,866	52,232	266,098	3,055,014
2025-2026	1,321,705	1,429,665	2,751,370	218,295	47,346	265,641	3,017,011
2026-2027	1,363,440	1,394,799	2,758,239	201,560	42,362	243,922	3,002,161
2027-2028	1,388,066	1,367,589	2,755,655	131,934	38,444	170,378	2,926,033
2028-2029	1,430,114	1,328,031	2,758,145	134,886	35,336	170,222	2,928,367
2029-2030	1,469,563	1,286,136	2,755,699	135,437	32,110	167,547	2,923,246
2030-2031	1,516,354	1,244,054	2,760,408	128,646	28,868	157,514	2,917,922
2031-2032	1,519,279	1,196,309	2,715,588	85,721	25,642	111,363	2,826,951
2032-2033	1,571,357	1,143,607	2,714,964	88,643	22,721	111,364	2,826,328
2033-2034	1,628,300	1,088,664	2,716,964	91,700	19,661	111,361	2,828,325
2034-2035	1,686,768	1,031,438	2,718,206	78,232	16,482	94,714	2,812,920
2035-2036	1,744,011	970,070	2,714,081	80,989	13,723	94,712	2,808,794
2036-2037	1,807,208	906,537	2,713,745	57,792	10,864	68,656	2,782,401
2037-2038	1,880,007	836,418	2,716,425	59,993	8,667	68,660	2,785,086
2038-2039	1,951,744	763,248	2,714,992	43,256	6,374	49,630	2,764,623
2039-2040	2,027,529	686,089	2,713,618	27,471	4,705	32,176	2,745,794
2040-2041	2,111,431	604,988	2,716,419	28,569	3,606	32,175	2,748,594
2041-2042	2,195,287	520,531	2,715,818	29,713	2,463	32,176	2,747,994
2042-2043	1,549,099	432,719	1,981,818	30,901	1,275	32,176	2,013,994
2043-2044	1,615,000	368,819	1,983,819	-	-	-	1,983,819
2044-2045	1,680,000	302,200	1,982,200	-	-	-	1,982,200
2045-2046	1,750,000	232,900	1,982,900	-	-	-	1,982,900
2046-2047	1,825,000	158,525	1,983,525	-	-	-	1,983,525
2047-2048	1,905,000	80,963	1,985,963	-	-	-	1,985,963
	<u>\$ 41,573,856</u>	<u>\$ 22,390,888</u>	<u>\$ 63,964,744</u>	<u>\$ 2,091,144</u>	<u>\$ 471,235</u>	<u>\$ 2,562,379</u>	<u>\$ 66,527,123</u>

A summary of the changes in the principal of the outstanding bond obligations, KISTA liabilities, and sick leave for the District during the year ended June 30, 2023 is as follows:

Governmental Activities	Balance July 1, 2022	Additions	Payments	Balance June 30, 2023
Bond Obligations	\$ 20,145,000	\$ 25,000,000	\$ 1,480,000	\$ 43,665,000
Bond Discount	\$ -	\$ (223,070)	\$ (4,449)	\$ (218,621)
KISTA Liabilities	\$ 716,929	\$ -	\$ 208,181	\$ 508,748
Sick Leave	\$ 219,596	\$ -	\$ 35,471	\$ 184,125

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS

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

General information about the County Employees Retirement System Non-Hazardous

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2023, was \$880,382, which consisted of \$734,188 from the District and \$146,194 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$819,694 and \$706,903 respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. 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. 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/employers/information/gasb-65-67/>.

Benefits provided

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

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements (Continued)

NOTE 17 RETIREMENT PLANS (CONTINUED)

Benefits provided (Continued)

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. New employees hired after July 1, 2008 but before December 31, 2021 who retire with less than ten years will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 10 to 20 years of service will receive monthly benefits equal to 2% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26 to 30 years of service will receive monthly benefits equal to 2.5% of their final average salary for each year of service. Effective January 1, 2022 the System has been amended to change the benefit structure for employees hired on or after that date.

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

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

Contributions

Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2023, was \$1,621,308, which consisted of \$373,109 from the District and \$1,248,199 from the employees. Total contributions for the year ended June 30, 2022 and 2021 were \$1,488,059 and \$1,343,754, respectively. The contributions have been contributed in full for fiscal years 2023, 2022 and 2021.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

Medical Insurance Plan

Plan description

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

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

Funding policy

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Member contributions are 3.75% and 0.75% is paid from state appropriate. Employer contributions are 3.00%. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

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

District's proportionate share of the CERS net pension liability	\$ 6,334,206
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>33,761,502</u>
	<u>\$ 40,095,708</u>

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the District's proportion was 0.087622% percent.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

