



Butler County School District

FINANCIAL STATEMENTS

June 30, 2025

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REPORT





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Independent Auditor's Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Butler County School District
Morgantown, 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 Butler County School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and select pension/OPEB information on pages 5–13 and 74–89 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2026, on our consideration of Butler County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
January 31, 2026



FINANCIAL STATEMENTS





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ROBERT TUCK,
SUPERINTENDENT

**BUTLER COUNTY SCHOOL DISTRICT
MORGANTOWN, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025**

As management of the Butler County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

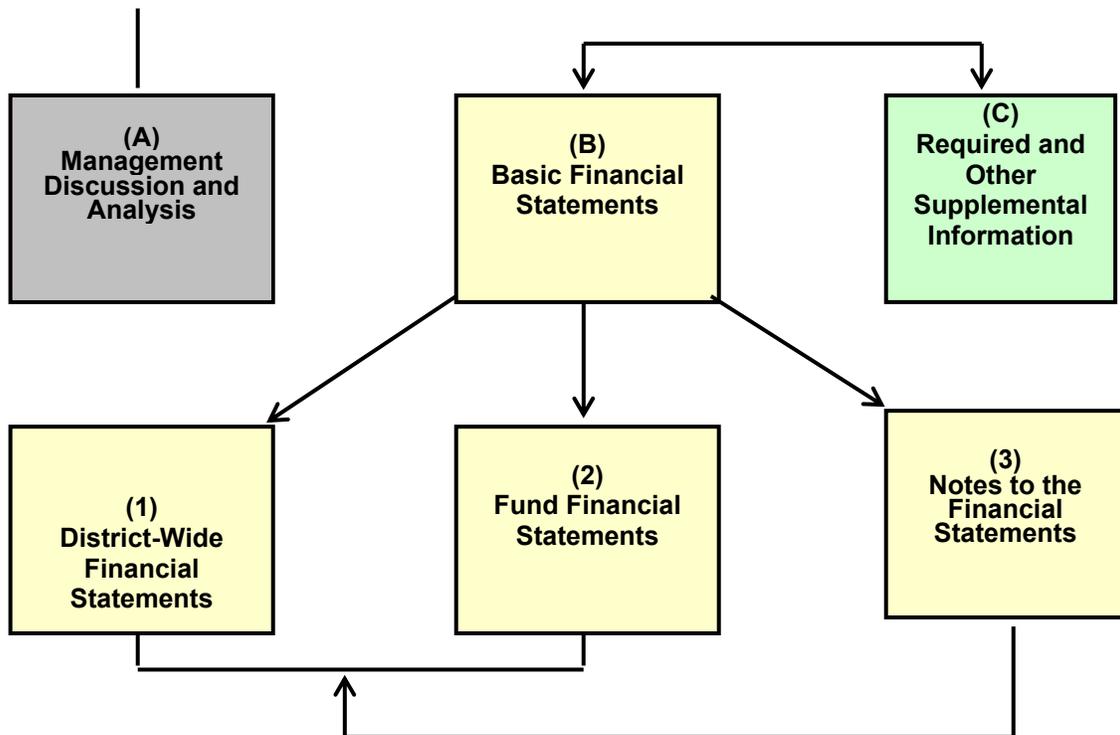
- The beginning General Fund balance for the District was \$5,548,690. The ending General Fund balance was \$5,598,391.
- The beginning Special Revenue Fund balance for the District was \$177,240. The ending Special Revenue Fund balance was \$96,681.
- The beginning balance for Other Governmental Funds was \$469,232. The ending balance for Other Governmental Funds was \$447,800.
- During the 2014-2015 school year, the District was required to adopt GASB 68. This standard requires the District to accrue a liability for an estimate of the proportionate share of the County Employee's Retirement Systems (CERS) accumulated unfunded net pension liability. On June 30, 2025, the estimate of the District's portion of the unfunded pension liability is \$5,672,970. The state is responsible for funding the unfunded pension liability of the Kentucky Teachers' Retirement System (KTRS). These estimates are based on many factors. A more complete understanding of the GASB 68 and its effect on the financial statements can be obtained in Note 2 and Note 8.

JOSH BELCHER, ASSISTANT SUPERINTENDENT, PUPIL PERSONNEL DIRECTOR • DONNA ANNIS, SUPERVISOR OF INSTRUCTION, COMMUNITY SUPPORT •
TRAVIS JOHNSON, CHIEF FINANCIAL OFFICER, EDUCATIONAL FOUNDATION • RYAN EMMICK, TRANSPORTATION DIRECTOR, MAINTENANCE DIRECTOR, SAFE SCHOOLS
JIMMY FELTY, DISTRICT TECHNOLOGY COORDINATOR, ENERGY MANAGER • TIM WILSON, DISTRICT ASSESSMENT COORDINATOR, ELL/MIGRANT SERVICES
KAITLIN HARRISON, SCHOOL NUTRITION DIRECTOR • KRISTEN FIELDS, DIRECTOR OF SPECIAL EDUCATION, RTI/HEALTH SERVICES

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Butler County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. 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.

Organization of the Annual Financial Report



The District-Wide Financial Statements have two sections (1) the *Statement of Net Position* and (2) the *Statement of Activities*. The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other nonmajor funds presented in total in one column. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 29 to 73.

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during the current fiscal year?” The *Statement of Net Position* and the *Statement of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net position and changes in those positions. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as Kentucky’s SEEK funding formula and its adjustments, the School District’s property tax base, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities. The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District’s food service is reported as business activities. These activities are funded through fees, federal grants, and federal commodities.

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$17,970,750 as of June 30, 2025. This was an increase of \$4,229,638 over the previous year.

The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$22,016,921. 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.

The government-wide financial statements can be found on pages 14 to 17.

Reporting the School District's Most Significant Funds

Fund Financial Statements

After looking at the District as a whole, an analysis of the School District's major funds follows. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. 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. Fund accounting 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 two categories: governmental and proprietary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Butler County School District are the general fund and special revenue (grants) fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Proprietary Fund - Proprietary fund uses the same basis of accounting as business-type activities; therefore, the statements for the proprietary fund will essentially match. The only proprietary fund is our food service operations.

The fund financial statements are on page 18 to 28.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position for the period ending June 30, 2024 & June 30, 2025

	Governmental Activities		Proprietary Business-Type Activities		District Total	
	FY2024	FY2025	FY 2024	FY 2025	FY 2024	FY 2025
Current and Other Assets	\$9,059,381	\$8,071,567	\$349,533	\$757,494	\$9,408,914	\$8,829,061
Capital Assets	\$34,170,477	\$36,977,990	\$554,841	\$509,769	\$34,725,318	\$37,487,759
Total Assets	\$43,229,858	\$45,049,557	\$904,374	\$1,267,263	\$44,134,232	\$46,316,820
Deferred Outflows	\$4,439,521	\$3,423,980	\$450,242	\$267,679	\$4,889,763	\$3,691,659
Long Term Liabilities	\$24,702,151	\$22,865,555	\$1,095,009	\$833,359	\$25,797,160	\$23,698,914
Other Liabilities (current)	\$3,005,726	\$3,004,233	\$41,002	\$25,598	\$3,046,728	\$3,029,831
Total Liabilities	\$27,707,877	\$25,869,788	\$1,136,011	\$858,957	\$28,843,888	\$26,728,745
Deferred Inflows	\$5,758,601	\$4,839,641	\$680,394	\$469,343	\$6,438,995	\$5,308,984
Net Position						
Net Investment in Capital Assets						
Assets	\$19,388,346	\$21,507,152	\$554,841	\$509,769	\$19,943,187	\$22,016,921
Restricted	\$(37,009)	\$544,481	\$0	\$0	\$(37,009)	\$544,481
Unrestricted Fund	\$(5,148,436)	\$(4,287,525)	\$(1,016,630)	\$(303,127)	\$(6,165,066)	\$(4,590,652)
Total Net Position	\$14,202,901	\$17,764,108	\$(461,789)	\$206,642	\$13,741,112	\$17,970,750

Changes in Net Assets for June 30, 2024 and June 30, 2025

Revenues	Governmental Activities		Proprietary Business-Type Activities		District Total	
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025
Program Revenues						
Charges for Services	\$235,874	\$257,828	\$85,439	\$85,877	\$321,313	\$343,705
Operating Grants and Contributions	\$4,426,383	\$6,584,305	\$2,474,493	\$2,999,054	\$6,900,876	\$9,583,359
Capital Grants and Contributions	\$1,543,029	\$1,195,515			\$1,543,029	\$1,195,515
General Revenue						
Taxes						
Property Tax	\$2,501,944	\$2,609,285			\$2,501,944	\$2,609,285
Motor Vehicle Tax	\$543,299	\$623,990			\$543,299	\$623,990
Utility Tax	\$871,926	\$824,662			\$871,926	\$824,662
Other Tax	\$303,512	\$289,929			\$303,512	\$289,929
State Aid	\$19,959,110	\$20,474,163			\$19,959,110	\$20,474,163
Investment Earnings	\$305,235	\$372,031	\$8,442	\$7,303	\$313,677	\$379,334
Other Revenue	\$1,118,577	\$1,181,179	-\$108,341	-\$90,775	\$1,010,236	\$1,090,404
Gain on Sale of Assets	\$0	\$0			\$0	\$0
Total Revenues	\$31,808,889	\$34,412,887	\$2,460,033	\$3,001,459	\$34,268,922	\$37,414,346

	FY2024	FY2025	FY2024	FY2025	FY2024	FY20245
Instruction	\$19,169,067	\$18,770,992			\$19,169,067	\$18,770,992
Support Services						
Student Support Services	\$1,562,600	\$1,408,537			\$1,562,600	\$1,408,537
Instructional Staff	\$1,218,342	\$1,156,449			\$1,218,342	\$1,156,449
District Administration	\$1,031,381	\$976,675			\$1,031,381	\$976,675
School Administration	\$1,301,408	\$1,295,482			\$1,301,408	\$1,295,482
Business Administration	\$837,194	\$873,539			\$837,194	\$873,539
Plant Operations & Maintenance	\$2,883,950	\$3,431,312			\$2,883,950	\$3,431,312
Student Transportation	\$1,896,625	\$2,027,321			\$1,896,625	\$2,027,321
Other	\$207,842	\$298,005			\$207,842	\$298,005
Food Service Operations			\$ 2,599,582	\$ 2,333,028	\$2,599,582	\$2,333,028
Interest on Long-Term Debt	\$685,555	\$613,368			\$685,555	\$613,368
Total Expenses	\$30,793,964	\$30,851,680	\$2,599,582	\$2,333,028	\$33,393,546	\$33,184,708

- The District’s total revenues were \$37,414,346 and the total expenses were \$33,184,708. Revenue exceeded expenses by \$4,229,638. \$3,550,000 of Revenue was a one-time grant from the State of Kentucky to help fix failing infrastructure.
- State revenues accounted for 60% and local taxes accounted for 13% of the revenue.
- Instruction was the major expense category and accounted for 57% of the expense.
- Food service revenues exceeded expenses by \$668,431.

Financial Analysis of the District Funds

Changes in End-of-Year Fund Balances	FY 2024	FY 2025	Amount of Change	% Change
General Fund	\$5,548,690	\$5,598,391	\$49,701	1%
Special Revenue Fund	\$177,240	\$96,681	(\$80,559)	-45%
Other Governmental Fund	\$1,256,491	\$447,800	(\$808,691)	-64%
School Food Fund	-\$461,789	\$206,642	\$668,431	145%
Total	\$6,520,632	\$6,349,514	(\$171,118)	-3%

- The General Fund’s fund balance showed a positive change of \$49,701.
- The Special Revenue fund had a negative change of \$80,559. The principal reason for the difference is that in FY 2002 the technology fund was transferred to the special revenue fund. This fund balance will vary from year to year depending on how much state money is received for technology and the time of year received. This is because all other Fund 2 projects must be zero’d out at end-of-year. The only fund left in the Special Revenue fund is technology at year end.
- Other Governmental Fund’s fund balance decreased by \$808,691. This was due to a construction project that is near completion.
- The School Food Fund’s fund balance had a \$668,431 Increase. This was primarily the result of saving for future purchasing equipment and major repairs.

