

**CLAY COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2025**

**with**

**REPORT OF INDEPENDENT AUDITORS**

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**Cloyd & Associates, PSC**

*Certified Public Accountants  
and  
Business Advisors*

**INDEPENDENT AUDITOR'S REPORT**

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Clay County Board of Education  
Manchester, 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 Clay County Board of Education (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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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); 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 related 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; this includes 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.



## ***Auditors' Responsibilities for the Audit of the Financial Statement***

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

### ***Supplementary Information***

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

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 1, 2025, on our consideration of 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. The 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.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
December 1, 2025



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

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The management of Clay County School District (District) offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2025. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, (*Certain Financial Statement Note Disclosures*), issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The fund balance (prior fiscal year actual revenues less the prior fiscal year actual expenses) becomes the beginning balance for the next fiscal year. The General Fund beginning balance for fiscal year 2024-2025 was \$20,327,378. The General Fund beginning balance increased by \$2,176,945 in comparison to fiscal year 2023-2024.
- The grand total Net General Fund SEEK on the final SEEK calculation for 2024-2025 increased by \$439,670.
- During fiscal year 2024-2025, the school district received \$325,022 from local taxpayers as a result of the recallable nickel levied by the local board of education on May 26, 2017. The recallable nickel generated an additional \$1,177,938 from state equalization. The revenue generated from the recallable nickel was transferred to a restricted fund to be used for future construction projects.
- The Kentucky Department of Education approved for the school district to bill for Medicaid related services rendered during fiscal year 2024-2025. The school district received a total of \$175,083 in Medicaid revenues during the fiscal year.
- The school district paid a total of \$447,059 including \$385,531 for principal and \$61,528 for interest payments for the 2015, 2016, 2017, 2018, 2019, 2020, 2023, and 2024 Series KISTA bus leases.
- The school district recorded \$8,782,598 in revenues and expenses for on-behalf payments during 2024-2025. The on-behalf payments are payments made on behalf of the school district by various state entities including the employer's portion of health benefits, Kentucky Teacher Retirement System (KTRS), technology, and debt service.
- The General Fund ended the fiscal year with a fund balance of \$21,162,074. The fund balance increased by \$834,696 in comparison to the previous fiscal year.



## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on the table of contents of this report.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on the table of contents of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used 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.

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**Net Position for the period ending June 30, 2025**

Fiscal year 2025 government-wide net position compared to 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Current and other assets	\$ 31,409,089	\$ 41,038,400
Capital assets	82,562,570	69,536,023
Total Assets	<u>\$ 113,971,659</u>	<u>\$ 110,574,423</u>
Deferred outflow of resources	<u>\$ 5,656,762</u>	<u>\$ 6,919,505</u>
Current liabilities	\$ 5,643,750	\$ 4,828,909
Noncurrent liabilities	54,873,558	55,304,805
Total Liabilities	<u>\$ 60,517,308</u>	<u>\$ 60,133,714</u>
Deferred inflow of resources	<u>\$ 7,952,031</u>	<u>\$ 10,179,388</u>
Net investment in capital assets	\$ 41,179,181	\$ 26,640,732
Restricted net position	6,569,698	17,336,531
Unrestricted net position	3,410,203	3,203,563
Total Net Position	<u>\$ 51,159,082</u>	<u>\$ 47,180,826</u>

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$51,490,406, proprietary liabilities exceed assets by \$331,324; and total assets exceeded liabilities by \$51,159,082 at June 30, 2025.

The District had an overall increase in unrestricted net position of \$206,340, comprised of an increase in governmental activities unrestricted net position of \$206,340

The following table presents a fund accounting comparison and summary of revenue and expense for Government Funds only for the fiscal years 2025 and 2024:

*See table on next page*

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

	<b>2025</b>	<b>2024</b>
<b>Total Revenue</b>	<u>\$ 47,323,550</u>	<u>\$ 60,557,757</u>
<b>Expenditures and other financing uses</b>		
Instruction	\$ 21,877,456	\$ 22,856,217
Student support services	2,324,351	2,193,923
Instructional support	3,487,059	3,288,727
District administration	1,625,598	1,335,430
School administration	1,934,492	1,942,549
Business operations	480,745	489,430
Plant operation and maintenance	4,053,803	3,552,034
Student transportation	3,328,465	3,226,672
Non-instructional	1,055,906	314,526
Community services	592,143	547,374
Facilities acquisition and construction	8,137,239	5,905,345
Site acquisition	5,510,288	22,869,516
Debt service	3,761,524	2,677,918
<b>Total expenditures</b>	<u>58,169,069</u>	<u>71,199,661</u>
<b>Excess revenues (expenditures)</b>	<u>\$ (10,845,519)</u>	<u>\$ (10,641,904)</u>
<b>Other financing sources (uses)</b>		
Proceeds of bonds	\$ -	\$ 21,273,431
Proceeds of leases	694,549	503,371
Sale of assets	245,633	1,025
Transfers in	10,159,836	18,476,383
Transfers out	(10,159,836)	(18,476,383)
<b>Total other financing sources (uses)</b>	<u>\$ 940,182</u>	<u>\$ 21,777,827</u>
<b>Net change in fund balance</b>	<u>\$ (9,905,337)</u>	<u>\$ 11,135,923</u>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's level fund balance.

**BUDGETARY IMPLICATION**

In Kentucky the public-school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$18,156,335 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements but are not budgeted by the District.

**Comments on Budget Comparisons**

- The District's total general fund revenues for the fiscal year ended June 30, 2025 were \$30,872,396 excluding transfers, proceeds from the sale of assets, and capital lease proceeds.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being \$827,039 less than budget or 2.61% less than the budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2025 was \$30,935,207.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being \$20,910,824 less than budget or 40.3% less than budget.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent (606) 598-2168, or to the Finance Officer (606) 598-2168 or by mail at 128 Richmond Road, Manchester, Kentucky 40962.



CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2025

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 28,036,840	\$ 731,182	\$ 28,768,022
Inventories	-	1,996	1,996
Accounts receivable:			
Taxes	159,249	-	159,249
Other	2,232,410	1,778	2,234,188
Net OPEB asset - CERS	203,220	42,414	245,634
Capital Assets, net			
Nondepreciable	67,376,778	-	67,376,778
Depreciable	14,542,236	643,556	15,185,792
<b>Total assets</b>	<b>112,550,733</b>	<b>1,420,926</b>	<b>113,971,659</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts from refunding bonds	16,317	-	16,317
Deferred outflows - OPEB KTRS	2,622,629	-	2,622,629
Deferred outflows - OPEB CERS	585,873	102,575	688,448
Deferred outflows - PENSION	1,975,712	353,656	2,329,368
	5,200,531	456,231	5,656,762
<b>LIABILITIES</b>			
Accounts payable	948,257	1,000	949,257
Accrued expenses	952,818	-	952,818
Advances from grantors	795,651	-	795,651
Current portion of lease obligations	327,689	-	327,689
Current maturities of bond obligations	1,930,000	-	1,930,000
Current portion of compensated absences	313,277	-	313,277
Interest payable	375,058	-	375,058
Net OPEB liability - KTRS	4,068,000	-	4,068,000
Net Pension liability	7,620,715	1,464,909	9,085,624
Noncurrent portion of lease obligations	1,307,017	-	1,307,017
Noncurrent maturities of bond obligations	37,835,000	-	37,835,000
Noncurrent portion of compensated absences	2,577,917	-	2,577,917
<b>Total liabilities</b>	<b>59,051,399</b>	<b>1,465,909</b>	<b>60,517,308</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows - OPEB KTRS	3,351,000	-	3,351,000
Deferred inflows - OPEB CERS	2,428,681	468,979	2,897,660
Deferred inflows - PENSION	1,429,778	273,593	1,703,371
	7,209,459	742,572	7,952,031
<b>NET POSITION</b>			
Net investment in capital assets	40,535,625	643,556	41,179,181
Restricted for:			
Capital expenditures	6,151,758	-	6,151,758
Other	417,940	-	417,940
Unrestricted	4,385,083	(974,880)	3,410,203
<b>Total net position</b>	<b>\$ 51,490,406</b>	<b>\$ (331,324)</b>	<b>\$ 51,159,082</b>