For the year ended June 30, 2023, the District recognized an increase in pension expense of \$418,546 related to CERS. The District also recognized a reduction of expense of \$2,588,639 and a reduction of revenue of \$2,588,639 for TRS support provided by the Commonwealth due to a change in assumptions. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,772	\$ 56,409
Net difference between projected and actual earnings on pension plan investments	861,896	699,510
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,591	74,494
District contributions subsequent to the measurement date	<u>734,188</u>	<u>-</u>
Total	<u><u>\$ 1,705,447</u></u>	<u><u>\$ 830,413</u></u>

\$734,188 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2024	\$ 44,495
2025	(30,359)
2026	(53,229)
2027	179,939
2028	-

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions

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

	<u>CERS</u>	<u>TRS</u>
Inflation	2.30%	2.50%
Projected salary increases	3.3-10.3%	3.0 - 7.5%
Investment rate of return, net of investment expense and inflation	6.25%	7.10%

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

For TRS, mortality rates were based on Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each groups: service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 6-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Actuarial assumptions (Continued)

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

<u>Asset Class</u>	<u>TRS Target Allocation</u>	<u>TRS Long-Term Expected Real Rate of Return</u>	<u>CERS Target Allocation</u>	<u>CERS Long-Term Expected Real Rate of Return</u>
US equity	40.0%	4.23%	50.0%	4.45%
Developed international equity	16.5%	5.30%		
Emerging markets equity	5.5%	5.40%		
Core bonds			10.0%	0.28%
Private equity	7.0%	6.90%	10.0%	10.15%
High yield	2.0%	1.70%	10.0%	2.28%
Fixed income	15.0%	-0.10%		
Additional categories	5.0%	2.20%		
Real estate	7.0%	4.00%	7.0%	3.67%
Real return			13.0%	4.07%
Cash	2.0%	-0.30%	0.0%	-0.91%
Total	<u>100%</u>		<u>100%</u>	

Discount rate

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

For TRS, the discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 17 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	5.25%	6.25%	7.25%
District's proportionate share of net pension liability	\$ 7,916,972	\$ 6,334,206	\$ 5,025,128
TRs	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

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

NOTE 18 OPEB PLANS

General information about the Teachers' Retirement System OPEB Plan

Plan description

Teaching-certified employees of the Walton-Verona Independent School 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 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

Plan description

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan 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.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Benefits provided

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. 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.

General information about the County Employee Retirement System Non-Hazardous OPEB Plan

Plan description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

Benefits provided

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 17 for classifications.

Contributions

Required contributions by the employee are based on the tier disclosed in Note 17.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

At June 30, 2023, the Walton-Verona Independent School District reported a liability of \$6,707,916 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the District's proportion was 0.20 percent for TRS, which was an increase of 0.06 percent from its proportion measured as of June 30, 2021. At June 30, 2022, the District's proportion was 0.09 percent for CERS, which is the same as its proportion measured as of June 30, 2021.

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

District's proportionate share of the CERS net OPEB liability	\$ 1,728,916
District's proportionate share of the TRS net OPEB liability	4,979,000
State's proportionate share of the net OPEB liability associated with the District	1,636,000
	\$ 8,343,916

For the year ended June 30, 2023, the District recognized an increase in OPEB expense of \$1,623,345 and revenue of \$87,422 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 174,030	\$ 2,489,481
Net difference between projected and actual earnings on OPEB plan investments	586,942	251,770
Change of Assumptions	1,284,440	225,313
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,903,507	95,842
District contributions subsequent to the measurement date	367,147	-
Total	\$ 4,316,066	\$ 3,062,406

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$367,147 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 OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2024	\$ 20,649
2025	54,070
2026	(14,975)
2027	392,769
2028	305,000
Thereafter	129,000

Actuarial assumptions

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

	TRS	CERS
Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation.	6.25%
Projected salary increases	3.00 - 7.50%, including wage inflation	3.30% to 10.30%, varies by service
Inflation rate	2.50%	2.30%
Real Wage Growth	0.25%	
Wage Inflation	2.75%	
Healthcare cost trend rates		
Under 65	7.00% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2032	Initial trend starting at 6.40% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	5.125% for FY 2022 decreasing to an ultimate rate of 4.50% by FY 2025	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Medicare Part B Premiums	6.97% for FY 2022 with an ultimate rate of 4.50% by 2034	
Municipal Bond Index Rate	3.37%	3.69%
Discount Rate	7.10%	5.70%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation	

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

For TRS, mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

For CERS, mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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, 2021 valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	1.7%
Cash (LIBOR)	1.0%	-0.3%
Total	<u>100.0%</u>	

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Discount rate

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

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

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
TRS			
Districts' net OPEB liability	\$ 6,247,000	\$ 4,979,000	\$ 3,929,000
	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
CERS			
Districts' net OPEB liability	\$ 2,311,285	\$ 1,728,916	\$ 1,247,491

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Current Trend Rate	1% Increase
TRS			
Districts' net OPEB liability	\$ 3,732,000	\$ 4,979,000	\$ 6,529,000
	1% Decrease	Current Trend Rate	1% Increase
CERS			
Districts' net OPEB liability	\$ 1,285,411	\$ 1,728,916	\$ 2,261,483

OPEB plan fiduciary net position

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

Life Insurance Plan

Plan description

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the 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 the death of the member to the member's estate or to a party designated by the member.