Comments on General Fund and Special Revenue Budget Comparisons

- The District’s General Fund total revenues for the fiscal year ended June 30, 2025, net of interfund transfers, were \$17,006,853. This is \$488,441 more than was budgeted in the final working budget. The District budgets for its local revenues (taxes, earned interest, and tuition) in a conservative manner.
- Expenditures were less than budgeted, primarily because of unspent contingency funds.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual fund balance being \$56,655 less than the prior year. This was primarily from the district making a decision to save money for upcoming major expenses such as district wide curriculum.
- The Special Revenue fund budget compared to actual will always differ slightly because the state budget report only shows current fiscal year grant awards. The Special Revenue expenditures will include current year grant expenditures and previous year grant expenditures that were not completed at the end of the previous year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2025, the district had invested \$37,487,759 in capital assets. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total initial cost of assets was \$62,548,160 with accumulated depreciation of \$33,669,307.

SUMMARY OF CAPITAL ASSETS

CAPITAL ASSETS (net of depreciation)	Governmental Activities		Proprietary Business-Type Activities		District Total		Total District Percentage Change
	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	2022-2023
Land and improvements	\$642,509	\$613,560	\$0	\$0	\$642,509	\$613,560	-4.5%
Construction in Progress	\$7,469,292	\$8,262,270	\$0	\$0	\$7,469,292	\$8,262,270	0.0%
Buildings	\$23,911,212	\$25,689,231	\$0	\$0	\$23,911,212	\$25,689,231	7.4%
Equipment & Furniture	\$2,147,464	\$2,412,929	\$554,841	\$509,769	\$2,702,305	\$2,922,698	8.2%
Total Assets	\$34,170,477	\$36,977,990	\$554,841	\$509,769	\$34,725,318	\$37,487,759	8.0%

Long-Term Debt

At year-end, the district had \$15.41 million in general obligation bonds outstanding. This was a decrease of 5% from last year.

BUDGETARY IMPLICATIONS

It is extremely important that the district continue to budget very conservatively. The district receives approximate 60% of its new general fund revenue each year through the state funding formula (SEEK). On occasions, there have been adjustments that caused a very significant decrease in the funding. The SEEK forecasts from the state should be considered only an estimate of state revenue. If the state does not get the revenue from taxing sources, an adjustment will be made to the funding formula. The district should always be prepared for such reductions in funding.

Approximately 10% of the general fund revenue is from local property tax. The major portion of the tax revenue does not come to the district until the fifth-seventh months. This means the general fund’s beginning fund balance must be used to absorb much of the first four months of expenditures. Provisions must always be made to have a significant fund beginning balance to start each year. The district has an ending fund balance of \$5,598,391 as a beginning balance for next year.

By law, the budget must have a minimum 2 % contingency. The beginning fund balance for beginning the fiscal year is \$5,598,391, well above the minimum state requirement. Significant Board action that impacts finances includes additional spending on proposed construction projects and general fund matching dollars for other grants. Many other grants are funded on a reimbursement basis. This requires the district to pay the expenses of the grant and then apply for reimbursement. The district must continue to monitor the grants constantly and get reimbursements in a timely manner. The district must also maintain a significant cash balance in order to pay the expenses of these grants while waiting for reimbursements.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for Butler County Schools are to continue to maintain a healthy General Fund balance, ensure student learning, and maintain the average daily attendance count.

With inflation and the overall increase in goods and payroll, the administration of the district has to focus on the finances of the district as a whole. It has been the district's stance to reduce expenditures and be more efficient with expenses, with as little impact on student achievement as possible. One aspect of daily operations that the district has focused on to cut cost has been utilities. Currently the Butler County School District is one of the most efficient school district in the State of Kentucky based on its' kw usage per square foot. In FY2019 all lighting was changed to LED which should make all the schools Energy Star buildings once again and provide a significant savings in energy cost.

The second challenge is to ensure that all students learn at high levels. Maintaining and improving student achievement is essential to the future well-being of our students and our community. Butler County Schools, in cooperation with parents and community, must ensure that all students demonstrate proficient academic performance, as well as positive social and emotional development and growth.

The third challenge mentioned is preserving the average daily attendance count. The district receives funding through the SEEK formula based on this count. History reflects a decrease in enrollment or at best maintaining the previous year's count. Therefore, growth within the district is limited. It is vital that our schools have high attendance percentages and that parents and students continue to choose Butler County Schools when they could be attending elsewhere. Maintaining excellence and emphasizing serving the public are the main factors influencing the district's challenge.

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information they should be directed to Travis Johnson, Director of Financial Services (270) 526-5624, PO Box 339, 203 North Tyler St., Morgantown, KY, 42261 or e-mail at Travis.Johnson@butler.kyschools.us.

Butler County School District
Statement of Net Position

<i>June 30, 2025</i>	Governmental Activities	Business- Type Activities	Total
Assets			
Cash	\$ 2,703,676	\$ 309,066	\$ 3,012,742
Investments	4,206,487	-	4,206,487
Accounts receivable:			
Taxes	313,420	-	313,420
Interest	772	-	772
Accounts	13,898	-	13,898
Intergovernmental	326,887	342,079	668,966
Inventory	-	82,221	82,221
Prepaid expenses	366,305	-	366,305
Non-depreciable capital assets	8,608,906	-	8,608,906
Depreciable capital assets	61,139,641	1,408,519	62,548,160
Less: accumulated depreciation	(32,770,557)	(898,750)	(33,669,307)
Net OPEB Asset	140,122	24,128	164,250
Total assets	45,049,557	1,267,263	46,316,820
Deferred Outflows of Resources			
Deferred loss on debt refundings	73,242	-	73,242
OPEB related	2,175,110	65,277	2,240,387
Pension related	1,175,628	202,402	1,378,030
Total deferred outflows of resources	3,423,980	267,679	3,691,659
Liabilities			
Accounts payable	584,506	25,598	610,104
Accrued liabilities	496,558	-	496,558
Unearned revenue	343,804	-	343,804
Accrued interest	186,138	-	186,138
Long-term obligations:			
Due within one year:			
Outstanding bonds	1,162,173	-	1,162,173
Other	44,003	-	44,003
Compensated absences	187,051	-	187,051
Due beyond one year:			
Outstanding bonds	14,246,231	-	14,246,231
Other	91,673	-	91,673
Compensated absences	787,040	-	787,040
Net OPEB liability	2,901,000	-	2,901,000
Net pension liability	4,839,611	833,359	5,672,970
Total liabilities	25,869,788	858,957	26,728,745

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Net Position

<i>June 30, 2025</i>	Governmental Activities	Business- Type Activities	Total
Deferred Inflows of Resources			
OPEB related	3,689,945	271,371	3,961,316
Pension related	1,149,696	197,972	1,347,668
Total deferred inflows of resources	4,839,641	469,343	5,308,984
Net Position (Deficit)			
Net investment in capital assets	21,507,152	509,769	22,016,921
Restricted for:			
Capital projects	79,409	-	79,409
Grant programs	96,681	-	96,681
Student activities	367,381	-	367,381
District activities	-	-	-
Debt service	1,010	-	1,010
Unrestricted (deficit)	(4,287,525)	(303,127)	(4,590,652)
Total net position (deficit)	\$ 17,764,108	\$ 206,642	\$ 17,970,750

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Statement of Activities**

	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
<i>For the year ended June 30, 2025</i>							
Governmental Activities:							
Instruction	\$ 18,770,992	\$ 254,303	\$ 2,425,578	\$ 78,916	\$ (16,012,195)	\$ -	\$ (16,012,195)
Support Services:							
Student	1,408,537	-	153,784	-	(1,254,753)	-	(1,254,753)
Instructional staff	1,156,449	-	353,760	-	(802,689)	-	(802,689)
District administration	976,675	-	-	-	(976,675)	-	(976,675)
School administration	1,295,482	-	-	-	(1,295,482)	-	(1,295,482)
Business	873,539	-	20,000	-	(853,539)	-	(853,539)
Plant operations and maintenance	3,431,312	3,525	3,344,745	-	(83,042)	-	(83,042)
Student transportation	2,027,321	-	-	-	(2,027,321)	-	(2,027,321)
Other	298,005	-	286,438	-	(11,567)	-	(11,567)
Building acquisition and construction	-	-	-	997,527	997,527	-	997,527
Interest on long-term debt	613,368	-	-	119,072	(494,296)	-	(494,296)
Total governmental activities	30,851,680	257,828	6,584,305	1,195,515	(22,814,032)	-	(22,814,032)
Business-Type Activities:							
Food services	2,333,028	85,877	2,999,054	-	-	751,903	751,903
Total business-type activities	2,333,028	85,877	2,999,054	-	-	751,903	751,903
Total school district	\$ 33,184,708	\$ 343,705	\$ 9,583,359	\$ 1,195,515	(22,814,032)	751,903	(22,062,129)

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Statement of Activities**

	Net (Expense) Revenue and Changes in Net Position		
<i>For the year ended June 30, 2025</i>	Governmental Activities	Business- Type Activities	Total
General Revenues			
Taxes:			
Property	2,609,285	-	2,609,285
Motor vehicle	623,990	-	623,990
Utilities	824,662	-	824,662
Unmined minerals	1,851	-	1,851
Other	288,078	-	288,078
State aid	20,474,163	-	20,474,163
Investment earnings	372,031	7,303	379,334
Other	1,083,055	7,349	1,090,404
Transfers	98,124	(98,124)	-
Total general revenues and transfers	26,375,239	(83,472)	26,291,767
Change in net position (deficit)	3,561,207	668,431	4,229,638
Net position (deficit) - beginning of year	14,202,901	(461,789)	13,741,112
Net position (deficit) - end of year	\$ 17,764,108	\$ 206,642	\$ 17,970,750

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Balance Sheet
Governmental Funds**

<i>June 30, 2025</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,726,035	\$ 534,809	\$ 442,832	\$ 2,703,676
Investments	4,201,519	-	4,968	4,206,487
Accounts receivable:				
Taxes	313,420	-	-	313,420
Interest	772	-	-	772
Accounts	13,898	-	-	13,898
Intergovernmental	-	326,887	-	326,887
Prepaid expenses	2,600	-	-	2,600
Total assets	\$ 6,258,244	\$ 861,696	\$ 447,800	\$ 7,567,740

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Balance Sheet
Governmental Funds**

<i>June 30, 2025</i>	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 163,295	\$ 421,211	\$ -	\$ 584,506
Accrued liabilities	496,558	-	-	496,558
Unearned revenue	-	343,804	-	343,804
Total liabilities	659,853	765,015	-	1,424,868
Fund Balances				
Restricted	-	96,681	447,800	544,481
Committed	384,022	-	-	384,022
Assigned	-	-	-	-
Nonspendable	2,600	-	-	2,600
Unassigned	5,211,769	-	-	5,211,769
Total fund balances	5,598,391	96,681	447,800	6,142,872
Total liabilities and fund balances	\$ 6,258,244	\$ 861,696	\$ 447,800	\$ 7,567,740