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities</b>							
Instruction	\$ 20,186,880	\$ -	\$ 9,318,485	\$ -	\$ (10,868,395)	\$ -	\$ (10,868,395)
Student	2,324,350	-	1,072,945	-	(1,251,405)	-	(1,251,405)
Instructional support	3,488,763	-	1,610,451	-	(1,878,312)	-	(1,878,312)
District administration	1,657,834	-	765,275	-	(892,559)	-	(892,559)
School administration	1,954,875	-	902,392	-	(1,052,483)	-	(1,052,483)
Business support	480,745	-	221,917	-	(258,828)	-	(258,828)
Plant operations and maintenance	4,147,590	-	1,914,573	-	(2,233,017)	-	(2,233,017)
Student transportation	3,653,142	-	1,686,330	-	(1,966,812)	-	(1,966,812)
Student activity	1,055,905	-	487,417	-	(568,488)	-	(568,488)
Community services	592,144	-	273,340	-	(318,804)	-	(318,804)
Other instructional	-	-	-	-	-	-	-
Interest on long-term debt	1,883,472	-	-	3,200,060	1,316,588	-	1,316,588
<b>Total governmental activities</b>	<b>41,425,700</b>	<b>-</b>	<b>18,253,125</b>	<b>3,200,060</b>	<b>(19,972,515)</b>	<b>-</b>	<b>(19,972,515)</b>
<b>Business-type activities</b>							
Food service	2,626,922	47,275	2,560,084	-	-	(19,563)	(19,563)
<b>Total business-type activities</b>	<b>2,626,922</b>	<b>47,275</b>	<b>2,560,084</b>	<b>-</b>	<b>-</b>	<b>(19,563)</b>	<b>(19,563)</b>
<b>Total primary government</b>	<b>\$ 44,052,622</b>	<b>\$ 47,275</b>	<b>\$ 20,813,209</b>	<b>\$ 3,200,060</b>	<b>(19,972,515)</b>	<b>(19,563)</b>	<b>(19,992,078)</b>
<b>General revenues</b>							
Taxes:							
Property					2,816,847	-	2,816,847
Motor vehicle					683,731	-	683,731
Utility					1,096,443	-	1,096,443
Other					352,871	-	352,871
Earnings on investments					742,477	626	743,103
State grants					17,418,354	-	17,418,354
Other local amounts					2,759,642	-	2,759,642
Lease proceeds					694,549	-	694,549
Gain/(loss) on disposal of assets					245,633	-	245,633
<b>Total general revenues</b>					<b>26,810,547</b>	<b>626</b>	<b>26,811,173</b>
<b>Change in net position</b>					<b>6,838,032</b>	<b>(18,937)</b>	<b>6,819,095</b>
Restated net position July 1, 2024					<b>44,652,374</b>	<b>(312,387)</b>	<b>44,339,987</b>
<b>Net position as of June 30, 2025</b>					<b>\$ 51,490,406</b>	<b>\$ (331,324)</b>	<b>\$ 51,159,082</b>

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

CLAY COUNTY SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2025

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 20,638,423	\$ -	\$ 4,980,785	\$ 2,417,632	\$ 28,036,840
Accounts receivable:					
Taxes	159,249	-	-	-	159,249
Other	65,444	2,166,966	-	-	2,232,410
Interfund receivable	<u>1,348,738</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,348,738</u>
<b>Total assets</b>	<b><u>\$ 22,211,854</u></b>	<b><u>\$ 2,166,966</u></b>	<b><u>\$ 4,980,785</u></b>	<b><u>\$ 2,417,632</u></b>	<b><u>\$ 31,777,237</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Interfund payable	\$ -	\$ 1,348,738	\$ -	\$ -	\$ 1,348,738
Accounts payable	96,961	22,577	828,719	-	948,257
Accrued expenses	952,818	-	-	-	952,818
Advances from grantors	<u>-</u>	<u>795,651</u>	<u>-</u>	<u>-</u>	<u>795,651</u>
<b>Total liabilities</b>	<b><u>1,049,779</u></b>	<b><u>2,166,966</u></b>	<b><u>828,719</u></b>	<b><u>-</u></b>	<b><u>4,045,464</u></b>
<b>Fund balances</b>					
Restricted	-	-	4,152,066	2,417,632	6,569,698
Committed	100,000	-	-	-	100,000
Assigned	20,153	-	-	-	20,153
Unassigned	<u>21,041,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,041,921</u>
<b>Total fund balances</b>	<b><u>21,162,074</u></b>	<b><u>-</u></b>	<b><u>4,152,066</u></b>	<b><u>2,417,632</u></b>	<b><u>27,731,772</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 22,211,853</u></b>	<b><u>\$ 2,166,966</u></b>	<b><u>\$ 4,980,785</u></b>	<b><u>\$ 2,417,632</u></b>	<b><u>\$ 31,777,236</u></b>

**CLAY COUNTY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

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Total fund balances - governmental funds	\$ 27,731,772
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	81,919,014
Deferred outflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	5,200,531
Bonds payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(39,765,000)
Leases payable are not reported in the governmental fund balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position.	(1,634,706)
The long term portion of compensated absences is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(2,891,194)
Net OPEB obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(3,864,780)
Net pension obligation is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(7,620,715)
Deferred inflows of resources are not recorded in the government fund financials because they do not affect current resources but are recorded in the statement of net position.	(7,209,458)
Interest payable is not reported in the governmental fund balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(375,058)
Total net position - governmental activities	\$ 51,490,406



**CLAY COUNTY SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2025**

	General Fund	Special Revenue Funds	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
From local sources					
Taxes					
Property	\$ 2,166,803	\$ -	\$ -	650,044	\$ 2,816,847
Motor vehicle	683,731	-	-	-	683,731
Utility	1,096,443	-	-	-	1,096,443
Other	352,871	-	-	-	352,871
Earnings on investments	739,324	-	3,160	-	742,484
Other local	340,742	1,337,548	-	1,063,291	2,741,581
Intergovernmental - State					
SEEK	17,418,354	-	-	-	17,418,354
Other	7,899,045	1,712,781	-	3,200,059	12,811,885
Intergovernmental - Federal	175,083	8,484,271	-	-	8,659,354
<b>Total revenues</b>	<b>30,872,396</b>	<b>11,534,600</b>	<b>3,160</b>	<b>4,913,394</b>	<b>47,323,550</b>
<b>Expenditures</b>					
Current:					
Instruction	16,085,365	5,792,091	-	-	21,877,456
Student	2,172,054	152,297	-	-	2,324,351
Instructional support	1,067,063	2,419,996	-	-	3,487,059
District administration	1,624,717	881	-	-	1,625,598
School administration	1,934,492	-	-	-	1,934,492
Business support	399,342	81,403	-	-	480,745
Plant operations and maintenance	3,852,874	200,929	-	-	4,053,803
Student transportation	3,317,171	11,294	-	-	3,328,465
Non-instructional	-	-	-	1,055,906	1,055,906
Community services	35,070	557,073	-	-	592,143
Building Acquisitions and Construction	-	-	8,137,239	-	8,137,239
Site improvement	-	-	5,510,288	-	5,510,288
Debt service	447,059	-	-	3,314,465	3,761,524
<b>Total expenditures</b>	<b>30,935,207</b>	<b>9,215,964</b>	<b>13,647,527</b>	<b>4,370,371</b>	<b>58,169,069</b>
Excess (deficit) of revenues over (under) expenditures	(62,811)	2,318,636	(13,644,367)	543,023	(10,845,519)
<b>Other financing sources (uses)</b>					
Proceeds of bonds	-	-	-	-	-
Proceeds of leases	694,549	-	-	-	694,549
Sale of assets	245,633	-	-	-	245,633
Transfers in	2,325	45,000	7,394,011	2,718,500	10,159,836
Transfers out	(45,000)	(2,363,636)	-	(7,751,200)	(10,159,836)
<b>Total other financing sources (uses)</b>	<b>897,507</b>	<b>(2,318,636)</b>	<b>7,394,011</b>	<b>(5,032,700)</b>	<b>940,182</b>
<b>Net change in fund balance</b>	<b>834,696</b>	<b>-</b>	<b>(6,250,356)</b>	<b>(4,489,677)</b>	<b>(9,905,337)</b>
Fund balance as of June 30, 2024	20,327,378	-	10,402,422	6,907,309	37,637,109
<b>Fund balance as of June 30, 2025</b>	<b>\$ 21,162,074</b>	<b>\$ -</b>	<b>\$ 4,152,066</b>	<b>\$ 2,417,632</b>	<b>\$ 27,731,772</b>

**CLAY COUNTY SCHOOL DISTRICT****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2025**

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Net change in total fund balances - governmental funds	\$ (9,905,337)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which capital outlay exceeds depreciation expense for the year.	12,946,720
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements, but is a component of interest in the Statement of Activities.	(4,080)
Bond and lease payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the Statement of Net Position.	2,210,532
Bond and lease proceeds are recognized as revenue in the governmental fund financial statements, but are increases in liabilities in the statement of net position	(694,549)
Calculated pension and OPEB expense is not recognized on the governmental fund financial statements, but is recognized as an expense on the Statement of Activities. while pension contributions are deferred on the Statement of Net Position	1,968,772
Compensated absences is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	262,922
Interest payments are recognized as expenditures of financial resources in the governmental fund financial statements, but are expensed as incurred in the Statement of Activities.	<u>53,052</u>
Change in net position - governmental activities	\$ <u>6,838,032</u>