Contributions

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		81,000
	\$	81,000

For the year ended June 30, 2023, the District recognized OPEB expense of \$-0- and revenue of \$6,209 for support provided by the State.

Actuarial assumptions

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

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

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2021 valuation were based on the results of the most actuarial experience studies, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

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, 2021 valuation.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 18 OPEB PLANS (CONTINUED)

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity	40.0%	4.4%
International Equity	23.0%	5.6%
Fixed Income	18.0%	-0.1%
Real Estate	6.0%	4.0%
Private Equity	5.0%	6.9%
Other Additional Categories	6.0%	2.1%
Cash (LIBOR)	2.0%	-0.3%
Total	<u>100.0%</u>	

Discount rate

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Districts' net OPEB liability	\$ -	\$ -	\$ -

OPEB plan fiduciary net position

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

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Financial Statements
(Continued)**

NOTE 19 INVESTMENTS AT FAIR VALUE

Current accounting and reporting standards define fair value, establish a three-level hierarchy for fair value measurements based on transparency of valuation inputs and require disclosures about fair value measurements. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows:

Level 1 - Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 - Inputs are observable quoted prices for similar assets in active markets.

Level 3 - Inputs are unobservable and reflect our best estimate of what market participants would use as fair value.

Investments consisted of the following at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Brokered certificates of deposit	<u>\$ 25,090,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,090,502</u>
Total Investments	<u>\$ 25,090,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,090,502</u>

The following is a description of the valuation methodologies used for investments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification pursuant to the valuation hierarchy. There were no valuations using Level 2 or 3 inputs.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include brokered certificates of deposit. If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

NOTE 20 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2022, the District elected to adopt Governmental Accounting Standards Board (“GASB”) Statement no. 96, Subscription-Based Information Technology Arrangements, as it relates to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, contracts that provide the District with IT software and associated tangible capital assets are recognized as a right of use subscription asset and a corresponding subscription liability. The implementation of this Statement did not have a material impact on the financial statements.

NOTE 21 SUBSEQUENT EVENTS

Subsequent events were considered through November 15, 2023, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2023**

	<u>Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
Assets					
Current:					
Cash and cash equivalents	\$ -	\$ 457,380	\$ -	\$ 29,114	\$ 486,494
Total current	<u>\$ -</u>	<u>\$ 457,380</u>	<u>\$ -</u>	<u>\$ 29,114</u>	<u>\$ 486,494</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 29,114	\$ 29,114
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,114</u>	<u>29,114</u>
Fund Balances:					
Restricted:					
Other	-	457,380	-	-	457,380
Total fund balances	<u>-</u>	<u>457,380</u>	<u>-</u>	<u>-</u>	<u>457,380</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 457,380</u>	<u>\$ -</u>	<u>\$ 29,114</u>	<u>\$ 486,494</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2023**