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position**

<i>June 30,</i>	2025
Total fund balances – governmental funds	\$ 6,142,872
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$69,748,547 and the accumulated depreciation is (\$32,770,557).	36,977,990
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow of resources.	73,242
Special revenue funds record expenditures when paid. Prepaid items are included on the government-wide financial statements as a prepaid expenditures.	363,705
Deferred outflows and inflows of resources related to pensions are applicable to future periods, therefore, are not reported in the funds	25,932
Deferred outflows and inflows of resources related to OPEBs are applicable to future periods, therefore, are not reported in the funds statements.	(1,514,835)
Long-term liabilities, including bonds payable and accrued interests, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable	(15,408,404)
Other debt	(135,676)
Accrued interest on the bonds	(186,138)
Net OPEB liability	(2,760,878)
Net pension liability	(4,839,611)
Compensated absences	(974,091)
Total net position – governmental activities	\$ 17,764,108

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2025</i>	General Fund	Special Revenue Fund	(Formerly Major) Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 2,226,951	\$ -	\$ -	\$ 382,334	\$ 2,609,285
Motor vehicle	623,990	-	-	-	623,990
Utilities	824,662	-	-	-	824,662
Unmined minerals	1,851	-	-	-	1,851
Other	288,078	-	-	-	288,078
Tuition and fees	24,643	-	-	229,660	254,303
Earnings on investments	334,024	56,935	-	38,007	428,966
Other local revenue	284,304	84,361	-	557,260	925,925
Intergovernmental - state	18,063,199	4,559,992	-	1,116,599	23,739,790
Intergovernmental - federal	245,016	1,961,933	-	-	2,206,949
Total revenues	22,916,718	6,663,221	-	2,323,860	31,903,799
Expenditures					
Current:					
Instruction	13,409,365	2,624,511	-	771,297	16,805,173
Support services:					
Student	1,209,271	153,784	-	-	1,363,055
Instructional staff	547,987	353,760	-	38,823	940,570
District administration	923,241	-	-	-	923,241
School administration	1,231,206	-	-	-	1,231,206
Business	845,145	20,000	-	-	865,145
Plant operations and maintenance	2,529,720	3,344,745	-	30,520	5,904,985

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

<i>For the year ended June 30, 2025</i>	General Fund	Special Revenue Fund	(Formerly Major) Construction Fund	Other Governmental Funds	Total Governmental Funds
Student transportation	2,374,735	-	-	-	2,374,735
Other	-	286,438	-	-	286,438
Debt service:					
Principal	-	-	-	1,099,399	1,099,399
Interest	-	-	-	595,547	595,547
Building acquisition and construction	-	-	-	792,978	792,978
Total expenditures	23,070,670	6,783,238	-	3,328,564	33,182,472
Excess (deficiency) of revenues over	(153,952)	(120,017)	-	(1,004,704)	(1,278,673)
Other Financing Sources (Uses)					
Bond proceeds	341,000	-	-	-	341,000
Operating transfers in	98,124	193,935	-	1,575,874	1,867,933
Operating transfers out	(235,471)	(154,477)	-	(1,379,861)	(1,769,809)
Total other financing sources (uses)	203,653	39,458	-	196,013	439,124
Net change in fund balances	49,701	(80,559)	-	(808,691)	(839,549)
Fund balances - beginning of year	5,548,690	177,240	787,259	469,232	6,982,421
Adjustments (Note 3)	-	-	(787,259)	787,259	-
Fund balances - beginning of year after adjustments	5,548,690	177,240	-	1,256,491	6,982,421
Fund balances - end of year	\$ 5,598,391	\$ 96,681	\$ -	\$ 447,800	\$ 6,142,872

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities**

<i>Year ended June 30,</i>	2025
Total net change in fund balances - governmental funds	\$ (839,549)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, (\$4,205,423) exceeds depreciation expense, (\$1,397,909), in the period.	2,807,514
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,099,399
The issuance of bonds is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(341,000)
The issuance of a debt is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The district repaid (\$48,674) in debt in the current year.	48,674
Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	534,343
Cost of benefits earned net of employee contributions	(243,040)
Governmental funds report District OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	286,035
Cost of benefits earned net of employee contributions	450,704
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the Statement of Activities are recognized when they are incurred.	(241,873)
Change in net position - governmental activities	\$ 3,561,207

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Net Position
Proprietary Fund

<i>June 30, 2025</i>	Enterprise Fund Food Service
Assets	
Current Assets	
Cash	\$ 309,066
Accounts receivable	
Intergovernmental	342,079
Inventory	82,221
<hr/>	
Total current assets	733,366
<hr/>	
Non-Current Assets	
Net OPEB asset	24,128
Fixed assets - net	509,769
<hr/>	
Total assets	1,267,263
<hr/>	
Deferred Outflows of Resources	
OPEB related	65,277
Pension related	202,402
<hr/>	
Total deferred outflows of resources	267,679
<hr/>	
Liabilities	
Current Liabilities	
Accounts payable	25,598
<hr/>	
Total current liabilities	25,598
<hr/>	
Long-Term Liabilities	
Net pension liability	833,359
<hr/>	
Total long-term liabilities	833,359
<hr/>	
Total liabilities	858,957

The accompanying notes are an integral part of these financial statements.

**Butler County School District
Statement of Net Position
Proprietary Fund**

	Enterprise Fund Food Service
<i>June 30, 2025</i>	
<hr/>	
Deferred Inflows of Resources	
OBEP related	271,371
Pension related	197,972
<hr/>	
Total deferred inflows of resources	469,343
<hr/>	
Net Position (Deficit)	
Net investment in capital assets	509,769
Unrestricted (deficit)	(303,127)
<hr/>	
Total net position (deficit)	\$ 206,642
<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

<i>Year ended June 30, 2025</i>	Enterprise Fund Food Service
<hr/>	
Operating Revenues	
Lunchroom sales	\$ 85,877
<hr/>	
Total operating revenues	85,877
<hr/>	
Operating Expenses	
Salaries and wages	657,790
Contract services	130,284
Materials and supplies	1,478,503
Other operating expenses	957
Depreciation expense	65,494
<hr/>	
Total operating expenses	2,333,028
<hr/>	
Operating loss	(2,247,151)
<hr/>	
Non-Operating Revenues	
State grants	197,147
Federal grants	2,641,645
Donated commodities	160,262
Interest revenue	7,303
Misc. revenue	7,349
<hr/>	
Total non-operating revenues	3,013,706
<hr/>	
Income before transfers	766,555
<hr/>	
Transfers	(98,124)
<hr/>	
Change in net position	668,431
<hr/>	
Net position (deficit) - beginning of year	(461,789)
<hr/>	
Net position (deficit) - end of year	\$ 206,642
<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Cash Flows
Proprietary Fund

	Enterprise Fund Food Service
<i>Year ended June 30, 2025</i>	
<hr/>	
Cash flows from operating activities	
Cash received from user charges	\$ 85,877
Cash payments to employees for services	(767,190)
Cash payments for contract services	(130,284)
Cash payments to suppliers for goods and services	(1,348,099)
Cash payments for other operating expenses	(957)
<hr/>	
Net cash used in operating activities	(2,160,653)
<hr/>	
Cash flows from noncapital financing activities	
Indirect cost transfer to general fund	(98,124)
Nonoperating grants received	2,470,417
Other income	7,349
<hr/>	
Net cash provided by noncapital financing activities	2,379,642
<hr/>	
Cash flows from capital and related financing activities	
Acquisition of capital assets	(20,422)
<hr/>	
Net cash used by capital and related financing activities	(20,422)
<hr/>	
Cash flow from investing activities	
Interest on investments	7,303
<hr/>	
Net cash provided by investing activities	7,303
<hr/>	
Net decrease in cash	205,870
<hr/>	
Cash - beginning of year	103,196
<hr/>	
Cash - end of year	\$ 309,066
<hr/> <hr/>	

The accompanying notes are an integral part of these financial statements.

Butler County School District
Statement of Cash Flows
Proprietary Fund

	Enterprise Fund Food Service
<i>Year ended June 30, 2025</i>	
<hr/>	
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities	
Operating loss	\$ (2,247,151)
Adjustments To Reconcile Operating Loss To Net Cash Provided By (Used In)	
Operating Activities:	
Depreciation	65,494
Commodities received	160,262
On-behalf payments received	181,305
OPEB contributions in excess of pension expense	(99,107)
Pension contributions in excess of pension expense	(191,598)
Changes in assets and liabilities:	
Inventories	(23,246)
Prepaid assets	8,792
Accounts payable	(15,404)
<hr/>	
Net cash used In operating activities	<u><u>\$ (2,160,653)</u></u>

Noncash Activities

- The food service fund received \$160,262 of donated commodities from the federal government.

- The District received on-behalf payments of \$181,305 relating to insurance benefits.

- The District reclassified \$91,976 related to pension expense to deferred outflows of resources.

- The District reclassified \$0 related to OPEB expense to deferred outflows of resources.

The accompanying notes are an integral part of these financial statements.

Butler County School District Notes to the Financial Statements

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

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

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. The criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District's financial statements to be incomplete. The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applied to governmental units.

Blended Component Unit

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements as a blended component unit:

Butler County School District Finance Corporation — The Butler County Board of Education resolved to authorize the establishment of the Butler County School District Finance Corporation (a nonprofit, nonstock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Butler County Board of Education also comprise the Corporation's Board of Directors.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Financial Statements — The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary 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 District has the following funds:

Governmental Fund Types

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 unassigned fund balances are considered as resources available for use. The general fund is a major fund.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes other than debt service or capital projects. 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. The special revenue fund is a major fund.

The *Special Revenue District Activity Fund* is used to account for proceeds collected by the District's individual schools which are not raised by students or parents and are swept to the District's finance office. Funds can be spent on operating expenses as directed by the District's schools.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Governmental Fund Types (Continued)

The *Special Revenue Student Activity Fund* is used to account for student activity funds of the District's individual schools. The student funds are maintained in accordance with the Uniform Program of Accounting for School Activity Funds, which is performed by the District.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

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 and certain operating costs.

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

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

The *Debt Service Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for principal and interest and other debt related costs.

Proprietary Fund Types

Enterprise Fund

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

Fiduciary Fund Types (includes custodial and private purpose trust funds)

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations. District has no fiduciary funds.

Custodial Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension trust funds, investment trust funds, or private purpose trust funds.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fiduciary Fund Types (Continued)

Private Purpose Trust Fund

The *Private Purpose Trust Fund* are used to report trust arrangements under which principal and income benefit individuals and the District's operations.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements – The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and fiduciary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This approach differs from the manner in which the government-wide financial statements are prepared. The governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The records of the District and the budgetary process are based on the modified accrual basis of accounting. This practice is the accounting method prescribed by the Committee for School District Audits. The District is required by state law to adopt annual budgets for the general fund, special revenue fund and capital projects funds.

Budgetary Information

Budget information is presented for the General Fund and other funds with a Board approved budget. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary revenues represent original estimates modified for any adjustments approved by the Board during the fiscal year. Budgetary expenditures represent original appropriations adjusted for transfers and additional appropriations approved during the fiscal year. Once the budget is approved, it can be amended by approval of the Board.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to compensated absences, pension liability, and OPEB liability.

Investments

Investments consist of nonparticipating interest bearing contracts (certificates of deposit) which are reported at cost.

Inventory

Supplies and materials are charged to expenditures when purchased (purchases method) with the exception of the proprietary funds and transportation of supplies in the General Fund, which record inventory at the lower of cost, determined by first-in first-out ("FIFO") method, or net realizable value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of 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 capitalized.

Butler County School District
Notes to the Financial Statements

NOTE 2: 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>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

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Inflow and Outflows of Resources – Debt Related

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include the deferred amount arising from the refunding of bonds. The amount by which the reacquisition price of the refunding debt exceeds the carrying amount of the refunded debt is being amortized over the remaining life of the refunding bonds as part of interest expense. No deferred outflows of resources affect the governmental funds financial statements in the current year. The deferred inflows of resources reported in the financial statements include the deferred gain on debt defeasance. Th deferred gain is being amortized over the remaining life of the bond as part of other revenues.