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2025

	Food Service Fund
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 731,182
Inventories	1,996
Accounts Receivable	1,778
Total current assets	734,956
<b>Noncurrent assets</b>	
Net OPEB asset	42,414
Capital assets	2,035,682
Less accumulated depreciation	(1,392,126)
Total noncurrent assets	685,970
<b>Total assets</b>	1,420,926
<b>Deferred outflow of resources</b>	
Deferred outflows OPEB	102,575
Deferred outflows pension	353,656
<b>Total deferred outflows</b>	456,231
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	1,000
Total current liabilities	1,000
<b>Noncurrent liabilities</b>	
Net pension liability	1,464,909
Total noncurrent liabilities	1,464,909
<b>Total liabilities</b>	1,465,909
<b>Deferred inflow of resources</b>	
Deferred inflows - OPEB	468,979
Deferred inflows - Pension	273,593
<b>Total deferred inflows</b>	742,572
<b>NET POSITION</b>	
Net investment in capital assets	643,556
Unrestricted	(974,880)
<b>Total net position</b>	\$ (331,324)

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

**CLAY COUNTY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS**

Year ended June 30, 2025

	<u>Food Service Fund</u>
<b>Operating revenues</b>	
Lunchroom sales	\$ 47,275
Total operating revenues	<u>47,275</u>
<b>Operating expenses</b>	
Salaries and wages	799,967
Employee benefits	342,665
Materials and supplies	1,439,973
Depreciation	<u>44,317</u>
Total operating expenses	<u>2,626,922</u>
Operating loss	<u>(2,579,647)</u>
<b>Nonoperating revenues</b>	
Federal grants	2,065,682
State grants	404,632
Donated commodities	89,770
Interest income	<u>626</u>
Total nonoperating revenues/(expenses)	<u>2,560,710</u>
<b>Change in net position</b>	(18,937)
Net position as of June 30, 2024	<u>(312,387)</u>
<b>Net position as of June 30, 2025</b>	<u>\$ (331,324)</u>



CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2025

	Food Service Fund
<b>Cash flows from operating activities</b>	
Cash received from:	
Lunchroom sales	\$ 47,275
Cash paid to/for:	
Employees	(1,415,820)
Supplies	(1,302,475)
Net cash used in operating activities	(2,671,020)
<b>Cash flows from non-capital financing activities</b>	
Grants received	2,470,314
Net cash used in non-capital financing activities	2,470,314
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	(124,144)
Net cash used in capital and related financing activities	(124,144)
<b>Cash flows from investing activities</b>	
Interest income	626
Net cash provided from investing activities	626
Net increase in cash and cash equivalents	(324,224)
Cash and cash equivalents as of June 30, 2024	1,055,406
<b>Cash and cash equivalents as of June 30, 2025</b>	<b>\$ 731,182</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income/ (loss)	\$ (2,579,647)
Adjustments to reconcile change in net position to net cash used in operating activities:	
Decrease in accounts receivable	14,889
Decrease in accounts payable	(23,348)
Net change in pension and OPEB expense	(273,188)
Inventory	56,187
Donated commodities	89,770
Depreciation	44,317
<b>Net cash used in operating activities</b>	<b>\$ (2,671,020)</b>
<b>Schedule of non-cash transactions:</b>	
Depreciation	\$ 44,317
Donated commodities	89,770
<b>Total non-cash transactions</b>	<b>\$ 134,087</b>

## 1. REPORTING ENTITY

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

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Clay County Board of Education. The basic 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. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

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

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

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

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the significant accounting policies:

**Government-wide Financial Statements** - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.

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

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### I. Government Fund Types – continued

The Student Activity Fund is used to account for activities of student groups

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

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

### II. Proprietary Fund Types (Enterprise Fund)

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

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

### Basis of Accounting

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

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



## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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

Unearned Revenue/Advances from Grantors- 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. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

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

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$.656 per \$100 valuation for real property, \$.656 per \$100 valuation for business personal property and \$.487 per \$100 valuation for motor vehicles.

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

### Prepaid Assets

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

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### 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 activity's 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. 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.

All reported capital assets, except land and construction-in-progress, 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
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	20 years
Rolling stock	15 years
Other general equipment	10 years

### Interfund Receivables and Payables

The fund financial statements present interfund receivables and payables resulting from short-term interfund loans that are classified as "interfund receivables/payables." These amounts are eliminated in the government-wide 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.

### Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave and vacation.

Sick leave eligibility and accumulation is specified in individual employment contracts. Upon retirement, employees may contractually receive a payment based on unused accumulated sick leave. District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 101, *Accounting for Compensated Absences*, the liability has been calculated using the more than likely than not to be used as leave or settled at separation method and an accrual for that liability is in the Government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

For governmental fund financial statements the current portion, if any, of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Bonds and Related Premiums, Discounts, and Issuance Costs

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance are recognized in the current period. The face amount of the debt is reported as other financing sources. Discounts related to debt issuance are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### Budgetary Process

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

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

### Cash and Cash Equivalents

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

### Receivables

The District recognizes revenues as receivables when they are measurable, and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The School Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the general fund inventory is stated at cost and uses the first-in, first-out method.

### Accrued Liabilities and Long-Term Obligations

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



## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance Reserves

Fund balances are separated into five categories, as required by GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**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.

**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.

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

**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.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

This District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

### Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are appropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2025, in the governmental funds balance sheet.



## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

### Operating and Non-Operating Revenues and Expenses

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

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

### 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.

### 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 after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

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

### Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by differences in pension expectations, the prior refunding of revenue bonds, and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

### Pensions and Other Post-employment Benefits

For purposes of measuring the net liabilities, the deferred outflows of resources and deferred inflows of resources, and expense related to pensions and other post-employment benefits (OPEB), information about the fiduciary net position of the pension / OPEB plans, and additions to / deductions from the pension / OPEB plans' fiduciary net position has been determined on the same basis as they are reported by the pension / OPEB plans. For this purpose, revenues are recognized when earned. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts was further allocated to proprietary funds based on the salaries paid by each proprietary fund. Plan investments are reported at fair value.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Other Post-employment Benefits (OPEB)

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

### Leases

GASB Statement No. 87, Leases was issued to improve accounting and financial reporting for leases by governments, by establishing standards for leases that were previously classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset, thus requiring lessees to recognize a lease liability and an intangible right-to-use lease asset, and lessors to recognize a lease receivable and a deferred inflow of resources.

## 3. DEPOSITS AND INVESTMENTS

### Deposits

The District's deposits (demand deposit accounts) are carried at cost, which approximates fair value. At June 30, 2025, the book balance of the District's bank deposits and the bank balances were as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
First National Bank & Trust of Manchester	\$ 29,668,537	\$ 28,768,022
	<u>\$ 29,668,537</u>	<u>\$ 28,768,022</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 28,036,840
Proprietary funds	<u>731,182</u>
	<u>\$ 28,768,022</u>

### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, none of the District's bank balance was exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Due to the nature of the accounts and limitations imposed for the purposes of various funds, all cash balances are considered to be restricted except for the General Fund.

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

**3. DEPOSITS AND INVESTMENTS-CONTINUED**

Investments

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2025, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

Investments reported on the financial statements are nonparticipating interest-earning investment contracts purchased from a bank in the form of a Certificate of Deposit. Therefore, under GASB Statement No 72, Fair Value Measurement & Application these types of investments are exempt from fair value measurements.

**5. CAPITAL ASSETS**

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

	June 30, 2024			June 30, 2025
	Balance	Additions	Retirements	Balance
<b>Governmental Activities</b>				
Land & Land Improvements	\$ 3,944,658	\$ -	\$ 6,647	\$ 3,938,011
Buildings	39,596,173	-	-	39,596,173
Technology	185,401	-	-	185,401
Vehicles	6,544,434	731,019	404,777	6,870,676
General Equipment	1,083,633	141,012	22,029	1,202,616
Construction Work in Progress	52,533,936	13,647,527	-	66,181,463
Total historical cost	103,888,235	14,519,558	433,453	117,974,340
Less accumulated depreciation	34,915,941	1,566,191	426,806	36,055,326
Governmental capital assets	\$ 68,972,294	\$ 12,953,367	\$ 6,647	\$ 81,919,014
<b>Business-type Activities</b>				
Buildings	\$ 993,436	\$ -	\$ -	\$ 993,436
Technology	15,000	-	-	15,000
Food service equipment	903,102	124,144	-	1,027,246
Total historical cost	1,911,538	124,144	-	2,035,682
Less accumulated depreciation	1,347,809	44,317	-	1,392,126
Business-type capital assets, net	\$ 563,729	\$ 79,827	\$ -	\$ 643,556

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

**5. CAPITAL ASSETS-CONTINUED**

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$	1,093,403
Instruction staff		1,704
District administrative		32,236
School administrative		20,384
Plant operation and maintenance		93,787
Student transportation		324,677
	<u>\$</u>	<u>1,566,191</u>

**6. FINANCE LEASE PAYABLE**

The District has entered into multiple finance lease agreements for buses under which the buses will become the property of the District when all the terms of the finance lease agreement are met. The following schedule presents the finance lease activity for the year ended June 30, 2025:

Maturity	Interest Rates	Original Issue	Balance June 30, 2024	Debt Issued	Debt Paid	Balance June 30, 2025	Due Within One Year
March, 2025	1% - 2.625%	\$ 524,286	\$ 48,627	\$ -	\$ 48,627	\$ -	\$ -
March, 2026	1% - 2.625%	436,349	79,433	-	39,183	40,250	40,250
March, 2027	2.55%	453,835	132,900	-	48,230	84,670	41,799
March, 2028	2.89%	433,036	171,539	-	45,195	126,344	46,639
March, 2029	2.89%	434,802	212,831	-	45,308	167,523	46,614
March, 2030	2.30%	382,984	226,178	-	38,195	187,983	39,000
March, 2033	3.0%-3.75%	503,371	454,180	-	48,994	405,186	45,833
March, 2034	3.69%	694,549	-	694,549	71,799	622,750	67,554
		<u>\$ 3,863,212</u>	<u>\$ 1,325,688</u>	<u>\$ 694,549</u>	<u>\$ 385,531</u>	<u>\$ 1,634,706</u>	<u>\$ 327,689</u>

The following presents a schedule by years of the future minimum lease payments under finance lease as of June 30, 2025.