	<u>Capital Outlay Fund</u>	<u>Student Activity Fund</u>	<u>Debt Service Fund</u>	<u>Building Fund</u>	<u>Total Non-major Government Funds</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 1,426,389	\$ 1,426,389
State sources	170,484	-	249,815	1,171,782	1,592,081
Other sources	-	677,349	-	-	677,349
Total revenues	<u>170,484</u>	<u>677,349</u>	<u>249,815</u>	<u>2,598,171</u>	<u>3,695,819</u>
Expenditures					
Instructional	-	634,215	-	-	634,215
Facility acquisition and construction	-	-	-	29,114	29,114
Debt service:					
Principal	-	-	1,445,000	-	1,445,000
Interest	-	-	549,022	-	549,022
Total expenditures	<u>-</u>	<u>634,215</u>	<u>1,994,022</u>	<u>29,114</u>	<u>2,657,351</u>
Excess (deficit) of revenues over expenditures	<u>170,484</u>	<u>43,134</u>	<u>(1,744,207)</u>	<u>2,569,057</u>	<u>1,038,468</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	1,744,207	835,974	2,580,181
Operating transfers out	<u>(170,484)</u>	<u>-</u>	<u>-</u>	<u>(3,557,375)</u>	<u>(3,727,859)</u>
Total other financing sources(uses)	<u>(170,484)</u>	<u>-</u>	<u>1,744,207</u>	<u>(2,721,401)</u>	<u>(1,147,678)</u>
Net change in fund balance	-	43,134	-	(152,344)	(109,210)
Fund balance, July 1, 2022	<u>-</u>	<u>414,246</u>	<u>-</u>	<u>152,344</u>	<u>566,590</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ 457,380</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,380</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ 7,425,000	\$ 7,425,000	\$ 10,039,166	\$ 2,614,166
Earnings on investments	65,000	65,000	345,919	280,919
State sources	5,907,500	5,907,500	12,697,768	6,790,268
Federal sources	-	-	20,391	20,391
Other revenues	<u>290,350</u>	<u>290,350</u>	<u>387,629</u>	<u>97,279</u>
 Total revenues	 <u>13,687,850</u>	 <u>13,687,850</u>	 <u>23,490,873</u>	 <u>9,803,023</u>
Expenditures				
Instruction	8,888,053	8,938,053	13,122,241	4,184,188
Student support services	671,118	671,118	802,487	131,369
Instruction staff support services	818,457	818,457	1,188,320	369,863
District administration	1,792,968	1,742,968	1,160,352	(582,616)
School administration	734,049	734,049	1,141,502	407,453
Business	263,910	263,910	514,559	250,649
Plant operation and maintenance	2,033,989	2,033,989	2,193,631	159,642
Student transportation	1,278,390	1,278,390	1,558,011	279,621
Community services	23,000	23,000	3,756	(19,244)
Debt service	<u>156,582</u>	<u>156,582</u>	<u>156,574</u>	<u>(8)</u>
 Total expenditures	 <u>16,660,516</u>	 <u>16,660,516</u>	 <u>21,841,433</u>	 <u>5,180,917</u>
 Excess (deficit) of revenues over expenditures	 <u>(2,972,666)</u>	 <u>(2,972,666)</u>	 <u>1,649,440</u>	 <u>4,622,106</u>
Other financing sources (uses)				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(879,831)</u>	<u>(879,831)</u>
 Total other financing sources (uses)	 <u>-</u>	 <u>-</u>	 <u>(879,831)</u>	 <u>(879,831)</u>
 Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	 <u>(2,972,666)</u>	 <u>(2,972,666)</u>	 <u>769,609</u>	 <u>3,742,275</u>
 Fund balance, July 1, 2022	 <u>-</u>	 <u>-</u>	 <u>7,676,026</u>	 <u>7,676,026</u>
 Fund balance, June 30, 2023	 <u>\$ (2,972,666)</u>	 <u>\$ (2,972,666)</u>	 <u>\$ 8,445,635</u>	 <u>\$ 11,418,301</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
Revenues				
State sources	\$ 766,025	\$ 835,252	\$ 835,252	\$ -
Federal sources	670,795	665,128	1,197,096	531,968
Total revenues	<u>1,436,820</u>	<u>1,500,380</u>	<u>2,032,348</u>	<u>531,968</u>
Expenditures				
Instruction	1,234,338	1,332,684	1,700,865	368,181
Student support services	43,095	43,095	207,098	164,003
Student transportation	30,657	30,657	30,440	(217)
Food service operation	-	-	-	-
Community services	128,730	128,730	128,731	1
Total expenditures	<u>1,436,820</u>	<u>1,535,166</u>	<u>2,067,134</u>	<u>531,968</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(34,786)</u>	<u>(34,786)</u>	<u>-</u>
Other Financing Sources (Uses)				
Operating transfers in	<u>-</u>	<u>34,786</u>	<u>34,786</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>34,786</u>	<u>34,786</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-
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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Construction Fund
Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Facilities acquisition and construction	-	1,000,000	4,327,462	3,327,462
Debt service	<u>-</u>	<u>-</u>	<u>122,608</u>	<u>122,608</u>
Total expenditures	<u>-</u>	<u>1,000,000</u>	<u>4,450,070</u>	<u>3,450,070</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(1,000,000)</u>	<u>(4,450,070)</u>	<u>(3,450,070)</u>
Other Financing Sources (Uses)				
Proceeds from sale of bond	-	-	25,000,000	25,000,000
Bond discount	-	-	(223,070)	(223,070)
Operating transfers in	<u>-</u>	<u>1,000,000</u>	<u>1,992,723</u>	<u>992,723</u>
Total other financing sources (uses)	<u>-</u>	<u>1,000,000</u>	<u>26,769,653</u>	<u>25,769,653</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	-	-	22,319,583	22,319,583
Fund balance, July 1, 2022	<u>-</u>	<u>-</u>	<u>511,739</u>	<u>511,739</u>
Fund balance, June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,831,322</u>	<u>\$ 22,831,322</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
For the Year Ended June 30, 2023**