Deferred Inflows and Outflows of Resources – Pension Related

The District’s statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to pension which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District’s contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements in the current year.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources – OPEB Related

The District's statement of net position and proprietary funds statements of net position report a separate section for deferred inflows and outflows of resources related to OPEB which includes only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions, and differences between projected and actual earnings on plan investments. Deferred outflows include resources for the District's contributions made subsequent to the measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. Deferred inflows of resources also include changes in the proportion and differences between employee contributions and the proportion share of contributions in the cost-sharing plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. No deferred inflows of resources affect the governmental funds financial statements for the current year.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The District proportionate share of pension amounts were further allocated to each participating employer based on the contributions paid by each employer. Pension investments are reported at fair value. Note 8 provides further detail on the net pension liability.

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Certified Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB 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 9 provides further detail on the net OPEB liability.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post-Employment Health Care Benefits

Retired District employees receive some health care benefits depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advanced-funded on an actuarially determined basis through the CERS and the KTRS plans.

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.

Compensated Absences

The District uses the vesting method to compute compensated absences for sick leave. Sick leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits at termination. The District records a liability for accumulated unused sick leave when earned for all employees with more than five years of service.

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

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the funds from which the employees will be paid.

Accrued Liabilities

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Net Position

The District classifies its net position into the following three categories:

Net investment in capital assets - This represents the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted - The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted - The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Property Taxes

Property taxes collected are recorded as revenues in the fund for which they were levied. The assessment date of the property taxes is January 1 of each year. The levy is normally set during the September board meeting. Assuming property tax bills are mailed timely, the collection date is the period from September 15 through December 31. Collections from the period September 15 through November 1 receive a two percent discount. The due date is the period from November 2 through December 31 in which no discount is allowed. Property taxes received subsequent to December 31 are considered to be delinquent and subject to a lien being filed by the County Attorney.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are those where each party receives equal value. On the modified accrual basis of accounting, 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 60 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. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are 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. Revenues from non-exchange transactions must also be available before they can be recognized.

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 nonoperating revenues/expenses in proprietary funds.

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.

Contributions of Capital

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

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. Note 7 provides further detail on the District's encumbrances.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Subsequent Events

The District has evaluated subsequent events through the date the financial statements were available to be issued, January 31, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Issued and Adopted Accounting Pronouncements

GASB Statement No. 101, Compensated Absences, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The implementation of this Statement was not significant to the District.

GASB Statement No. 102, Certain Risk Disclosures, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The implementation of this Statement was not significant to the District.

Butler County School District Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In April 2024, the GASB issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

In September 2024, the GASB issued GASB Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the requirements of this Statement.

NOTE 3: CHANGE IN FINANCIAL REPORTING ENTITY

The District's fiscal year 2025 financial statement incorporate a change in the financial reporting entity. GASB Statement No. 100, Accounting Changes and Error Corrections, requires disclosure of their nature and effect on amounts reported in the financial statements.

The Construction Fund was presented as a major fund included in the total other governmental funds column in the District's fiscal year 2024 governmental fund financial statements. However, in fiscal year 2025, the Construction Fund does not meet the quantitative thresholds that require major fund presentation. The District consequently reclassified the fund from a major fund reported in a separate column to the other governmental funds column in the fiscal year 2025 governmental fund financial statements.

Butler County School District
Notes to the Financial Statements

NOTE 3: CHANGE IN FINANCIAL REPORTING ENTITY (CONTINUED)

The following table summarizes the adjustments to the District's beginning net position and fund balance as a result of the change in accounting principle:

	Fund Financial Statements	
	Governmental	
	Construction Fund	Non-Major Funds
6/30/2024 fund balance as previously reported	\$ 787,259	\$ 469,232
Change from non-major to major presentation	(787,259)	787,259
6/30/2024 fund balance as restated and adjusted	\$ -	\$ 1,256,491

Government-Wide Financial Statements

	Governmental Activities
6/30/2024 net position as previously reported	\$ 17,764,108
Change from non-major to major presentation	-
6/30/2024 net position as restated and adjusted	\$ 17,764,108

NOTE 4: CASH AND INVESTMENTS

Deposits

At June 30, 2025, the carrying amounts of the District's deposits and investments in certificate of deposits was \$7,219,229 and the bank balances were \$8,098,463 which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts of deposits are reflected in the financial statements in cash and investments as follow:

<i>June 30,</i>	<i>2025</i>
Governmental funds	\$ 2,703,676
Proprietary funds	309,066
	\$ 3,012,742

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$8,098,463 was not exposed to custodial credit risk as of June 30, 2025.

Butler County School District
Notes to the Financial Statements

NOTE 4: CASH AND INVESTMENTS (CONTINUED)

Investments

The District's investments, nonparticipating interest bearing contracts (certificates of deposit) which are stated at cost, at June 30, 2025 are as follows:

<i>June 30, 2025</i>			
Investments	Rating	Maturities	Cost
Certificate of deposit	N/R	2/15/2026	\$ 86,885
Certificate of deposit	N/R	6/4/2026	221,145
Certificate of deposit	N/R	7/31/2025	785,110
Certificate of deposit	N/R	7/30/2026	1,044,421
Certificate of deposit	N/R	7/29/2027	521,018
Certificate of deposit	N/R	11/19/2026	1,028,627
Certificate of deposit	N/R	11/19/2026	514,314
Savings Account	N/R	N/A	4,967
			\$ 4,206,487

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Under Kentucky Revised Statutes Section 66.480, the District is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or of its agencies, obligations of any corporation of the United States government, certificates of deposit, commercial paper rated in one of the three highest categories by nationally recognized rating agencies and securities in mutual funds shall be eligible investments pursuant to this section. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The District's investment policy places no limit on the amount the District may invest in any one issuer. No more than five percent of the District's investments are in any one issuer, excluding the fixed rate annuity contracts.

Risks and Uncertainties

The District holds investment securities. Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the account balances and the amounts reported in the financial statements.

Butler County School District
Notes to the Financial Statements

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

<i>June 30, 2025</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 346,636	\$ -	\$ -	\$ 346,636
Construction in progress	7,469,292	792,978	-	8,262,270
<hr/>				
Total non-depreciable historical cost	7,815,928	792,978	-	8,608,906
<hr/>				
Capital assets that are depreciated:				
Land improvements	667,644	-	-	667,644
Buildings and improvements	49,652,194	2,798,462	-	52,450,656
Technology equipment	1,412,735	200,838	-	1,613,573
Vehicles	3,299,320	362,080	-	3,661,400
General	2,695,303	51,065	-	2,746,368
<hr/>				
Total depreciable historical cost	57,727,196	3,412,445	-	61,139,641
<hr/>				
Less accumulated depreciation for:				
Land improvements	371,771	28,949	-	400,720
Buildings and improvements	25,740,982	1,020,443	-	26,761,425
Technology equipment	1,193,274	26,297	-	1,219,571
Vehicles	2,408,676	171,944	-	2,580,620
General	1,657,945	150,276	-	1,808,221
<hr/>				
Total accumulated depreciation	31,372,648	1,397,909	-	32,770,557
<hr/>				
Total depreciable historical cost, net	26,354,548	2,014,536	-	28,369,084
<hr/>				
Governmental activities, capital assets, net	\$ 34,170,476	\$ 2,807,514	\$ -	\$ 36,977,990

Butler County School District
Notes to the Financial Statements

NOTE 5: CAPITAL ASSETS (CONTINUED)

<i>June 30, 2025</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Business-Type Activities:				
Technology equipment	\$ 1,005	\$ -	\$ -	\$ 1,005
General	1,387,092	20,422	-	1,407,514
Total depreciable historical cost	1,388,097	20,422	-	1,408,519
Less accumulated depreciation for:				
Technology equipment	1,005	-	-	1,005
General	832,251	65,494	-	897,745
Total accumulated depreciation	833,256	65,494	-	898,750
Business-type activities, capital assets, net	\$ 554,841	\$ (45,072)	\$ -	\$ 509,769

Depreciation expense was charged to governmental functions as follows:

<i>Year ended June 30,</i>	2025
Instruction	\$ 381,325
Support services:	
Student	1,976
District administration	57,950
School administration	46,693
Facilities operations	715,078
Student transportation	173,897
Other	20,990
Total depreciation expense	\$ 1,397,909

**Butler County School District
Notes to the Financial Statements**

NOTE 6: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2011	\$ 5,640,000	1.00% - 2.75%
2013 KISTA	257,353	2.000%
2014	1,915,000	2.00% - 3.50%
2015	2,635,000	1.75% - 3.25%
2016 KISTA	178,209	2.000% - 2.625%
2016	3,525,000	1.00% - 2.75%
2019 KISTA	268,314	3.00%
2018	1,630,000	2.00% - 3.50%
2020 KISTA	184,476	2.00%
2021 KISTA	95,733	1.25-1.5%
2021	525,000	2.20%
2022 KISTA	350,769	3.00%
2023	8,545,000	4.00%-4.60%
2025 KISTA	341,000	3.25%-3.65%

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

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

On April 1, 2025, the District issued \$341,000 in 2025 KISTA Bonds with interest rates ranging from 3.25% to 3.65% to finance the purchase of buses.

Butler County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2025 for debt service (principal and interest) are as follows:

Year	Butler County School District		School Facilities Construction Committee		Total Debt Service
	Interest	Principal	Interest	Principal	
2025—2026	\$ 520,895	\$ 1,107,380	\$ 30,667	\$ 54,793	\$ 1,713,735
2026—2027	491,781	891,780	29,068	56,892	1,469,521
2027—2028	468,208	804,862	27,301	59,081	1,359,452
2028—2029	443,016	836,841	25,422	46,724	1,352,003
2029—2030	413,980	842,758	23,871	48,619	1,329,228
2030—2031	387,091	857,693	22,189	50,644	1,317,617
2031—2032	357,208	888,879	20,376	52,801	1,319,264
2032—2033	325,964	896,856	18,482	55,117	1,296,419
2033—2034	294,001	724,074	16,482	57,617	1,092,174
2034—2035	267,587	747,517	14,368	60,230	1,089,702
2035—2036	240,343	746,691	12,233	53,309	1,052,576
2036—2037	218,293	669,423	10,682	30,577	928,975
2037—2038	192,041	697,525	9,459	32,475	931,500
2038—2039	164,665	725,550	8,160	34,450	932,825
2039—2040	136,168	748,497	6,782	36,503	927,950
2040—2041	104,957	781,270	5,230	38,730	930,187
2041—2042	72,353	813,413	3,584	36,587	925,937
2042—2043	36,762	816,834	1,938	43,066	898,600
	\$ 5,135,313	\$ 14,597,843	\$ 286,294	\$ 848,215	\$ 20,867,665

Maturities of other debt which consists of notes from direct borrowings are as follows for the fiscal years ending:

<i>June 30,</i>	
2026	\$ 44,003
2027	44,003
2028	44,003
2029	3,667
Total	\$ 135,676

Butler County School District
Notes to the Financial Statements

NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

<i>June 30, 2025</i>	Balance July 01, 2024	Increases	Decreases	Balance June 30, 2025	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 16,204,457	\$ 341,000	\$ (1,099,399)	\$ 15,446,058	\$ 1,162,173
Less: (discounts) and premiums - net	(37,400)	-	(254)	(37,654)	-
Total bonds payable	16,167,057	341,000	(1,099,653)	15,408,404	1,162,173
Other Liabilities:					
Compensated absences	867,623	218,525	(112,057)	974,091	187,051
Other-notes from direct borrowings	184,350	-	(48,674)	135,676	44,003
Total other liabilities	1,051,973	218,525	(160,731)	1,109,767	231,054
Total long-term liabilities	\$ 17,219,030	\$ 559,525	\$ (1,260,384)	\$ 16,518,171	\$ 1,393,227

NOTE 7: FUND BALANCES

The Board follows GASB Statement Number 54. Under this statement, fund balance is separated into five categories, as follows:

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District did have \$2,600 in nonspendable fund balance at June 30, 2025.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the District had \$96,681 restricted in the special revenue fund for technology and local grants, \$367,381 restricted in the student activity fund for student activities, \$1,010 restricted in the debt service fund for debt service, \$54,263 restricted in the FSPK fund for future capital projects, and \$25,146 restricted in the construction fund for future capital projects.