Year	Principal	Interest	Total
2025-26	\$ 327,689	\$ 56,910	\$ 384,599
2026-27	281,106	46,676	327,782
2027-28	232,427	37,720	270,147
2028-29	191,311	29,998	221,309
2029-30	159,608	23,394	183,002
2030-31	129,922	17,682	147,604
2031-32	126,356	12,506	138,862
2032-33	117,441	7,450	124,891
2033-34	68,846	2,754	71,600
Totals	<u>\$ 1,634,706</u>	<u>\$ 235,090</u>	<u>\$ 1,869,796</u>
Less: amounts representing interest			<u>(235,090)</u>
Net lease liability			<u>\$ 1,634,706</u>

The District has no other finance leases or operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification Topic 842, Leases.



**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**7. LONG-TERM OBLIGATIONS**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Clay County School District Finance Corporation.

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

<u>Issue Date</u>		<u>Proceeds</u>	<u>Rates</u>	<u>Final Maturity</u>
2014	\$	815,000	1.20%-4.125%	2034
2017R	\$	2,715,000	2.00%-2.50%	2028
2018	\$	1,670,000	3.00%-3.50%	2038
2020	\$	13,345,000	2.00%-2.875%	2040
2022	\$	3,450,000	2.45%-3.90%	2043
2023	\$	8,040,000	3.70%-4.20%	2044
2023B	\$	13,145,000	3.35%-3.90%	2044

The District, through the General Fund, including utility taxes, the FSPK Building Fund, and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Clay County Board of Education 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.

In 1987, the District entered into "participation agreements" with the Kentucky School Facility Construction Commission. 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 amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

Generally, all bonds issued are secured by a statutory mortgage lien on the respective school buildings and appurtenant properties, including any subsequent additions thereto. The agreements contain a provision that in the event of default, action can be taken to compel specific performance. 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:

*See table on next page*

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

**7. LONG-TERM OBLIGATIONS - CONTINUED**

Year	Clay County School District		Kentucky School Facility Construction Commission		Total Principal	Total Interest
	Principal	Interest	Principal	Interest		
2025-26	\$ 1,456,530	\$ 1,262,499	\$ 473,470	\$ 116,495	\$ 1,930,000	\$ 1,378,994
2026-27	1,499,673	1,216,789	480,327	110,639	1,980,000	1,327,428
2027-28	1,547,136	1,169,736	492,864	98,252	2,040,000	1,267,988
2028-29	1,596,448	1,121,001	198,552	84,499	1,795,000	1,205,501
2029-30	1,649,255	1,070,553	205,745	78,047	1,855,000	1,148,601
2030-31	1,701,832	1,018,352	208,168	71,411	1,910,000	1,089,763
2031-32	1,753,800	963,245	211,200	64,392	1,965,000	1,027,637
2032-33	1,810,117	905,315	224,883	57,198	2,035,000	962,513
2033-34	1,870,939	845,498	229,061	49,408	2,100,000	894,906
2034-35	1,934,545	782,389	185,455	41,442	2,120,000	823,832
2035-36	2,003,128	717,314	181,872	35,393	2,185,000	752,707
2036-37	2,069,496	648,416	190,504	29,241	2,260,000	677,657
2037-38	2,142,676	576,689	207,324	22,798	2,350,000	599,488
2038-39	2,217,868	497,560	102,132	15,677	2,320,000	513,238
2039-40	2,302,024	416,941	102,976	12,209	2,405,000	429,150
2040-41	2,438,815	315,928	51,185	8,694	2,490,000	324,622
2041-42	2,541,767	214,947	53,233	6,647	2,595,000	221,594
2042-43	1,624,638	108,495	55,362	4,518	1,680,000	113,013
2043-44	1,692,423	37,066	57,577	2,303	1,750,000	39,369
	<u>\$ 35,853,110</u>	<u>\$ 13,888,732</u>	<u>\$ 3,911,890</u>	<u>\$ 909,264</u>	<u>\$ 39,765,000</u>	<u>\$ 14,797,997</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2025 is as follows:

School Building Revenue Bonds	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
2012R	\$ 995,000	\$ -	\$ 995,000	\$ -
2014	465,000	-	40,000	425,000
2017R	1,150,000	-	280,000	870,000
2018	1,255,000	-	75,000	1,180,000
2020	13,155,000	-	50,000	13,105,000
2022	3,385,000	-	95,000	3,290,000
2023	8,040,000	-	30,000	8,010,000
2023B	13,145,000	-	260,000	12,885,000
Net Pension Liability (Asset)	9,580,211	-	494,587	9,085,624
Net OPEB Liability (Asset) - CERS	(189,955)	-	55,679	(245,634)
Net OPEB Liability (Asset) - KTRS	4,791,000	-	723,000	4,068,000
Compensated absences	3,154,116	-	262,922	2,891,194
	<u>\$ 58,925,372</u>	<u>\$ -</u>	<u>\$ 3,361,188</u>	<u>\$ 55,564,184</u>

The change in compensated absences is presented as a net change.

## 8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement as described below. The two pension plans are County Employees Retirement System (CERS) and the Kentucky Teachers Retirement System (KTRS).

### General information about the County Employees Retirement System Non-Hazardous (CERS)

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

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

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

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement.

*Contributions*—Required contributions by the employee are based on the tier:

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

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. For the non-hazardous employee, The District contributes 19.71% of the employee's total compensation subject to contribution. Pension has a contribution rate of 19.71% and OPEB has a contribution rate of 0%. For the hazardous employee, The District contributes 38.61% of the employee's total compensation subject to contribution. Pension has a contribution rate of 36.49% and OPEB has a contribution rate of 2.12%.

## 8. RETIREMENT PLANS - CONTINUED

### General information about the Teachers' Retirement System of the State of Kentucky (KTRS)

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

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

TRS 1	Participation Date	Before July 1, 2002
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used
TRS 2	Participation Date	July 1, 2002 – June 30, 2008
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 5 years service and 55 years old with a reduction in retirement of 5% for each year under age 60 or under 27 years of service, whichever is less (up to 25%)
	Retirement factors	2.0 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
TRS 3	Participation Date	July 1, 2008 – December 31, 2021
	Unreduced retirement	27 years service or at least 5 years service and 60 years old
	Reduced retirement	At least 10 years service and 55 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 30%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 3.0% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries until a member reaches At least 27 years service and age 55, when the highest 3 annual Salaries are used



## 8. RETIREMENT PLANS – CONTINUED

TRS 4	Participation Date	On or after January 1, 2022
	Unreduced retirement	Age 57 with 30 years service or at least 10 years service and 60 years old or at least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 57 years old with a reduction in retirement of 6% for each year under age 60 or under 27 years of service, whichever is less (up to 18%)
	Retirement factors	1.7 - 2.5% per year of service up to 30, 2.2 – 2.4% per year of service for each year over 30
	Final average salary	Average of the 5 highest annual salaries

KTRS also provides disability benefits for vested employees at a rate of sixty (60) percent of their final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

*Contributions*—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees in TRS 1, TRS 2, and TRS 3 are required to contribute 12.855% of their salaries to the System. Non-university employees in TRS 4 are required to contribute 14.750% of their salaries to the system.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees in TRS 1 and TRS 2, 14.105% of salaries for local school district and regional cooperative employees in TRS 3, and 10.750% of salaries for local school district and regional cooperative employees in TRS 4. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries for employees in TRS 1 and TRS 2, 17.105% of salaries for employees in TRS 3, and 10.750% of salaries for employees in TRS 4. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025, the District reported a liability (asset) for its proportionate share of the net pension liability (asset) for CERS. The District did not report a liability (asset) for the District's proportionate share of the net pension liability (asset) for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability (asset), the related Commonwealth support, and the total portion of the net pension liability (asset) that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability (asset)	\$	9,085,624
Commonwealth's proportionate share of the KTRS net pension liability (asset) associated with the District		59,115,331
	\$	<u>68,200,955</u>

## 8. RETIREMENT PLANS – CONTINUED

The net pension liability (asset) for each plan was measured as of June 30, 2024, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability (asset) for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.148096% for non-hazardous employees, and 0.008898% for hazardous employees.