	<u>Issue of 2012R</u>	<u>Issue of 2014</u>	<u>Issue of 2015</u>	<u>Issue of 2016</u>	<u>Issue of 2016R</u>	<u>Issue of 2018</u>
Cash at July 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Transfers and miscellaneous deposits	104,700	134,230	883,688	130,344	160,775	188,601
Disbursements:						
Bonds paid	100,000	70,000	795,000	35,000	145,000	35,000
Interest coupons	4,700	64,230	88,688	95,344	15,775	153,601
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	104,700	134,230	883,688	130,344	160,775	188,601
Excess of disbursements over receipts	-	-	-	-	-	-
Cash at June 30, 2023	-	-	-	-	-	-
Fund balance at June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Issue of 2019</u>	<u>Issue of 2019R</u>	<u>Issue of 2020</u>	<u>Issue of 2021R</u>	<u>Total</u>	
Cash at July 1, 2022	\$ -	\$ -	\$ -	\$ -	\$ -	
Receipts:						
Transfers and miscellaneous deposits	111,225	187,000	39,503	94,000	2,034,066	
Disbursements:						
Bonds paid	15,000	165,000	35,000	85,000	1,480,000	
Interest coupons	96,225	22,000	4,503	9,000	554,066	
Transfers and miscellaneous	-	-	-	-	-	
Call fee	-	-	-	-	-	
Total disbursements	111,225	187,000	39,503	94,000	2,034,066	
Excess of disbursements over receipts	-	-	-	-	-	
Cash at June 30, 2023	-	-	-	-	-	
Fund balance at June 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Walton-Verona High School Activity Fund
Year Ended June 30, 2023**

	<u>Fund Balance</u> <u>July 1, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance</u> <u>June 30, 2023</u>
2020-2021 HS fees	\$ 4,638	\$ 15,971	\$ 17,700	\$ 2,909
ACT	-	1,393	-	1,393
Advisory Board	26	-	-	26
Agriculture	721	3,460	4,179	2
Alex Fish Memorial Schol	7,500	250	1,000	6,750
AP classes	268	60	60	268
Art Club	132	-	-	132
Art fund	985	4,431	5,138	278
Athletic assistance	775	-	-	775
Athletic boosters	16,026	65,887	61,889	20,024
Athletics	60,667	201,649	212,936	49,380
Band	9,179	11,188	12,028	8,339
Band trip	2,260	7,043	1,018	8,285
Baseball	197	6,087	6,282	2
Basketball	9,554	29,398	29,003	9,949
Bass Fishing	309	-	309	-
Beta club	4,526	1,079	1,050	4,555
Boys golf	10	1,728	1,737	1
Boys soccer	1,478	3,773	2,653	2,598
Boys Volleyball	-	300	246	54
Bridge	19	-	-	19
Business fund	3,542	1,864	3,186	2,220
Cappie Stephenson	200	-	-	200
Cashbox	-	4,750	4,750	-
Cheer Trip	-	1,384	-	1,384
Choral music	-	5,893	5,215	678
Colonel Hudson scholarship - CD	-	1,000	1,000	-
Concession fund	1,147	3,880	4,031	996
Cross country	1,436	1,220	2,224	432
Delinquent fees	266	50	-	316
Drama	6,597	3,823	3,683	6,737
Emergency assistance	718	-	-	718
English	1,721	4,140	2,795	3,066
Evan Ryan memorial fund	1,500	-	1,500	-
Evan Ryan scholarship - CD	29,779	81	-	29,860
Exercise equipment	649	-	-	649
Family & con science	1,024	6,140	6,554	610
FBLA	-	5,266	4,413	853
FCA	61	76	-	137
FCCLA	-	4,403	3,592	811
FFA	3,855	6,869	6,022	4,702
FFA Scholarship	43,169	-	2,000	41,169
Football	1,889	11,755	13,594	50
General fund	5,230	11,522	1,236	15,516
Girls basketball	3,651	7,730	6,565	4,816

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
Walton-Verona High School Activity Fund (Continued)
Year Ended June 30, 2023**