Butler County School District Notes to the Financial Statements

NOTE 7: FUND BALANCES (CONTINUED)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2025: \$100,000 for future construction, \$175,000 for compensated absences and \$109,022 for SBDM allocation.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. The amount assigned related to encumbrances at June 30, 2025 was \$0. Assigned fund balances also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

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 and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2025 in the governmental funds balance sheet.

NOTE 8: PENSION PLANS

Pensions

Butler County School District participates in the Teachers' Retirement System of the State of Kentucky (KTRS), and the County Employees' Retirement System (CERS). 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 KTRS and the CERS and additions to/deductions from KTRS's and CERS's fiduciary net position have been determined on the same basis as they are reported by KTRS and CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the KTRS Pension Plan

Plan Description

The KTRS was created by the 1938 General Assembly and is governed by Kentucky Revised Statutes (KRS) chapter 161 sections 220 through 990. KTRS is a blended component unit of the Commonwealth of Kentucky, and therefore, is included in the Commonwealth's financial statements. KTRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life insurance benefits for a specified employees of local school districts and other public educational agencies in the Commonwealth.

NOTE 8: PENSION PLANS (CONTINUED)

Plan Description (Continued)

KRS 161.250 provides that the general administration and management of KTRS, and the responsibility for its proper operation, is vested in a board of trustees. The board of trustees consists of the chief state school officer, the State Treasurer, two trustees appointed by the governor, and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant the system.

Any regular or special teacher, or professional occupying a position requiring certification or graduation from a four-year college or university is eligible to participate in the system. KTRS issues a publicly available financial report that can be found on the KTRS website.

Benefits Provided

KTRS provides retirement benefits to plan members. Plan members are divided into the following two categories, based on entry date:

For Members Hired Before July 1, 2008:

Members become vested when they complete 5 years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

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

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

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

For Members Hired Before July 1, 2008 and Before January 1, 2022:

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

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

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The final average salary is the member's 5 highest annual salaries except members at least age 55 with 27 or more years of service may use their 3 highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

For Members Hired On or After January 1, 2022 (TRS 4):

To qualify for monthly retirement benefits, payable for life, members must either:

- 1.) Attain age 57 and complete ten years of Kentucky service, or
- 2.) Attain age 65 and complete five years of Kentucky service.

Foundational Benefit: The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

The multiplier for members is shown in the following table:

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

Supplemental Benefit: The annual supplemental benefit is equal to the account balance that includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance or a portion thereof as a lump sum either at the time of retirement or at a later date.

For members who began participating prior to January 1, 2022, KTRS also provides disability benefits for vested members at the rate of 60% of the final average salary. TRS (4) members, will receive a disability benefit to be determined by the board through administrative regulation.

A life insurance benefit payable upon the death of a member is \$2,000 for active contributing members and \$5,000 for retired or disabled members who began participating before January 1, 2022.

Butler County School District
Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled workers.

Cost of living increases are 1.5% 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. For members who began participating before January 1, 2022, KTRS members are required to contribute 12.855% of their salaries to the system. For members employed by local school districts, the State (as a non-employer contributing entity) contributes 13.105% of salary for those who joined before July 1, 2008 and 14.105% for those who joined on or after July 1, 2008, and before January 1, 2022. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

For TRS 4 members, members contribute 14.75% of their salaries to the system. Employers of members, including the state (as a non-employer contributing entity), contribute 10.75% of salary.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the health and life insurance trusts. The member postemployment health insurance contribution is 3.75% of salary. The employer postemployment health contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

Pension Liabilities and Pension Expense

At June 30, 2025, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) 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 net pension liability	\$ -
State's proportionate share of the net pension liability associated with the District	42,086,041
Total	\$ 42,086,041

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures.

Butler County School District
Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Pension Liabilities and Pension Expense (continued)

For the year ended June 30, 2025, the District recognized pension expense of \$5,146,415 and revenue of \$5,146,415 for support provided by the State in the government wide financial statements and pension expense of \$2,735,451 and revenue of \$2,735,451 for support provided by the State in the fund statements.

Actuarial Assumptions

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

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry Age
Investment rate of return	7.10% net of pension plan investment expense, including inflation
Projected salary increases	3.00 - 7.50%, including inflation
Inflation rate	2.50%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

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

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

Butler County School District
Notes to the Financial Statements

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.9%
High Yield Bonds	2.0%	3.8%
Other Additional Categories	8.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in full at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8: PENSION PLANS (CONTINUED)

General Information about the CERS Pension Plan

Plan Description

CERS was established by KRS 78.520 to provide retirement, disability, and death benefits to system members, and CERS is a blended component unit of the Commonwealth of Kentucky, and therefore, is included in the Commonwealth's financial statements. The District contributes to the CERS Non-Hazardous pension plan, a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time employees employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS.

The responsibility of the plans within CERS is vested in the CERS Board of Trustees. The CERS board of trustees consists of nine members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). CERS issues a publicly available financial report that can be obtained at www.kyret.ky.gov.

Benefits Provided

Retirement benefits may be extended to beneficiaries of members under certain circumstances. Prior to July 1, 2009, Cost of Living Adjustments (COLAs) were provided to retirees annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were to be limited to 1.50%. In 2013, the General Assembly created a new law to govern how COLAs will be granted. Language included stated COLAs will only be granted in the future if the CERS Board determines that asset of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA through employer contributions. No COLA has been granted since July 1, 2011.

Tier 1 - Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts balance as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

Tier 2 - Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 5% of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% Health Insurance contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

NOTE 8: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

Tier 3 - Tier 3 plan members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% of their monthly creditable compensation, which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Contributions

Participating employers are required to contribute actuarially determined rates for pension and insurance benefit contributions. The rates are established by the CERS Board based on KRS 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July of the succeeding fiscal year and are a percentage of each employee's creditable compensation. State statute requires active members to contribute 5% of creditable compensation for nonhazardous members. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 78.635. The actuarially determined rate set by the Board for the fiscal year ended June 30, 2025 was 19.71%.

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

At June 30, 2025, the District reported a liability of \$5,672,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was 0.094859%

Butler County School District
Notes to the Financial Statements

NOTE 8: PENSION 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, 2025, the District recognized pension expense of \$117,444. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 274,582	\$ -
Net difference between projected and actual investment earnings on pension plan investments	389,606	754,347
Change of assumptions	-	256,307
Changes in proportion and differences between employer contributions and proportionate share of contribution	87,523	337,014
District contributions subsequent to the measurement date	626,319	-
Total	\$ 1,378,030	\$ 1,347,668

\$626,319 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2026	\$ (348,967)
2027	(25,493)
2028	(140,211)
2029	(81,286)
Thereafter	-

NOTE 8: PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024, using generally accepted actuarial principles.

There have been no changes in actuarial assumptions since June 30, 2023. The actuarial assumptions are:

Inflation	2.50%
Payroll Growth Rate	2.00%
Salary Increases	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Long-Term Expected Rate of Return

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

**Butler County School District
Notes to the Financial Statements**

NOTE 8: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.0%	4.69%
Long Term Inflation Assumption		2.50%
		7.19%

Expected Nominal Return for Portfolio

Discount Rate

The projection of cash flows used to determine the discount rate of 6.50% for CERS Nonhazardous assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute, as amended by House Bill 362, (passed in 2018) over the remaining 27 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the Annual Comprehensive Financial Report (ACFR).

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	\$ 7,313,385	\$ 5,672,970	\$ 4,311,858

NOTE 8: PENSION PLANS (CONTINUED)

Deferred Compensation Plans

The District offers its employees to defer compensation in accordance with Internal Revenue Code Sections 457, 401(k) and 403(b). The Plans, available to all employees, permit them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Entities with little or no administrative involvement who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statements. The District, therefore, does not show these assets and liabilities in the financial statements.

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

The Teachers' Retirement System of the State of Kentucky (TRS) is cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts, including health and life insurance benefits for specified employees in the state. TRS was created by the 1938 General Assembly and is governed by KRS Chapter 161 Sections 220 through 990. 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 on the TRS website.

Pursuant to the provisions of KRS 161.250, the Board of Trustees (board) of the Teachers' Retirement System of the State of Kentucky (TRS) is vested with the responsibility for the general administration and management of the retirement system. The Board of Trustees consists of the chief state school officer, the state treasurer, two trustees appointed by the governor and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the system.

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 Health Insurance Trust and Life Insurance Plans. The following information is about the TRS plans:

Health Insurance Trust

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 Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation funded by employer and member contributions. 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.

Butler County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

For employees hired prior to July 1, 2008, Retiree Medical Plan coverage eligibility is attained when an employee retires, as described in TRS 1 – TRS 4 Members. All other employees must be eligible to retire and additionally have completed a minimum of 15 years of service to be eligible for Retiree Medical Plan coverage. To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. Members and dependents under age 65 and eligible for Medicare due to a disability after January 1, 2013 are only eligible to enroll in the MEHP. Under age 65 members who retired prior to January 1, 2013 are grandfathered from this requirement and allowed a choice of KEHP or MEHP coverage.

Contributions

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the medical and life insurance trusts. The member postemployment medical contribution is 3.75% of salary. The employer postemployment health insurance contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group.

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

At June 30, 2025, the District reported a liability of \$2,901,000 for its proportionate share of 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, 2024, 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 of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.130167%

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	\$	2,901,000
State's proportionate share of the net OPEB liability associated with the District		<u>2,585,000</u>
Total	\$	<u><u>5,486,000</u></u>

Butler County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended June 30, 2025, the District recognized OPEB expense of (\$83,000) which included (\$14,000) related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 871,000
Changes of assumptions	739,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	93,000
Changes in proportion and differences between District contributions and proportionate share of contributions	771,000	1,150,000
District contributions subsequent to measurement date	286,035	-
Total	\$ 1,796,035	\$ 2,114,000

Of the total amount reported as deferred outflows of resources related of OPEB, \$286,035 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, 2025. 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:

<i>Year ended June 30,</i>	
2026	\$ (207,000)
2027	(10,000)
2028	(72,000)
2029	(160,000)
2030	(145,000)
Thereafter	(10,000)

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

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

Valuation Date	June 30, 2023
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	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation
Healthcare Cost Trends:	
Medical trend	6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FYE 2031
Medicare Part B Premiums	5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035

Mortality rates were based on the Pub2010 (Teachers Amount-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, deferred vested 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, 2023 valuation were based on the results of the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The healthcare cost trend rate assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the Total OPEB Liability (TOL) roll forward while the change in initial per capita claims costs was included with the experience in the TOL roll forward.

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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.

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%
Total	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Based on those assumptions, the Health Trust's fiduciary net position was projected to be depleted.

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

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 a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current discount rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the collective net OPEB liability	\$ 3,854,000	\$ 2,901,000	\$ 2,111,000

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the District’s Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends 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
District's proportionate share of the collective net OPEB liability	\$ 1,960,000	\$ 2,901,000	\$ 4,071,000

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Plan as provided by KRS 161.655 to provide life insurance benefits to retired and active 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

Effective July 1, 2000, TRS provides life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its members who are retired for service or disability if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of ten thousand dollars (\$10,000) for its members who are retired for service or disability if hired on or after January 1, 2022.