For the year ended June 30, 2025, the District recognized pension expense (credit) of (\$778,882) related to CERS and \$4,190,024 related to KTRS. The District also recognized revenue of \$4,190,024 for KTRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 443,555	\$ -
Changes of assumptions	-	413,068
Net difference between projected and actual earnings on pension plan investments	620,920	1,202,577
Changes in proportion and differences between District contributions and proportionate share of contributions	204,165	87,726
District contributions subsequent to the measurement date	1,060,728	-
Total	<u>\$ 2,329,368</u>	<u>\$ 1,703,371</u>

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 (asset) in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (350,971)
2026	250,733
2027	(205,410)
2028	(129,083)
	<u>\$ (434,731)</u>

*Actuarial assumptions*—The total pension liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

See table on next page

CLAY COUNTY SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED  
YEAR ENDED JUNE 30, 2025

8. RETIREMENT PLANS – CONTINUED

	CERS	KTRS
Inflation	2.30%	2.50%
Projected salary increases	3.3-10.3%	3.0-7.5%
Investment rate of return, net of investment expense & inflation	6.50%	7.10%
Municipal bond index rate	3.97%	3.94%
Single equivalent interest rate		7.10%

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

*Discount rate*—For CERS, the discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability (asset).

For KTRS, the discount rate used to measure the total pension liability (asset) was 7.10%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at the actuarially determined contribution 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 (asset).

*Sensitivity of CERS and KTRS proportionate share of net pension liability (asset) to changes in the discount rate*—The following table presents the net pension liability (asset) of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability (asset)	\$ 11,712,452	\$ 9,085,624	\$ 6,906,926
KTRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability (asset)	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about pension plan's fiduciary net position, is available in separately issued financial reports of both CERS and KTRS at <http://kyret.ky.gov/> and <http://trs.ky.gov/>, respectively.

## 8. RETIREMENT PLANS – CONTINUED

*Pension plan fiduciary net position*—Detailed information about pension plan's fiduciary net position, is available in separately issued financial reports of both CERS and KTRS.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2025, 2024 and 2023 was \$3,243,440, \$3,204,573, and \$3,237,350, respectively. The District's contribution (both withholding and match) CERS for the years ended June 30, 2025, 2024, and 2023 was \$1,407,992, \$1,402,332, and \$1,420,036, respectively. The District met their contribution requirements.

## 9. OTHER POST-EMPLOYMENT BENEFITS

### General Information about the Kentucky Teachers' Retirement System of the State of Kentucky (TRS)

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1983 General Assembly and is governed by the Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

#### Medical Insurance Plan

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

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

*Funding Policy* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three and three quarters percent (3.75%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and three percent (3.00%) from the employer.

### OPEB Liabilities (Assets), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2025, the District reported a liability (asset) of \$4,068,000 for its proportionate share of the collective net OPEB liability (asset) that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the collective net OPEB liability (asset) was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.182501%.



**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

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

District's proportionate share of the KTRS net pension liability (asset)	\$ 4,068,000
Commonwealth's proportionate share of the KTRS net OPEB liability (asset) associated with the District	<u>3,624,000</u>
	<u>\$ 7,692,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$337,612 and revenue of \$337,612 for support provided by the state. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows on resources related to OPEBs from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,222,000
Changes of assumptions	1,036,000	-
Net difference between projected and actual earnings on pension plan investments	-	131,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,060,000	1,998,000
District contributions subsequent to the measurement date	<u>526,629</u>	<u>-</u>
Total	<u>\$ 2,622,629</u>	<u>\$ 3,351,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30,	
2026	\$ (406,000)
2027	(111,000)
2028	(177,000)
2029	(288,000)
2030	(239,000)
Thereafter	<u>(34,000)</u>
	<u>\$ (1,255,000)</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

*Actuarial assumptions* - The total OPEB liabilities (assets) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Healthcare cost trend rates	
Under 65	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B	5.92% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal bond index rate	3.94%
Discount Rate	7.10%
Single equivalent interest rate	7.10%, net of OPEB plan investment expense, including inflation

The long-term expected rate of return on OPEB plan investments was determined using a 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.

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

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

	<u>1% Decrease</u> 6.10%	<u>Current Discount Rate</u> 7.10%	<u>1% Increase</u> 8.10%
KTRS			
District's proportionate share of net OPEB liability (asset)	\$ 5,404,000	\$ 4,068,000	\$ 2,960,000

## 9. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the District's proportionate share of the collective net MIP OPEB liability (asset) to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability (asset), as well as what the District's proportionate share of the collective net OPEB liability (asset) 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:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
KTRS			
District's proportionate share of net OPEB liability (asset)	\$ 2,748,000	\$ 4,068,000	\$ 5,708,000

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

### Life Insurance Plan

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

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

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

### OPEB Liabilities (Assets), OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

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

District's proportionate share of the KTRS net OPEB Life Insurance Plan Liability (Asset)	\$ -
Commonwealth's proportionate share of KTRS net OPEB Life Insurance Liability (Asset) associated with the District	83,000
Total	\$ 83,000

*Actuarial assumptions* - The total OPEB liability (asset) in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

Investment rate of return	7.10%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.00-7.50%, including 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 inflation

The remaining actuarial assumptions (e.g. initial per capita costs, rate of plan participation, rates of plan election, etc.) used in the June 30, 2024 valuation were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation.

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

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

**General Information about the County Employees Retirement System Non-Hazardous and Hazardous (CERS)**

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

*Benefits Provided-* CERS provides hospital and medical insurance for eligible members receiving benefits from the pension plan. Employees are vested in the plan after five years' service. For plan purposes, employees are grouped into two groups, based on hire date. Members who reach a minimum vesting period of 10 years, and began participating on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. For members participating prior to July 1, 2003, are paid up to a maximum of \$13.18 per month for every year of earned service. The percentage of the maximum monthly benefit paid is based on years of service as follows:

Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%



**9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

Contributions – Required contributions by the employee are based on the tier:

Tier 1	Participation date	Before September 1, 2008
	Contribution Percentage	0.00%
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Contribution Percentage	1%
Tier 3	Participation date	After December 31, 2013
	Contribution Percentage	1%

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

At June 30, 2025, the District reported a liability (asset) of (\$245,634) for its proportionate share of the collective net OPEB liability (asset) that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability (asset) used to calculate the collective net OPEB liability (asset) was based on projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024 the District's non-hazardous proportion was 0.145809% and the hazardous proportion was .008898%.

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

District's proportionate share of the CERS net OPEB liability (asset)	\$ (245,634)
Total	\$ (245,634)

For the year ended June 30, 2025, the District recognized OPEB expense (credit) of (\$133,811). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the CERS OPEB from the following sources:

*See table on next page*

9. OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

	OPEB-CERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,187	\$ 2,057,109
Changes of assumptions	239,679	190,439
Net difference between projected and actual earning on plan investments	231,838	472,629
Changes in proportion and differences between contributions and proportionate share of contributions	70,239	177,483
District contribution subsequent to the measurement date	1,505	-
Total	<u>\$ 688,448</u>	<u>\$ 2,897,660</u>

Of the total amount reported as deferred outflows of resources related to the OPEB, \$1,505 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 (asset) 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:

<u>Year ended June 30,</u>	
2025	\$ (928,957)
2026	(690,530)
2027	(574,722)
2028	(17,698)
2029	1,190
	<u>\$ (2,210,717)</u>

*Actuarial assumptions* - The total OPEB liabilities (assets) in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.50%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.30-10.30%, including inflation
Inflation Rate	2.30%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre 65	6.20% for FY 2024 with an ultimate rate of 4.05% by FY 2035
Post 65	9.00% for FY 2024 with an ultimate rate of 4.05% by FY 2035
Municipal bond index rate	3.97%
Discount rate	
Hazardous	6.02%
Non-Hazardous	5.99%

## 9. OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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

*Discount rate* - The discount rates used to measure the total OPEB liability (asset) for non-hazardous was 5.99% and for hazardous was 6.02%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset).

The following table presents the District's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate for non-hazardous is 5.99% and hazardous is 6.02%. as well as what the District's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99% for non-hazardous and 5.02% for hazardous) or 1-percentage-point higher (6.99% for non-hazardous and 7.02% for hazardous) than the current rates.