	<u>Fund Balance July 1, 2022</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2023</u>
Girls golf	534	-	196	338
Girls soccer	6,285	28,734	13,761	21,258
Giving Tree	-	3,806	-	3,806
Guidance fund	773	392	702	463
Health	459	388	418	429
HS student council	74	122	111	85
Hunter Donovan Me	85	500	500	85
Intramural Basketball	499	-	-	499
Intramural Volleyball	1,712	4,095	1,024	4,783
Junior class	7,466	10,230	6,014	11,682
Kendal Smith scholarship	1,037	680	1,000	717
Kendall Smith scholarship - CD	11,326	-	-	11,326
Lacrosse	510	1,296	1,806	-
Laptop/charger fees	300	682	(30)	1,012
Library fines	251	-	-	251
Math	7,590	4,034	3,117	8,507
Max Gjerde Memorial	-	1,000	1,000	-
N.K.O.A.	314	-	-	314
Paranomal Club	-	180	180	-
Parking permit	2,455	1,520	614	3,361
Physical education	1,819	2,168	2,074	1,913
Project prom	3,064	1,250	2,206	2,108
Quest Program	-	1,742	1,741	1
Reading	6,829	135	3,075	3,889
Robotics/Lego Club	294	233	371	156
School Climate fund	3,474	1,857	751	4,580
Science fund	7,144	2,700	5,957	3,887
Senior class 2017/2018	1,152	10,906	10,073	1,985
Social studies	1,372	1,996	2,230	1,138
Softball	1,674	800	145	2,329
Spanish	3,057	2,464	2,327	3,194
Spanish club	117	81	86	112
Technology	-	6,897	-	6,897
Tennis	2,124	950	610	2,464
Textbooks	-	10,864	10,864	-
Tournament account	38	-	-	38
Track	5,109	22,157	18,129	9,137
Varsity cheer	3,742	28,815	10,239	22,318
Volleyball	6,108	17,335	19,293	4,150
Wake up Walton	1,386	3,625	3,913	1,098
Wellness center	510	-	-	510
Workbooks	75	1,710	-	1,785
Wrestling	290	2,835	3,125	-
Y club	1,053	6,064	5,953	1,164
Yearbook	7,901	3,957	3,483	8,375
	<u>\$ 325,706</u>	<u>\$ 624,743</u>	<u>\$ 566,646</u>	<u>\$ 383,803</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Statement of Receipts, Disbursements and Fund Balances
School Activity Funds
Year Ended June 30, 2023**

	<u>Walton- Verona Middle School</u>	<u>Walton- Verona Elementary School</u>	<u>Total</u>
Fund balance at July 1, 2022	\$ 37,364	\$ 51,176	\$ 88,540
Add: receipts	110,935	43,618	154,553
Less: disbursements	<u>(106,052)</u>	<u>(63,464)</u>	<u>(169,516)</u>
Fund balance at June 30, 2023	<u>\$ 42,247</u>	<u>\$ 31,330</u>	<u>\$ 73,577</u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*
State's proportionate share of the net pension liability associated with the District	<u>33,761,502</u>	<u>33,761,502</u>	<u>36,383,433</u>	<u>33,745,596</u>	<u>32,267,909</u>	<u>67,912,869</u>	<u>72,445,775</u>	<u>55,139,445</u>	<u>45,246,643</u>	<u>*</u>
Total	<u>\$ 33,761,502</u>	<u>\$ 33,761,502</u>	<u>\$ 36,383,433</u>	<u>\$ 33,745,596</u>	<u>\$ 32,267,909</u>	<u>\$ 67,912,869</u>	<u>\$ 72,445,775</u>	<u>\$ 55,139,445</u>	<u>\$ 45,246,643</u>	<u>*</u>
District's covered-employee payroll	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	\$ 7,318,884	\$ 6,937,804	\$ 6,892,833	\$ -
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	*
Plan fiduciary net position as a percentage of the total pension liability	56.41%	65.59%	58.27%	58.76%	59.27%	39.83%	35.22%	42.49%	45.59%	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: A new benefit tier was added for members joining the System on and after January 1, 2022

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

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

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

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

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

Changes of assumption: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3% to 2.50%. In addition, the calculation of the SEIR results in an assumption.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – TRS

	Last 10 Fiscal Years*									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 373,109	\$ 311,642	\$ 273,426	\$ 277,834	\$ 261,070	\$ 263,854	\$ 245,799	\$ 224,296	\$ 161,896	\$ 109,295
Contributions in relation to the contractually required contribution	<u>(373,109)</u>	<u>(311,642)</u>	<u>(273,426)</u>	<u>(277,834)</u>	<u>(261,070)</u>	<u>(263,854)</u>	<u>(245,799)</u>	<u>(224,296)</u>	<u>(161,896)</u>	<u>(109,295)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	\$ 7,318,884	\$ 6,937,804	\$ 6,892,833
Contributions as a percentage of covered-employee payroll	3.86%	3.41%	3.28%	3.35%	3.34%	3.40%	3.20%	3.06%	2.33%	1.59%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