TRS provides life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing members if hired prior to January 1, 2022. Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its active contributing members if hired on or after January 1, 2022.

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

At June 30, 2025, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the state of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth of Kentucky (state) support, and the total portion of the net OPEB liability that was associated with the District were as follows:

Butler County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		59,000
Total	\$	59,000

Actuarial Assumptions

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

Valuation Date	June 30, 2023
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	3.94%
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 Amount-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, deferred vested 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, 2020 valuation were based on the results for the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	40.0%	5.2%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.0%	1.9%
Other Additional Categories	5.0%	4.0%
Real Estate	7.0%	3.2%
Private Equity	5.0%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

Discount Rate

The discount rate used to measure the total OPEB liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The employer will contribute Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the Life Trust's fiduciary net position was projected to be depleted.

General Information about the County Employees Retirement System's (CERS) OPEB Plan

Plan Description

Under the provisions of Kentucky Revised Statutes Sections 61.505, the Kentucky Public Pension Authority oversees the CERS Nonhazardous cost-sharing, multiple-employer OPEB plans that cover all regular full-time members employed in nonhazardous positions of the District. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. The CERS Board has nine trustees. Three elected by the membership and six appointed by the Governor. The CERS Insurance Fund is included in a publicly available financial report that can be obtained at www.kyret.ky.gov.

Butler County School District Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

Department of Employee Insurance (DEI) administers retiree claims for retirees who are non-Medicare eligible. Humana administers retiree claims for members who are Medicare eligible. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

Contributions

For the year ended June 30, 2025, the required contribution was 0.00% of each employee's covered payroll. Contributions from the District to the KRS Insurance Fund for the year ended June 30, 2025, were \$0. The KRS board may amend contribution rates if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS board. Employees qualifying as Tier 2 or Tier 3 of the CERS plan members contribute 1% of pay to an account created for the payment of health insurance benefits.

Implicit Subsidy

Since the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB No. 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability.

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

At June 30, 2025, the District reported an asset of (\$164,250) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.094953%.

For the year ended June 30, 2025, the District recognized OPEB expense of (\$403,736).

Butler County School District
Notes to the Financial Statements

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 91,122	\$ 1,292,323
Net difference between projected and actual investment earnings on OPEB plan investments	144,380	294,267
Change of assumptions	148,830	115,896
Changes in proportion and differences between employer contributions and proportionate share of contribution	60,020	144,830
District contributions subsequent to the measurement date	-	-
Total	\$ 444,352	\$ 1,847,316

For the year ended June 30, 2025, \$0 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i>Year ended June 30,</i>	
2026	\$ (554,772)
2027	(440,609)
2028	(375,367)
2029	(32,214)

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan’s fiscal year ending June 30, 2023, using generally accepted actuarial principles. The following actuarial assumptions were used in performing the actuarial valuation as of June 30, 2024:

Inflation	2.50%	
Payroll Growth Rate	2.00%	
Salary Increases		3.30% to 10.30%, varies by service for CERS non-hazardous
Investment Rate of Return	6.50%	
 Healthcare Trend Rates (Pre-65)		 Initial trend starting at 7.10% at January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Healthcare Trend Rates (Post-65)		Initial trend starting at 8.00% in 2026, then gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality (Pre-retirement)		PUB-2010 General Mortality table, for the Nonhazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Mortality (Post-retirement; non-disabled)		System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Mortality (Post-retirement; disabled)		PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Long-Term Expected Rate of Return

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

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Bonds	10.00%	2.85%
Specialty Credit/High Yield	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Expected Real Return	100.00%	4.69%
Long Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		7.19%

Discount Rate

Single discount rates of 5.99% for the CERS non-hazardous insurance plan was used to measure the total OPEB liability as of June 30, 2024. The single discount rates are based on the expected rate of return on OPEB plan investments of 5.99% and a municipal bond rate of 3.94%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

**Butler County School District
Notes to the Financial Statements**

NOTE 9: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

The following presents the District's proportionate share of the net OPEB liability as of June 30, 2025, calculated using the discount rate of 5.99%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	<u>1% Decrease (4.99%)</u>	<u>Current Discount Rate (5.99%)</u>	<u>1% Increase (6.99%)</u>
District's proportionate share of the collective net OPEB liability	\$ 222,084	\$ (164,250)	\$ (489,080)

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 are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability	\$ (395,165)	\$ (164,250)	\$ 104,750

NOTE 10: CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if 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 their programs.

Butler County School District
Notes to the Financial Statements

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks related to torts; theft of, damage to destruction of assets; fire, personal liability, vehicular accidents; errors and omissions, injuries to employees; fiduciary responsibility; and natural disasters. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which include workers' compensation insurance.

The District purchases unemployment insurance through the Kentucky School Boards Association ("KSBA"). Once the District has paid 1% of the first \$6,000 of salary, KSBA covers 100% of claims. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12: LITIGATION

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the combined financial statements as a result of the cases presently in progress.

NOTE 13: EXCESS EXPENDITURES OVER APPROPRIATIONS

The District has no funds with a deficit net position. The following funds had excess current year expenditures over current year appropriated revenues:

Year Ended June 30, 2025	
Fund	Amount
Special Revenue	\$ 80,599
Construction	762,113
Student Activity	19,389
District Activity	27,189

NOTE 14: FUND TRANSFERS

Fund transfers for the year ended June 30, 2025 consist of the following:

Type	From Fund	To Fund	Purpose	Amount
Operating	General Fund	Debt Service	Debt service	\$ 196,013
Operating	FSPK	Debt Service	Debt service	1,184,275
Operating	SEEK	Debt Service	Debt service	195,586
Operating	General Fund	Special Revenue Fund	Matching	39,458
Operating	Food service	General fund	Indirect costs	98,124
Operating	Special Revenue Fund	Special Revenue Fund	To Title I	154,477

Butler County School District
Notes to the Financial Statements

NOTE 15: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs, and debt service. The amount received for the fiscal year ended June 30, 2025, was \$6,413,898. These payments were recorded as follows:

Year ended June 30, 2025

Fund	Amount
General fund	\$ 6,113,520
Food service fund	181,306
Debt service fund	119,072
Total	\$ 6,413,898

Year ended June 30, 2025

Technology	\$ 70,890
Health Insurance less Federal Reimbursements	3,096,518
Life Insurance	3,631
Administrative Fees	29,204
HRA/Dental/Vision Insurance	111,125
SFCC Debt Service	119,071
KTRS	2,983,459
Total	\$ 6,413,898

Butler County School District
Budgetary Comparison Schedule for the General Fund

<i>For the Year ended June 30, 2025</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
Revenues				
Local and intermediate sources	\$ 4,406,195	\$ 4,406,195	\$ 4,608,503	\$ 202,308
State programs	11,949,077	11,949,077	11,949,681	604
Federal programs	245,016	245,016	245,016	-
Total revenues	16,600,288	16,600,288	16,803,200	202,912
Expenditures				
Current:				
Instruction	9,564,332	9,564,332	9,249,718	314,614
Support services:				
Student	860,251	860,251	809,744	50,507
Instructional staff	394,892	394,892	360,285	34,607
District administration	5,893,132	5,893,132	816,885	4,969,891
School administration	833,480	833,480	808,091	25,389
Business	531,483	531,483	520,047	11,436
Plant operations and maintenance	2,321,001	2,321,001	2,336,259	(15,258)
Student transportation	1,544,095	1,544,095	2,056,123	(512,028)
Debt Service	-	64,578	-	64,578
Total expenditures	21,942,666	22,007,244	16,957,152	4,943,736
Excess (deficiency) of revenues over expenditures	(5,342,378)	(5,406,956)	(153,952)	5,146,648
Other Financing Sources (Uses)				
Bond proceeds	-	-	341,000	341,000
Operating transfers- net	278,124	(81,876)	(137,347)	(55,471)
Total other financing sources (uses)	278,124	(81,876)	203,653	285,529

Butler County School District
Budgetary Comparison Schedule for the General Fund

<i>For the Year ended June 30, 2025</i>	<u>Budgeted Amounts</u>		Actual	<u>Variances</u>
	Original	Final		Final to Actual
Net change in fund balance	(5,064,254)	(5,488,832)	49,701	5,432,177
Fund balance - beginning of year	5,488,831	5,488,832	5,548,690	59,858
Fund balance - end of year	\$ 424,577	\$ -	\$ 5,598,391	\$ 5,492,035

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Inflows/revenues:

Actual amounts (budgetary basis) \$ 16,803,200

Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 6,113,518

Total revenues as reported on statement of revenues, expenditures and changes in fund balances - governmental funds \$ 22,916,718

Outflows/expenditures:

Actual amounts (budgetary basis) \$ 16,957,152

Differences - budget to GAAP:

On-behalf payments recorded under GAAP basis not included in budgeted amounts 6,113,518

Total expenditures as reported on statement of revenues, expenditures and changes in fund balances - governmental funds \$ 23,070,670

Butler County School District
Budgetary Comparison Schedule for the Special Revenue Fund

	<u>Budgeted Amounts</u>			<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
<i>For the Year ended June 30, 2025</i>				
Revenues				
Local and intermediate sources	\$ 81,924	\$ 81,924	\$ 141,296	\$ 59,372
State programs	4,864,904	4,864,904	4,559,992	(304,912)
Federal programs	1,942,334	1,844,630	1,961,933	117,303
Total revenues	6,889,162	6,791,458	6,663,221	(128,237)
Expenditures				
Current:				
Instruction	2,549,135	2,414,921	2,624,511	(209,590)
Support services:				
Student	134,579	144,602	153,784	(9,182)
Instructional staff	334,626	361,113	353,760	7,353
District administration	-	-	-	-
Business	20,000	20,000	20,000	-
Plant operations and maintenance	3,603,840	3,603,840	3,344,745	259,095
Student Transportation	-	-	-	-
Other	286,440	286,440	286,438	2
Total expenditures	6,928,620	6,830,916	6,783,238	47,678
Deficiency of revenues over expenditures	(39,458)	(39,458)	(120,017)	(80,559)

Butler County School District
Budgetary Comparison Schedule for the Special Revenue Fund

<i>For the Year ended June 30, 2025</i>	<u>Budgeted Amounts</u>		Actual	<u>Variances</u>
	Original	Final		Final to Actual
Other Financing Sources (Uses)				
Operating transfers- net	39,458	39,458	39,458	-
Total other financing sources (uses)	39,458	39,458	39,458	-
Net change in fund balance	-	-	(80,559)	(80,559)
Fund balance-beginning of year	-	-	177,240	177,240
Fund balance-end of year	\$ -	\$ -	\$ 96,681	\$ 96,681

Butler County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – Kentucky Teachers' Retirement System**

Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS										
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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	\$ 42,086,041	\$ 44,642,724	\$ 43,599,802	\$ 34,676,613	\$ 38,008,918	\$ 35,699,828	\$ 34,480,165	\$ 72,155,366	\$ 81,992,305	\$ 63,337,573
District's covered payroll	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488	\$ 8,980,086	\$ 9,168,765	\$ 8,815,621
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%

Schedule of District Contributions-KTRS										
<i>For the years ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,512,358	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488	\$ 8,980,086	\$ 9,168,765
Contributions as a percentage of covered payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

Butler County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – Kentucky Teachers' Retirement System**

Changes of Benefit Terms

2022: A new benefit tier was added for members joining the system on and after January 1, 2022.

Changes of Assumptions

2024: No changes in assumptions.

2023: No changes in assumptions.

2022: No changes in assumptions.