	Current		
	1% decrease	discount rate	1% increase
Non-Hazardous:	<u>4.99%</u>	<u>5.99%</u>	<u>6.99%</u>
CERS			
District's proportionate share of net OPEB liability (asset)	\$ 346,721	\$ (256,430)	\$ (768,674)

  

	Current		
	1% decrease	discount rate	1% increase
Hazardous:	<u>5.02%</u>	<u>6.02%</u>	<u>7.02%</u>
CERS			
District's proportionate share of net OPEB liability (asset)	\$ 29,835	\$ 10,796	\$ (5,115)

*Sensitivity of the District's Proportionate Share of the Net OPEB Liability (asset) to Changes in the Healthcare Cost Trend Rates*- The following presents the District's proportionate share of the net OPEB liability (asset), as well as what the District's proportionate share of the net OPEB liability (asset) 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:

	Current		
	1% decrease	Trend rate	1% increase
Non-Haradous:			
CERS			
District's proportionate share of net OPEB liability (asset)	\$ (616,938)	\$ (256,430)	\$ 163,538

  

	Current		
	1% decrease	Trend rate	1% increase
Hazardous:			
CERS			
District's proportionate share of net OPEB liability (asset)	\$ (1,674)	\$ 10,796	\$ 25,370

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



#### 10. DEFERRED COMPENSATION

The District offers its employees participation in a deferred compensation program administered by the Kentucky Public Employees' Deferred Compensation Authority. This program offers a plan authorized by Section 457(b) of the Internal Revenue Code and a plan authorized by Section 401(k) of the Internal Revenue Code. Both plans are available to all employees and permit them to defer up to 25% of their compensation (subject to limits) until future years. The District makes no contributions to these plans.

#### 11. OPERATING LEASES

The District has no operating leases requiring disclosure as right of use assets as defined by FASB Accounting Standards Codification Topic 842, Leases. The District leases maintenance equipment when needed and office copiers on an annual basis under operating leases.

#### 12. 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 based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2025, may be impaired. 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.

#### 13. LITIGATION

The District is subject to legal actions in various states 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 financial statements as a result of the cases presently in progress.

#### 14. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Litigation* disclosure above.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

#### 15. DEFICIT FUND BALANCES

The District had a deficit net position in the Food Service Fund due to the recognition of a net pension and OPEB liability. No other funds had deficit fund balances, but some funds may have deficit operating balances.

#### 16. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency). There were no instances of noncompliance noted.



**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**17. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS Match	\$ 45,000
Operating	Special Revenue	Construction	Construction	2,361,311
Operating	Special Revenue	General	In-Direct Cost	2,325
Operating	Building Fund	Construction	Construction	5,032,700
Operating	Building Fund	Debt Service	Debt Service	2,718,500

**18. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2025, the general fund had a \$1,348,738 interfund receivable due from the special revenue fund and the asset and liability are recorded in the respective funds.

**19. ON-BEHALF PAYMENTS**

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. These amounts are included in the fund financial statements.

For the year ended June 30, 2025, total payments of \$8,782,598 were made for life insurance, health insurance, KTRS matching and administrative fees, technology and debt service by the Commonwealth of Kentucky on behalf of the District.

These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts on the statement of revenues, expenses and changes in fund balances. The benefit allocation per category was as follows:

Retirement contributions to the Teachers'	
Retirement System of Kentucky	\$ 4,190,024
Health and Life insurance	4,369,668
Other Less Federal	(447,309)
Technology	74,249
Debt Service	595,966
	<u>\$ 8,782,598</u>

## 20. FUND BALANCE DESIGNATIONS

The following funds had committed fund balances as follows:

Fund	Amount	Purpose
General	\$ 100,000	Sick Leave Retirement Benefit

The following funds had assigned fund balances as follows:

Fund	Amount	Purpose
General	\$ 20,153	Purchase Obligations

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Student Activity	\$ 425,325	Other
Capital Outlay	\$ 1,431,594	SFCC Escrow/Construction
Building Fund	\$ 560,713	SFCC Escrow/Construction
Construction	\$ 4,152,066	Future Construction

## 21. CHANGE IN ACCOUNTING PRINCIPLE

The District has adopted GASB Statement No. 101, Compensated Absences, effective July 1, 2024. Statement 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments.

## 22. PRIOR PERIOD ADJUSTMENT

The adoption of GASB Statement No. 101 has resulted in a prior period adjustment to the beginning net position for government-wide activities. The beginning net position for government wide activities decreased by \$2,840,839.

## 23. SUBSEQUENT EVENTS

Management of the District has evaluated subsequent events through December 1, 2025, which was the date the report was available for release. No events have occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CLAY COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 2,250,000	\$ 2,250,000	\$ 2,166,803	\$ (83,197)
Motor vehicle	550,000	550,000	683,731	133,731
Utility	1,000,000	1,000,000	1,096,443	96,443
Other	400,000	400,000	352,871	(47,129)
Earnings on investments	650,000	650,000	739,324	89,324
Other local	187,136	187,136	340,742	153,606
Intergovernmental - State				
SEEK	17,477,054	17,477,054	17,418,354	(58,700)
Other	8,985,245	8,985,245	7,899,045	(1,086,200)
Intergovernmental - Federal	200,000	200,000	175,083	(24,917)
Total revenues	31,699,435	31,699,435	30,872,396	(827,039)
<b>Expenditures</b>				
Current:				
Instruction	17,958,791	17,958,791	16,085,365	1,873,426
Student	2,068,082	2,068,082	2,172,054	(103,972)
Instructional support	1,126,829	1,126,829	1,067,063	59,766
District administration	1,776,676	1,776,676	1,624,717	151,959
School administration	2,151,945	2,151,945	1,934,492	217,453
Business operations	468,298	468,298	399,342	68,956
Plant operations and maintenance	4,295,918	4,295,918	3,852,874	443,044
Student transportation	3,357,338	3,357,338	3,317,171	40,167
Community service	38,759	38,759	35,070	3,689
Debt service	447,060	447,060	447,059	1
Contingency	18,156,335	18,156,335	-	18,156,335
Total expenditures	51,846,031	51,846,031	30,935,207	20,910,824
Excess (deficit) of revenues over (under) expenditures	(20,146,596)	(20,146,596)	(62,811)	20,083,785
<b>Other financing sources (uses)</b>				
Proceeds of leases	-	-	694,549	694,549
Sale of assets	-	-	245,633	245,633
Transfers in	-	-	2,325	2,325
Transfers out	-	-	(45,000)	(45,000)
Total other financing sources (uses)	-	-	897,507	897,507
<b>Net change in fund balance</b>	(20,146,596)	(20,146,596)	834,696	20,981,292
Fund balance as of June 30, 2024	(3,182,174)	(3,182,174)	20,327,378	23,509,552
<b>Fund balance as of June 30, 2025</b>	<u>\$ (23,328,770)</u>	<u>\$ (23,328,770)</u>	<u>\$ 21,162,074</u>	<u>\$ 44,490,844</u>



**CLAY COUNTY SCHOOL DISTRICT**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2025**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 1,578,212	\$ 1,578,212	\$ 1,337,548	\$ (240,664)
Intergovernmental - State	1,754,862	1,754,862	1,712,781	(42,081)
Intergovernmental - Federal	5,935,440	5,935,440	8,484,271	2,548,831
Total revenues	<u>9,268,514</u>	<u>9,268,514</u>	<u>11,534,600</u>	<u>2,266,086</u>
<b>Expenditures</b>				
Current:				
Instruction	5,650,886	5,650,886	5,792,091	(141,205)
Student support services	215,035	215,035	152,297	62,738
Instructional support	2,431,069	2,431,069	2,419,996	11,073
District administration	-	-	881	(881)
Business Support Services	70,396	70,396	81,403	(11,007)
Plant operations & maintenance	407,771	407,771	200,929	206,842
Student transportation	-	-	11,294	(11,294)
Non instructional	-	-	-	-
Community service	538,357	538,357	557,073	(18,716)
Total expenditures	<u>9,313,514</u>	<u>9,313,514</u>	<u>9,215,964</u>	<u>97,550</u>
Deficit of revenues under expenditures	<u>(45,000)</u>	<u>(45,000)</u>	<u>2,318,636</u>	<u>2,363,636</u>
<b>Other financing sources</b>				
Operating transfers in	45,000	45,000	45,000	-
Operating transfers out	-	-	(2,363,636)	(2,363,636)
Total other financing sources	<u>45,000</u>	<u>45,000</u>	<u>(2,318,636)</u>	<u>(2,363,636)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance as of June 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance as of June 30, 2025</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLAY COUNTY SCHOOL DISTRICT****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUND****YEAR ENDED JUNE 30, 2025**

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The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2025

Non-Hazardous Job Classifications	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.148096%	\$ 8,856,768	\$ 5,922,756	149.54%	61.61%
2024	0.145815%	\$ 9,356,232	\$ 4,780,989	195.70%	57.48%
2023	0.149579%	\$ 10,813,086	\$ 4,352,752	248.42%	52.42%
2022	0.160546%	\$ 10,236,067	\$ 4,015,534	254.91%	57.33%
2021	0.168290%	\$ 12,907,704	\$ 4,138,341	311.91%	47.81%
2020	0.171600%	\$ 12,068,986	\$ 4,310,729	279.98%	50.45%
2019	0.185900%	\$ 11,076,437	\$ 4,339,172	255.27%	53.54%
2018	0.185900%	\$ 10,882,177	\$ 4,532,699	240.06%	53.30%
2017	0.199400%	\$ 9,815,866	\$ 4,465,649	219.81%	55.50%
2016	0.210840%	\$ 9,065,266	\$ 4,753,874	190.69%	59.97%
Hazardous Job Classifications	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.008898%	\$ 228,856	\$ 72,470	315.79%	57.05%
2024	0.008308%	\$ 223,980	\$ 66,682	335.89%	52.96%