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

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of net pension liability	0.087622%	0.089501%	0.086069%	0.081853%	0.082456%	0.084560%	0.087272%	0.084117%	0.083182%	*
District's proportionate share of the net pension liability	\$ 6,334,206	\$ 5,706,391	\$ 6,601,421	\$ 5,756,758	\$ 5,021,822	\$ 4,949,557	\$ 4,296,938	\$ 3,616,625	\$ 2,699,000	*
Total net pension liability	\$ 7,229,013,496	\$ 6,375,784,388	\$ 7,669,917,211	\$ 7,033,044,552	\$ 6,090,304,793	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000	*
District's covered-employee payroll	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	\$ 2,087,822	\$ 1,959,068	\$ 1,908,316	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.0%	236.3%	283.8%	271.1%	242.1%	237.2%	205.8%	184.6%	141.4%	*
Plan fiduciary net position as a percentage of the total pension liability	52.42%	57.33%	47.81%	50.45%	53.54%	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 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – CERS

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 734,188	\$ 684,816	\$ 581,002	\$ 559,068	\$ 456,122	\$ 397,774	\$ 389,706	\$ 356,183	\$ 346,167	\$ 360,481
Contributions in relation to the contractually required contribution	(734,188)	(684,816)	(581,002)	(559,068)	(456,122)	(397,774)	(389,706)	(356,183)	(346,167)	(360,481)
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	\$ 2,087,822	\$ 1,959,068	\$ 1,908,316
Contributions as a percentage of covered-employee payroll	26.79%	26.92%	24.06%	24.04%	21.48%	19.18%	18.68%	17.06%	17.67%	18.89%

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – LIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0%	0%	0%	0%	0%	0%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
State's proportionate share of the collective net OPEB liability (asset) associated with the District	81,000	32,000	84,000	72,000	65,000	52,000	*	*	*	*
Total net OPEB liability	\$ 81,000	\$ 32,000	\$ 84,000	\$ 72,000	\$ 65,000	\$ 52,000	*	*	*	*
District's covered-employee payroll	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

Methods and assumptions used in the actuarially determined contributions - The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll
Amortization period	25 Years
Asset valuation method	Five-year smoothed value
Inflation	3.00%
Real wage growth	0.50%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 7.20%
Discount rate	7.50%

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – LIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	*	*	*	*
Contribution deficiency	-	-	-	-	-	-	*	*	*	*
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	*	*	*	*
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 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.200555%	0.137675%	0.137034%	0.131005%	0.126550%	0.343819%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 4,979,000	\$ 2,954,000	\$ 3,458,000	\$ 3,834,000	\$ 4,391,000	\$ 4,717,000	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ 1,636,000	\$ 2,399,000	\$ 2,770,000	\$ 3,096,000	\$ 3,784,000	\$ 3,853,000	*	*	*	*
Total net OPEB liability	\$ 6,615,000	\$ 5,353,000	\$ 6,228,000	\$ 6,930,000	\$ 8,175,000	\$ 8,570,000	*	*	*	*
District's covered-employee payroll	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	\$ 7,678,128	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	54.4%	35.5%	41.7%	49.1%	56.6%	61.4%	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 266,111	\$ 244,374	\$ 242,011	\$ 228,115	\$ 225,425	\$ 324,039	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(266,111)</u>	<u>(244,374)</u>	<u>(242,011)</u>	<u>(228,115)</u>	<u>(225,425)</u>	<u>(324,039)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 9,677,314	\$ 9,149,393	\$ 8,326,411	\$ 8,289,427	\$ 7,806,779	\$ 7,752,761	*	*	*	*
Contributions as a percentage of covered-employee payroll	2.75%	2.67%	2.91%	2.75%	2.89%	4.18%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None

The Health Trust is not funded based on actuarially determined contribution, but instead is funded based on statutorily determined amounts as noted in the assumed asset allocation for MIF.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability – MIF (CERS)

	Last 10 Fiscal Years*									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the collective trust OPEB liability	0.087606%	0.089480%	0.086044%	0.081831%	0.082453%	0.084560%	*	*	*	*
District's proportionate share of the collective net OPEB liability	\$ 1,728,916	\$ 1,713,050	\$ 2,077,701	\$ 1,376,361	\$ 1,463,937	\$ 1,699,945	*	*	*	*
State's proportionate share of the collective net OPEB liability associated with the District	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	*	*	*	*
Total net OPEB liability	\$ 1,728,916	\$ 1,713,050	\$ 2,077,701	\$ 1,376,361	\$ 1,463,937	\$ 1,699,945	*	*	*	*
District's covered-employee payroll	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	\$ 2,086,221	*	*	*	*
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	68.0%	70.9%	89.3%	64.8%	70.6%	81.5%	*	*	*	*
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 10 years. Additional years will be displayed as they become available.