2021: In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50% to 7.10% and the price inflation assumption was lowered from 3.00% to 2.50%. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

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

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

Butler County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS										
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.094859%	0.102434%	0.098035%	0.102895%	0.995760%	0.097788%	0.097318%	0.100967%	0.100580%	0.099603%
District's proportionate share of the net pension liability	\$ 5,672,970	\$ 6,572,686	\$ 7,086,963	\$ 6,560,363	\$ 7,637,397	\$ 6,877,474	\$ 5,926,963	\$ 5,909,909	\$ 4,952,158	\$ 4,282,443
District's covered payroll	\$ 2,981,058	\$ 2,303,906	\$ 1,883,297	\$ 2,816,197	\$ 2,511,922	\$ 2,844,779	\$ 2,434,082	\$ 2,467,004	\$ 2,559,734	\$ 2,326,909
District's proportionate share of the net pension liability as a percentage of its covered payroll	190.30%	285.28%	376.31%	232.95%	304.05%	241.76%	243.50%	239.56%	193.46%	184.04%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	53.80%	53.54%	53.30%	55.50%	59.97%

Schedule of District's Contributions-CERS										
<i>For the Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 626,319	\$ 695,779	\$ 539,114	\$ 398,694	\$ 543,526	\$ 484,801	\$ 411,924	\$ 352,455	\$ 344,147	\$ 317,919
Contributions in relation to the contractually required contribution	626,319	695,779	539,114	398,694	543,526	484,801	411,924	352,455	344,147	317,919
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,177,671	\$ 2,981,058	\$ 2,303,906	\$ 1,883,297	\$ 2,816,197	\$ 2,511,922	\$ 2,844,779	\$ 2,434,082	\$ 2,467,004	\$ 2,559,734
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	14.48%	14.48%	13.95%	12.42%

Butler County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

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:

2024: No changes in benefit terms.

2023: No changes in benefit terms.

2022: No changes in benefit terms.

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

2015: No changes in benefit terms.

Changes of Assumptions

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

2024: No changes in assumptions.

2023: During the 2023 legislative session, House Bill 506 was enacted which reinstated the Partial Lump-Sum Optional Form of payment for members who retire on and after January 1, 2024, as well as adjusted the minimum required separation period before a retiree may become reemployed. The total pension liability as of June 30, 2023 was determined with these updates in mind, however it is estimated these updates will not have a significant impact on the total pension liability of the plans.

2022: No changes in assumptions.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death

Butler County School District

**Schedule of the District's Proportionate Share of the Net Pension Liability and
Schedule of District's Contributions – County Employees Retirement System**

was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial 2018 (Continued): assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2016: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total Pension Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25% for the non-hazardous system.

2015: No changes in assumptions.

Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS								
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.130167%	0.137128%	0.184849%	0.141746%	0.143726%	0.139537%	0.136298%	0.141149%
District's proportionate share of the collective net OPEB liability	\$ 2,901,000	\$ 3,340,000	\$ 4,589,000	\$ 3,041,000	\$ 3,627,285	\$ 4,084,000	\$ 4,729,000	\$ 5,033,000
District's covered payroll	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488	\$ 8,980,086
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	27.77%	32.50%	46.33%	30.71%	43.58%	45.17%	52.37%	56.05%
Plan fiduciary net position as a percentage of the total OEPB liability	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%
Schedule of the District's Contributions - KTRS								
<i>For the Years Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 286,035	\$ 251,596	\$ 245,311	\$ 240,716	\$ 238,843	\$ 240,773	\$ 230,335	\$ 230,029
Contributions in relation to the contractually required contribution	286,035	251,596	245,311	240,716	238,843	240,773	230,335	230,029
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,512,358	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488
Contributions as percentage of covered payroll	2.72%	2.41%	2.39%	2.43%	2.41%	2.89%	2.55%	2.55%

**Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Medical Insurance Fund**

Changes of Benefit Terms

2024: No changes of benefit terms.

2023: No changes of benefit terms.

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

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

2017: With the passage of House Bill 471, the eligibility for non-single subsidies (NSS) for the KEHP-participating members who retired prior to July 1, 2010 is restored, but the State will only finance, via its KEHP "shared responsibility" contributions, the costs of the NSS related to those KEHP-participating members who retired on or after July 1, 2010.

Changes of Assumptions

2024: The health care trend rates, as well as the morbidity factors, were updated to reflect future anticipated experience.

2022: The health care trend rates were updated to reflect future anticipated experience.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS								
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488	\$ 8,980,086
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total OEPB liability	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%
Schedule of the District's Contributions - KTRS								
<i>For the Year Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 10,512,358	\$ 10,447,044	\$ 10,276,738	\$ 9,904,379	\$ 9,903,732	\$ 8,322,568	\$ 9,041,888	\$ 9,030,488
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
Kentucky Teachers' Retirement System – Life Insurance Fund**

Changes of Benefit Terms

A new benefit tier was added for members joining the System on and after January 1, 2022.

Changes of Assumptions

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%. The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS								
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.094953%	0.102430%	0.098018%	0.102871%	0.995470%	0.097788%	0.097318%	0.100967%
District's proportionate share of the net OPEB liability	\$ (164,250)	\$ (141,422)	\$ 1,934,399	\$ 1,934,399	\$ 2,403,757	\$ 1,644,330	\$ 1,727,791	\$ 2,029,782
District's covered payroll	\$ 2,303,906	\$ 1,883,297	\$ 2,816,197	\$ 2,511,922	\$ 2,844,779	\$ 2,434,082	\$ 2,467,004	\$ 2,559,734
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	-7.13%	-7.51%	68.69%	77.01%	84.50%	67.55%	70.04%	79.30%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Schedule of District Contributions - CERS								
<i>For the years ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ 113,044	\$ 113,044	\$ 165,571	\$ 134,078	\$ 119,592	\$ 133,605	\$ 114,395
Contributions in relation to the contractually required contribution	-	113,044	113,044	165,571	134,078	119,592	133,605	114,395
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,526,514	\$ 2,981,058	\$ 2,303,906	\$ 1,883,297	\$ 2,816,197	\$ 2,511,922	\$ 2,844,779	\$ 2,434,082
Contributions as a percentage of covered payroll	0.00%	3.79%	4.91%	8.79%	4.76%	4.76%	5.26%	4.70%

Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

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

Changes of Benefit Terms

No changes of benefit terms.

Changes of Assumptions

2024: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year.

2023: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 9 of the financial statements. During the 2023 legislative session, House Bill 506 was enacted which reinstated the Partial Lump-Sum Optional Form of payment for members who retire on and after January 1, 2024, as well as adjusted the minimum required separation period before a retiree may become reemployed. The total pension liability as of June 30, 2023 was determined with these updates in mind, however it is estimated these updates will not have a significant impact on the total pension liability of the plans.

2022: The single discount rates used to calculate the total OPEB liability within the plan changed since the prior year. Additional information regarding the single discount rates is provided in Note 11 of the financial statements. During the 2022 legislative session, Senate Bill 209 was enacted which increased the insurance dollar contribution for members hired on or after July 1, 2023 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023. Senate Bill 209 also allows members receiving the insurance dollar contribution to participate in a medical insurance reimbursement plan that would provide the reimbursement of premiums for health plans other than those administered by KPPA. The total OPEB liability as of June 30, 2022 is determined using these updated benefit provisions.

2021: During the 2021 legislative session, Senate Bill 169 was enacted which increased disability benefits for certain qualifying members who become "totally and permanently disabled" in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021 is determined using these updated benefit provisions.

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total OPEB Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020.

2019: There have been no changes in plan provisions since June 30, 2018. However, the Board of Trustees has adopted new actuarial assumptions since June 30, 2018. These assumptions are documented in the report titled "Kentucky Retirement Systems 2018 Actuarial Experience Study for

Butler County School District
Schedule of the District's Proportionate Share of the
Collective Net OPEB Liability and Schedule of District's Contributions –
County Employees Retirement System

the Period Ending June 30, 2018". The Total Pension liability as of June 30, 2019 is determined using these updated assumptions.

2018: There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which update the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018 is determined using the updated benefit provisions.

2017: There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for CERS. However, subsequent to the actual valuation date (June 30, 2016), but prior to the measurement date (June 30, 2017), the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, the Total OPEB Liability as of June 30, 2017 is determined using a 2.30% price inflation assumption for the non-hazardous system and the assumed rate of return is 6.25%.

**Butler County School District
Combining Balance Sheet
Nonmajor Governmental Funds**

<i>June 30, 2025</i>	(Formerly Major)					Total Other
	FSPK Fund	Debt Service Fund	Construction Fund	Student Activity Fund	District Activity Fund	Governmental Funds
Assets						
Cash	\$ 54,263	\$ 1,010	\$ 25,146	\$ 362,413	\$ -	\$ 442,832
Investments	-	-	-	4,968	-	4,968
Total assets	\$ 54,263	\$ 1,010	\$ 25,146	\$ 367,381	\$ -	\$ 447,800
Liabilities and Fund Balances						
Fund Balances						
Restricted						
Capital projects	\$ 54,263	\$ -	\$ 25,146	\$ -	\$ -	\$ 79,409
Debt service	-	1,010	-	-	-	1,010
Student activities	-	-	-	367,381	-	367,381
Total fund balances	54,263	1,010	25,146	367,381	-	447,800
Total liabilities and fund balances	\$ 54,263	\$ 1,010	\$ 25,146	\$ 367,381	\$ -	\$ 447,800

Butler County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended June 30, 2025</i>	Seek Capital Outlay Fund	FSPK Fund	Debt Service Fund	(Formerly Major) Construction Fund	Student Activity Fund	District Activity Fund	Total Other Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ -	\$ 382,334	\$ -	\$ -	\$ -	\$ -	\$ 382,334
Tuition and fees	-	-	-	-	229,660	-	229,660
Earnings on investments	-	-	-	30,865	7,142	-	38,007
Other local revenue	-	-	-	-	557,260	-	557,260
Intergovernmental - state	195,586	801,941	119,072	-	-	-	1,116,599
Total revenues	195,586	1,184,275	119,072	30,865	794,062	-	2,323,860
Expenditures							
Instruction	-	-	-	-	744,108	27,189	771,297
Support services:							
Instructional staff	-	-	-	-	38,823	-	38,823
Plant operations and maintenance	-	-	-	-	30,520	-	30,520
Debt service:							
Principal	-	-	1,099,399	-	-	-	1,099,399
Interest	-	-	595,547	-	-	-	595,547
Building acquisition and construction	-	-	-	792,978	-	-	792,978
Total expenditures	-	-	1,694,946	792,978	813,451	27,189	3,328,564
Excess (deficiency) of revenues over expenditures	195,586	1,184,275	(1,575,874)	(762,113)	(19,389)	(27,189)	(1,004,704)

Butler County School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

<i>For the year ended June 30, 2025</i>	Seek Capital Outlay Fund	FSPK Fund	Debt Service Fund	(Formerly Major) Construction Fund	Student Activity Fund	District Activity Fund	Total Other Governmental Funds
Other Financing Sources (Uses)							
Operating transfers-in	-	-	1,575,874	-	-	-	1,575,874
Operating transfers-out	(195,586)	(1,184,275)	-	-	-	-	(1,379,861)
Total other financing sources (uses)	(195,586)	(1,184,275)	1,575,874	-	-	-	196,013
Net change in fund balances	-	-	-	(762,113)	(19,389)	(27,189)	(808,691)
Fund balances - beginning of year	-	54,263	1,010	787,259	386,770	27,189	1,256,491
Fund balances - end of year	\$ -	\$ 54,263	\$ 1,010	\$ 25,146	\$ 367,381	\$ -	\$ 447,800