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2025

Non-Hazardous Job Classifications	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 1,167,375	\$ 1,167,375	\$ -	\$ 5,922,756	19.71%
2024	\$ 1,115,883	\$ 1,115,883	\$ -	\$ 4,780,989	23.34%
2023	\$ 1,018,544	\$ 1,018,544	\$ -	\$ 4,352,752	23.40%
2022	\$ 850,088	\$ 850,088	\$ -	\$ 4,015,534	21.17%
2021	\$ 798,700	\$ 798,700	\$ -	\$ 4,138,341	19.30%
2020	\$ 831,971	\$ 831,971	\$ -	\$ 4,310,729	19.30%
2019	\$ 703,814	\$ 703,814	\$ -	\$ 4,339,172	16.22%
2018	\$ 656,335	\$ 656,335	\$ -	\$ 4,532,699	14.48%
2017	\$ 834,042	\$ 834,042	\$ -	\$ 4,465,649	18.68%
2016	\$ 811,021	\$ 811,021	\$ -	\$ 4,753,874	17.06%

Non-Hazardous Job Classifications	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 26,444	\$ 26,444	\$ -	\$ 72,470	36.49%
2024	\$ 27,413	\$ 27,413	\$ -	\$ 66,682	41.11%



**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM - PENSION FUND**  
**YEAR ENDED JUNE 30, 2025**

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Changes of Benefit Terms

None.

Changes of Assumptions

The assumed rate of inflation was decreased from 2.50% to 2.30%.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY (ASSET) - MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
JUNE 30, 2025

Non-Hazardous Job Classifications	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	0.148242%	\$ (256,430)	\$ 5,922,756	-4.33%	104.89%
2024	0.145809%	\$ (201,314)	\$ 4,780,989	-4.21%	104.20%
2023	0.149555%	\$ 2,951,488	\$ 4,352,752	67.81%	60.95%
2022	0.160508%	\$ 3,072,845	\$ 4,015,534	76.52%	62.91%
2021	0.168241%	\$ 4,062,509	\$ 4,138,341	98.17%	51.67%
2020	0.170000%	\$ 2,885,562	\$ 4,610,729	62.58%	60.44%
2019	0.185915%	\$ 3,228,941	\$ 4,339,172	74.41%	57.62%
2018	0.185915%	\$ 3,737,527	\$ 4,532,699	82.46%	52.40%

  

Hazardous Job Classifications	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	0.008900%	\$ 10,796	\$ 72,470	14.90%	15.22%
2024	0.008302%	\$ 11,359	\$ 66,682	17.03%	19.01%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2025

Non-Hazardous Job Classifications	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered- employee payroll
2025	\$ -	\$ -	\$ -	\$ 5,922,756	0.00%
2024	\$ -	\$ -	\$ -	\$ 4,780,989	0.00%
2023	\$ 147,558	\$ 147,558	\$ -	\$ 4,352,752	3.39%
2022	\$ 232,098	\$ 232,098	\$ -	\$ 4,015,534	5.78%
2021	\$ 196,985	\$ 196,985	\$ -	\$ 4,138,341	4.76%
2020	\$ 219,471	\$ 219,471	\$ -	\$ 4,610,729	4.76%
2019	\$ 228,240	\$ 228,240	\$ -	\$ 4,339,172	5.26%
2018	\$ 213,037	\$ 213,037	\$ -	\$ 4,532,699	4.70%

Hazardous Job Classifications	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered- employee payroll
2025	\$ 1,536	\$ 1,536	\$ -	\$ 72,470	2.12%
2024	\$ 1,720	\$ 1,720	\$ -	\$ 66,682	2.58%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN**  
**YEAR ENDED JUNE 30, 2025**

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Changes of Benefit Terms

None.

Changes of Assumptions

The single discount rate changed from 5.93% to 5.99%.

Healthcare trend rates for Pre-65 decreased from 6.80% to 6.20%.

Healthcare trend rates for Post-65 increased from 8.50% to 9.00%.



CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
JUNE 30, 2025

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2025	100%	\$ 59,115,331	60.36%
2024	100%	\$ 64,060,360	57.68%
2023	100%	\$ 64,009,207	56.41%
2022	100%	\$ 51,555,932	65.59%
2021	100%	\$ 58,353,917	58.27%
2020	100%	\$ 54,680,148	58.80%
2019	100%	\$ 54,687,316	59.30%
2018	100%	\$ 117,189,836	39.83%
2017	100%	\$ 130,201,086	35.22%
2016	100%	\$ 103,325,725	42.49%

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF STATE CONTRIBUTIONS  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2025

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	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2025	\$ 3,842,306	\$ 3,842,306	\$ -
2024	\$ 3,853,306	\$ 3,853,306	\$ -
2023	\$ 5,840,279	\$ 5,840,279	\$ -
2022	\$ 4,115,363	\$ 4,115,363	\$ -
2021	\$ 4,223,775	\$ 4,223,775	\$ -
2020	\$ 4,114,985	\$ 4,114,985	\$ -
2019	\$ 3,962,512	\$ 3,962,512	\$ -
2018	\$ 4,163,680	\$ 4,163,680	\$ -
2017	\$ 2,142,346	\$ 2,142,346	\$ -
2016	\$ 2,136,915	\$ 2,136,915	\$ -

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**KENTUCKY TEACHERS RETIREMENT SYSTEM**  
**YEAR ENDED JUNE 30, 2025**

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Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY (ASSET) - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
JUNE 30, 2025

	District's proportion of net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	District's covered-employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	0.182501%	\$ 4,068,000	\$ 3,624,000	\$ 17,540,417	23.19%	47.12%
2024	0.196693%	\$ 4,791,000	\$ 4,038,000	\$ 16,739,153	28.62%	52.97%
2023	0.273098%	\$ 6,780,000	\$ 2,227,000	\$ 16,782,814	40.40%	47.75%
2022	0.212600%	\$ 4,562,000	\$ 3,705,000	\$ 16,418,015	27.79%	51.74%
2021	0.220000%	\$ 5,603,000	\$ 4,488,000	\$ 15,917,658	35.20%	39.05%
2020	0.220000%	\$ 6,291,000	\$ 5,081,000	\$ 15,889,612	39.59%	32.58%
2019	0.231207%	\$ 7,540,000	\$ 6,498,000	\$ 15,236,873	49.49%	25.50%
2018	0.231207%	\$ 8,244,000	\$ 6,734,000	\$ 15,483,138	53.25%	21.18%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS - MEDICAL INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2025

	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	District's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 526,213	\$ 526,213	\$ -	\$ 17,540,417	3.00%
2024	\$ 502,175	\$ 502,175	\$ -	\$ 16,739,153	3.00%
2023	\$ 503,484	\$ 503,484	\$ -	\$ 16,782,814	3.00%
2022	\$ 492,543	\$ 492,543	\$ -	\$ 16,418,015	3.00%
2021	\$ 477,588	\$ 477,588	\$ -	\$ 15,917,658	3.00%
2020	\$ 476,688	\$ 476,688	\$ -	\$ 15,889,612	3.00%
2019	\$ 457,106	\$ 457,106	\$ -	\$ 15,236,873	3.00%
2018	\$ 464,494	\$ 464,494	\$ -	\$ 15,483,138	3.00%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN**  
**YEAR ENDED JUNE 30, 2025**

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Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

Health care cost trends decreased from 6.75% to 6.50%.

Health care cost trends for Medicare Part B Premiums increased from 1.55% to 5.92%.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY (ASSET) - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM - MEDICAL INSURANCE PLAN  
JUNE 30, 2025

	State's proportion of net OPEB liability (asset)	State's proportionate share of the net OPEB liability (asset)	Plan fiduciary net position as a percentage of the total OBEP liability
2025	100%	\$ 83,000	80.56%
2024	100%	\$ 100,000	76.91%
2023	100%	\$ 111,000	73.97%
2022	100%	\$ 49,000	89.15%
2021	100%	\$ 136,000	71.57%
2020	100%	\$ 118,000	73.40%
2019	100%	\$ 111,000	75.00%
2018	100%	\$ 90,000	79.99%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF STATE CONTRIBUTIONS - LIFE INSURANCE PLAN  
KENTUCKY TEACHERS' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2025

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	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)
2025	\$ 10,106	\$ 10,106	\$ -
2024	\$ 9,939	\$ 9,939	\$ -
2023	\$ 8,455	\$ 8,455	\$ -
2022	\$ 7,547	\$ 7,547	\$ -
2021	\$ 6,534	\$ 6,534	\$ -
2020	\$ 4,991	\$ 4,991	\$ -
2019	\$ 3,871	\$ 3,871	\$ -
2018	\$ 3,961	\$ 3,961	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



CLAY COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
KENTUCKY TEACHERS' RETIREMENT SYSTEM - LIFE INSURANCE PLAN  
YEAR ENDED JUNE 30, 2025

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Changes of Benefit Terms

None.