Changes in assumptions: None

2018: Updated healthcare trend rates were implemented.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions – MIF (CERS)

	Last 10 Fiscal Years*									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 101,036	\$ 108,818	\$ 104,941	\$ 108,602	\$ 96,052	\$ 97,382	*	*	*	*
Contributions in relation to the contractually required contribution	<u>(101,036)</u>	<u>(108,818)</u>	<u>(104,941)</u>	<u>(108,602)</u>	<u>(96,052)</u>	<u>(97,382)</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>
Contribution deficiency	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>	<u><u>*</u></u>
District's covered-employee payroll	\$ 2,740,528	\$ 2,544,314	\$ 2,414,803	\$ 2,325,754	\$ 2,123,467	\$ 2,073,945	*	*	*	*
Contributions as a percentage of covered-employee payroll	3.69%	4.28%	4.35%	4.67%	4.52%	4.70%	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 6/30/2023
<u>U.S. Department of Education</u>			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 22	\$ 380,790
Special Education - ARP ESSER (III) IDEA B	84.027	4910002 21	7,941
Special Education_Preschool Grants	84.173	3800002 22	25,657
Total Special Education Cluster			<u>414,388</u>
Title I Grants to Local Educational Agencies	84.010	3100002 22	153,588
Career and technical Education - Basic Grants to States	84.048	3710002 22	47,606
Title II Improving Teacher Quality State Grants	84.367	3230002 22	35,745
Title IV-Part A Student Support and Academic Enrichment Grant	84.424	3420002 22	11,903
Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	N/A	600
COVID-19 ESSER II	84.425	4200002 21	68,671
COVID-19 ESSER III (ARP)	84.425	4300002 21	459,579
COVID-19 ESSER III (ARP)	84.425	4300005 21	2,173
COVID-19 ESSER III (ARP)	84.425	4300003 21	1,898
COVID-19 ESSER III (ARP)	84.425	4980002 21	945
Total ALN #84.425			<u>533,266</u>
 Total U.S. Department of Education			<u><u>1,197,096</u></u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
<i>Passed through Kentucky Department of Education</i>			
National School Lunch Program	10.555	7750002 22	55,340
National School Lunch Program	10.555	7750002 23	348,933
National School Lunch Program	10.555	9980000 22	48,104
National School Lunch Program	10.555	9980000 23	23,756
School Breakfast Program	10.553	7760005 22	12,457
School Breakfast Program	10.553	7760005 23	87,431
P-EBT Administrative Costs Grant	10.649	9990000 22	628
<i>Passed through Kentucky Department of Agriculture</i>			
National School Lunch Program - Food Donation	10.555	059-0203	66,715
Total Child Nutrition Cluster			<u>643,364</u>
<i>Passed through Kentucky Department of Education</i>			
State Administrative Expenses for Child Nutrition	10.560	7700001 22	1,458
 Total U.S. Department of Agriculture			<u>644,822</u>
 Total Expenditures of Federal Awards			<u><u>\$ 1,841,918</u></u>

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. 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.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2023, the District reported food commodities expended in the amount of \$66,715.

NOTE 4 INDIRECT COST RATE

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

NOTE 5 SUBRECIPIENTS

The District did not have any subrecipients during the year ended June 30, 2023.

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

To the Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

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

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted other matters that we reported to management of the District in pages 78-79.

**INDEPENDENT AUDITORS' 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
(CONTINUED)**

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2023

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

Members of the Board of Education
Walton-Verona Independent School District
Walton, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 Walton-Verona Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Walton-Verona Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

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

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

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

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

Report on Internal Control Over Compliance

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(CONTINUED)**

Report on Internal Control Over Compliance (Continued)

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

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 15, 2023

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

ALN No.	Name of Federal Program or Cluster
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2023**

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
For the Year Ended June 30, 2023**

In planning and performing our audit of the financial statements of Walton-Verona Independent School District for the year ended June 30, 2023, we considered the District's internal control structure 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 structure.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 15, 2023 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 15, 2023, on the financial statements of the Walton-Verona Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable.

Walton-Verona Middle School

No matters are reportable.

Walton-Verona Elementary School

No matters are reportable.

WALTON-VERONA INDEPENDENT SCHOOL DISTRICT

**Management Letter Comments
(Continued)
Year Ended June 30, 2023**

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable.

ACTIVITY FUNDS

Walton-Verona High School

No matters are reportable.

Walton-Verona Middle School

Statement of prior year deficiency: It was noted that the Monthly Financial Report was not prepared timely for two months during the year.

Current year follow up: No such instances noted.

Walton-Verona Elementary School

Statement of prior year deficiency: It was noted that the Monthly Financial Report was not prepared timely for four months during the year.

Current year follow up: No such instances noted.