Butler County School District
Combining Statement of School Activity Funds

<i>Year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
Butler County High School	\$ 238,775	\$ 519,907	\$ 532,120	\$ 226,562	\$ -	\$ -	\$ 226,562
Butler County Middle School	47,679	148,308	144,598	51,389	-	-	51,389
North Butler Elementary School	46,322	19,057	19,511	45,868	-	-	45,868
Morgantown Elementary School	53,994	118,946	129,378	43,562	-	-	43,562
Total	\$ 386,770	\$ 806,218	\$ 825,607	\$ 367,381	\$ -	\$ -	\$ 367,381

Butler County School District
Statement of School Activity Funds
Butler County High School

	Cash		Cash		Cash	Accounts	Accounts	Fund Balance
	Cash	Receipts	Disbursements	Cash				
<i>Year ended June 30, 2025</i>	July 1, 2024	& Transfers In	& Transfers Out	June 30, 2025	Receivable	Payable	June 30, 2025	
General	\$ 1,208	\$ 18,913	\$ 17,159	\$ 2,962	\$ -	\$ -	\$ 2,962	
Student Fund	2,205	1,026	2,878	353	-	-	353	
Faculty Fund	55	1,200	615	640	-	-	640	
PBIS	3,244	-	1,166	2,078	-	-	2,078	
ROTC	3,587	1,742	2,855	2,474	-	-	2,474	
Cheerleaders	5,605	29,614	28,193	7,026	-	-	7,026	
Tree Scape Fund	426	-	-	426	-	-	426	
STEAM Club	3,226	5,880	2,012	7,094	-	-	7,094	
Athletics	41,196	148,949	131,836	58,309	-	-	58,309	
Football Jr. Pro	7,968	2,792	9,449	1,311	-	-	1,311	
Basketball Jr. Pro	23	17,848	17,765	106	-	-	106	
Cheer Jr. Pro	19	530	-	549	-	-	549	
Jr. Pro Volleyball	477	2,850	3,228	99	-	-	99	
Boys Basketball	12,486	11,857	19,934	4,409	-	-	4,409	
Soccer Jr. Pro	3,094	-	-	3,094	-	-	3,094	
Band	3,544	20,900	20,384	4,060	-	-	4,060	
Choir	1,817	5,254	5,183	1,888	-	-	1,888	
Archery	9,352	47,459	44,335	12,476	-	-	12,476	
Softball	8,700	4,532	11,003	2,229	-	-	2,229	
Football	8,419	13,740	14,927	7,232	-	-	7,232	
Girls Basketball	2,149	6,187	6,256	2,080	-	-	2,080	
Volleyball	5,822	11,188	12,219	4,791	-	-	4,791	

Butler County School District
Statement of School Activity Funds
Butler County High School

	Cash	Cash	Cash	Cash	Accounts	Accounts	Fund Balance
	July 1, 2024	Receipts & Transfers In	Disbursements & Transfers Out	June 30, 2025	Receivable	Payable	June 30, 2025
<i>Year ended June 30, 2025</i>							
Golf/boys	5,300	606	1,827	4,079	-	-	4,079
Soccer	5,230	3,187	3,949	4,468	-	-	4,468
Baseball	18,636	14,838	21,265	12,209	-	-	12,209
Track	2,243	2,327	3,004	1,566	-	-	1,566
Library Supplies	387	694	159	922	-	-	922
FCS	7,887	3,456	5,070	6,273	-	-	6,273
TASA Grant	31	-	-	31	-	-	31
Brick Fundraiser	1,141	-	-	1,141	-	-	1,141
Calculators	361	1,310	511	1,160	-	-	1,160
Fashion Club	-	110	-	110	-	-	110
Business & Office	1,057	163	-	1,220	-	-	1,220
Yearbook	1,833	2,385	461	3,757	-	-	3,757
Class of 2024	13	-	-	13	-	-	13
Jr/Sr Class	4,483	10,098	7,802	6,779	-	-	6,779
FFA	24,950	55,903	61,545	19,308	-	-	19,308
FCCLA	4,722	13,851	13,480	5,093	-	-	5,093
Beta Club	3,375	4,503	4,863	3,015	-	-	3,015
Drama	2,714	595	1,173	2,136	-	-	2,136
Foreign Language	262	390	432	220	-	-	220
BC Drug Free	47	-	30	17	-	-	17
FBLA	2,954	-	-	2,954	-	-	2,954
Chess Club	311	-	-	311	-	-	311
FCA	1,560	250	257	1,553	-	-	1,553
TSC Grant	14	-	-	14	-	-	14
Student Council	234	585	248	571	-	-	571

Butler County School District
Statement of School Activity Funds
Butler County High School

<i>Year ended June 30, 2025</i>	Cash	Cash	Cash	Cash	Accounts	Accounts	Fund Balance
	July 1, 2024	Receipts & Transfers In	Disbursements & Transfers Out	June 30, 2025	Receivable	Payable	June 30, 2025
Rental	32	-	28	4	-	-	4
Project Prom	3,466	20,839	22,511	1,794	-	-	1,794
Region 4 KATFACS	2,471	-	207	2,264	-	-	2,264
Pep Club	158	-	-	158	-	-	158
Renaissance Leadership	5,300	26,582	25,938	5,944	-	-	5,944
Region 4 FCCLA	9,001	1,233	2,951	7,283	-	-	7,283
Art Club	2,500	970	301	3,169	-	-	3,169
Tennis Trip	421	-	-	421	-	-	421
District Activity Account	-	367	367	-	-	-	-
Startup Change	-	2,000	2,000	-	-	-	-
TSA	140	204	344	-	-	-	-
Dance Team	919	-	-	919	-	-	919
	\$ 238,775	\$ 519,907	\$ 532,120	\$ 226,562	\$ -	\$ -	\$ 226,562

Butler County School District Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program - noncash	10.555	-	\$ -	\$ 160,262
Passed-Through State Department of Education:				
School Breakfast Program	10.553	7760005 25	-	774,395
National School Lunch Program	10.555	7750002 25	-	1,350,533
National School Summer Meals Program	10.559	7740023 25	-	513,930
Subtotal				2,799,120
State Administrative Expense (SAE) Funds	10.560	7700001 24	-	2,787
Total U.S. Department of Agriculture				2,801,907
U.S. Department of Defense				
Direct Program				
NJROTC	12.000	-	-	88,746
Total U.S. Department of Defense				88,746
U.S. Department of Health and Human Services				
Direct Program				
Preschool Development Grant Birth through Five	93.434	-	-	190,296
Total U.S. Department of Health and Human Services				190,296
U.S. Department of Education				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2024	84.010	3100002 23	-	38,450
Title I Grants to Local Educational Agencies - 2025	84.010	3100002 24	-	682,576
Subtotal				721,026
Special Education Cluster				
Special Education Grants to States - 2024	84.027	3810002 23		15,016
Special Education Grants to States - 2025	84.027	3810002 24		593,081
Special Education Preschool Grants - 2024	84.173	3800002 23	-	1,914
Special Education Preschool Grants - 2025	84.173	3800002 24		28,008
Subtotal				638,019
Rural Education - 2025	84.358	3140002 24	-	64,073

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Butler County School District Schedule of Expenditures of Federal Awards

For the Year ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
English Language Acquisition State Grants-2024	84.365	3300002 23		14,166
English Language Acquisition State Grants-2025	84.365	3300002 24		<u>20,373</u>
Subtotal				34,539
Career and Technical Education - Basic Grants to States - 2025	84.048	3710002 24	-	18,331
Supporting Effective Instruction State Grant - 2025	84.367	3230002 24		98,942
Student Support and Academic Enrichment Program - 2025	84.424	3420002 24		55,535
COVID-19 Education Stabilization Fund				
Educational Cooperative ARP ESSER Deeper Learning	84.425U	4300002 21		15,895
COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	4300002 21		9,175
COVID-19 ARP ESSER Homeless Children and Youth	84.425W	4300002 21		<u>3,467</u>
Subtotal				28,537
Passed-Through State Workforce Cabinet:				
Adult Education - Basic Grants to States				
Adult Education - Professional Development	84.002	373K		23,889
Recruitment Retention and Results - 2024	84.002	365J	-	(1,282)
Recruitment Retention and Results - 2025	84.002	365K	-	<u>1,282</u>
Subtotal	84.002			23,889
Total U.S. Department of Education				1,682,891
Total Expenditures of Federal Awards				\$ 4,763,840

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Butler County School District
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal grant activity of Butler County School District (the “District”) under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Nonmonetary assistance is reported in the schedule of fair value of the goods received.

NOTE 3: INDIRECT COST RATE

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

NOTE 4: LOANS AND LOAN GUARANTEES

The District did not have any loans or loan guarantee programs required to be reported on the schedule.

NOTE 5: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the fiscal year ended June 30, 2025.

**Butler County School District
Summary Schedule of Prior Audit Findings**

No findings were reported in the June 30, 2024 audit.



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**Independent Auditor’s Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Kentucky State Committee for School District Audits
Members of the Board of Education
Butler County School District
Morgantown, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the Independent Auditor’s Contract, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Butler County School District (the “District”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Butler County School District’s basic financial statements, and have issued our report thereon dated January 31, 2026.

Report on Internal Control over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated January 31, 2026.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
January 31, 2026



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**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by the Uniform Guidance**

Kentucky State Committee for School District Audits
Members of the Board of Education
Butler County School District
Morgantown, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Butler County School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

Report on Internal Control over Compliance

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

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

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC
Bowling Green, Kentucky
January 31, 2026

**Butler County School District
Schedule of Findings and Questioned Costs**

Section I — Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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 Uniform Guidance (2 CFR 200.516(a)) Yes None reported

Identification of major Federal programs:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes No

**Butler County School District
Schedule of Findings and Questioned Costs**

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.



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Kentucky State Committee for School District Audits
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Morgantown, Kentucky

In planning and performing our audit of the financial statements of the Butler County School District (the "District") for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's system of internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated January 31, 2026 contains communication of significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated January 31, 2026 on the financial statements of the District.

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

This communication is intended solely for the information and use of the District, Kentucky State Committee for School Districts Audits, and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Bowling Green, Kentucky
January 31, 2026

Butler County School District Comments and Recommendations

Prior Year Findings

North Butler Elementary School

Repeat finding.

Central Office

Prior year findings were corrected.

Butler County School District Comments and Recommendations

Current Year Findings

North Butler Elementary School

- During our sampling procedures over cash receipts, we noted one receipt selected for testing lacked the receipt number on the deposit slip. We recommend all deposit slips be identified by receipt number in accordance with Redbook.
- During our sampling procedures over cash disbursements, we noted two invoices failed to be marked cancelled as paid. We recommend all checks be marked as cancelled when paid.

Butler County School District Client Responses



PO BOX 339, MORGANTOWN, KY 42261
270.526.5624
270.526.5625

ROBERT TUCKER
SUPERINTENDENT

North Butler Elementary Schools

- As recommended all deposit slips will be identified by receipt number in accordance with Redbook.
- As recommended all checks will be marked as cancelled when paid.

JOSH BELCHER, ASSISTANT SUPERINTENDENT, PLPA, PERSONNEL DIRECTOR • DONNA ANNIS, SUPERVISOR OF INSTRUCTION, COMMUNITY SUPPORT •
TRAVIS JOHNSON, CHIEF FINANCIAL OFFICER, EDUCATIONAL FOUNDATION • RYAN EMMICK, TRANSPORTATION DIRECTOR, MAINTENANCE DIRECTOR, SAFE SCHOOLS
JIMMY FELTY, DISTRICT TECHNOLOGY COORDINATOR, ENERGY MANAGER • TIM WILSON, DISTRICT ASSESSMENT COORDINATOR, ELL/MIGRANT SERVICES
KAITLIN HARRISON, SCHOOL NUTRITION DIRECTOR • KRISTEN FIELDS, DIRECTOR OF SPECIAL EDUCATION, RTI/HEALTH SERVICES