Changes of Assumptions

The municipal bond index rate increased from 3.66% to 3.94%.

## OTHER SUPPLEMENTARY INFORMATION

CLAY COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2025

	Student Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 425,325	\$ 1,431,594	\$ 560,713	\$ -	\$ 2,417,632
<b>Total assets</b>	<u>\$ 425,325</u>	<u>\$ 1,431,594</u>	<u>\$ 560,713</u>	<u>\$ -</u>	<u>\$ 2,417,632</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Fund Balances:					
Restricted	\$ 425,325	\$ 1,431,594	\$ 560,713	\$ -	2,417,632
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities fund balances</b>	<u>\$ 425,325</u>	<u>\$ 1,431,594</u>	<u>\$ 560,713</u>	<u>\$ -</u>	<u>\$ 2,417,632</u>

## CLAY COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
 Year ended June 30, 2025

	Student Activity Fund	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 650,044	\$ -	\$ 650,044
Earnings on investments	-	-	-	-	-
Other local	1,063,291	-	-	-	1,063,291
Intergovernmental - State	-	248,218	2,355,876	595,965	3,200,059
<b>Total revenues</b>	<b>1,063,291</b>	<b>248,218</b>	<b>3,005,920</b>	<b>595,965</b>	<b>4,913,394</b>
<b>Expenditures</b>					
Instruction	-	-	-	-	-
Instructional support	-	-	-	-	-
Other	-	-	-	-	-
Non-Instruction	1,055,906	-	-	-	1,055,906
Debt service	-	-	-	3,314,465	3,314,465
<b>Total expenditures</b>	<b>1,055,906</b>	<b>-</b>	<b>-</b>	<b>3,314,465</b>	<b>4,370,371</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	2,718,500	2,718,500
Transfers out	-	-	(7,751,200)	-	(7,751,200)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(7,751,200)</b>	<b>2,718,500</b>	<b>(5,032,700)</b>
<b>Net change in fund balance</b>	<b>7,385</b>	<b>248,218</b>	<b>(4,745,280)</b>	<b>-</b>	<b>(4,489,677)</b>
Fund balance as of June 30, 2024	417,940	1,183,376	5,305,993	-	6,907,309
<b>Fund balance as of June 30, 2025</b>	<b>\$ 425,325</b>	<b>\$ 1,431,594</b>	<b>\$ 560,713</b>	<b>\$ -</b>	<b>\$ 2,417,632</b>



**CLAY COUNTY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2025**

<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2024</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2025</u>	<u>Accounts Receivable June 30, 2025</u>	<u>Accounts Payable June 30, 2025</u>	<u>Balances June 30, 2025</u>
Big Creek Elementary School	\$ 10,645	\$ 37,961	\$ 39,206	\$ 9,400	\$ -	\$ -	\$ 9,400
Burning Springs Elementary School	7,982	85,331	79,765	13,548	-	-	13,548
Goose Rock Elementary School	77,811	55,139	44,124	88,826	-	-	88,826
Hacker Elementary School	11,691	30,033	28,626	13,098	-	-	13,098
Horse Creek Learning Center	5,779	123	40	5,862	-	-	5,862
Manchester Elementary School	68,309	68,060	73,069	63,300	-	-	63,300
Oneida Elementary School	15,367	13,248	19,662	8,953	-	-	8,953
Paces Creek Elementary School	16,131	107,106	109,752	13,485	-	-	13,485
Clay County Middle School	<u>37,747</u>	<u>116,843</u>	<u>111,677</u>	<u>42,913</u>	<u>-</u>	<u>-</u>	<u>42,913</u>
Totals	<u>\$ 251,462</u>	<u>\$ 513,844</u>	<u>\$ 505,921</u>	<u>\$ 259,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,385</u>

See accompanying independent auditor's report.

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
CLAY COUNTY HIGH SCHOOL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2025

	Balances June 30, 2024	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2025	Accounts Payable June 30, 2025	Balances June 30, 2025
General	\$ 12,118	\$ 4,134	\$ 7,331	\$ (85)	\$ 8,836	\$ -	\$ -	8,836
Vending Machines	12,192	4,693	8,599	-	8,286	-	-	8,286
Staff fund	792	5,161	5,394	-	559	-	-	559
Ticket Change	-	1,500	1,500	-	-	-	-	-
Health care cost trends for A	-	500	500	-	-	-	-	-
Sweep	-	5,790	5,790	-	-	-	-	-
Basketball, Boys	4,135	82,640	76,089	112	10,798	-	-	10,798
Basketball, Girls	16,946	40,720	42,682	97	15,081	-	-	15,081
Football Club	10,436	39,625	39,622	(435)	10,004	-	-	10,004
Baseball	7,211	35,128	37,660	(75)	4,604	-	-	4,604
Cross-country	2,936	3,145	3,919	-	2,162	-	-	2,162
Cheerleaders	4,191	102,258	89,692	(90)	16,667	-	-	16,667
Bass Fishing	360	-	-	-	360	-	-	360
Girl's Golf	638	6,781	5,090	-	2,329	-	-	2,329
E Sports	29	-	-	-	29	-	-	29
Archery 2	114	945	912	(147)	-	-	-	-
Softball	10,124	13,060	14,934	(554)	7,696	-	-	7,696
Golf-Boys	2,766	21,248	14,180	(135)	9,699	-	-	9,699
Tennis	4,312	9,809	12,125	(270)	1,726	-	-	1,726
Volleyball	2,553	13,356	11,785	(540)	3,584	-	-	3,584
Track	120	14,038	14,418	260	-	-	-	-
Archery	1,986	5,863	5,243	147	2,753	-	-	2,753
Band	-	5,415	3,655	(90)	1,670	-	-	1,670
Old Choir	-	745	-	(745)	-	-	-	-
Choir	-	3,748	2,645	(90)	1,013	-	-	1,013
FCCLA	4,104	7,773	9,756	100	2,221	-	-	2,221
FBLA	2,392	-	196	-	2,196	-	-	2,196
TSA/Robotics	1,352	-	280	-	1,072	-	-	1,072
Home economics	1,678	-	388	-	1,290	-	-	1,290
KYA/KUNA	514	-	-	-	514	-	-	514
KUNA	-	-	-	-	-	-	-	-
Tiger Tribe	375	-	47	-	328	-	-	328
Theatre	4,905	53,141	49,246	(270)	8,530	-	-	8,530
Theatre Jr	-	-	-	-	-	-	-	-
Letterman	-	11,378	14,697	3,367	48	-	-	48
JROTC	222	1,573	1,063	(732)	-	-	-	-
Library	1,388	-	-	-	1,388	-	-	1,388
JKG	-	7,538	7,813	275	-	-	-	-

Continued on next page

CLAY COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
CLAY COUNTY HIGH SCHOOL ACTIVITY FUND  
YEAR ENDED JUNE 30, 2025

	Balances June 30, 2024	Receipts	Disbursements	Transfers in (out)	Cash and cash equivalents	Accounts Receivable June 30, 2025	Accounts Payable June 30, 2025	Balances June 30, 2025
Tiger's Den	-	8,215	6,433	-	1,782	-	-	1,782
Tiny Tigers	-	-	-	-	-	-	-	-
Yearbook	41,896	27,246	45,378	-	23,764	-	-	23,764
13th Region	8,782	378	537	-	8,623	-	-	8,623
Advanced Placement	-	1,545	1,545	-	-	-	-	-
Chrome	1,992	135	1,658	-	469	-	-	469
Beverly's FMD	-	-	-	-	-	-	-	-
Crystal's FMD	575	3,056	910	-	2,721	-	-	2,721
Academic Team	220	192	376	-	36	-	-	36
Gear Up	-	100	-	(100)	-	-	-	-
Prom	2,124	6,875	5,897	-	3,102	-	-	3,102
Total accounts	<u>\$ 166,478</u>	<u>\$ 549,447</u>	<u>\$ 549,985</u>	<u>\$ -</u>	<u>\$ 165,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 165,940</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<b>Expenditures</b>			
<u>U.S. Department of Education</u>			
Passed through the Kentucky Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3100202-23	\$ 45,474
Title I Grants to Local Educational Agencies	84.010	3100202-23	23,749
Health care cost trends for Medicare Part B Premiums increased from 1.55%	84.010	3100202-23	1,186
Title I Grants to Local Educational Agencies	84.010	3100202-24	136,066
Title I Grants to Local Educational Agencies	84.010	3100202-25	2,812,068
Title I Grants to Local Educational Agencies	84.010	3100202-25	26,974
Title I Grants to Local Educational Agencies	84.010	3100202-25	56,464
Title I Grants to Local Educational Agencies	84.010	3100202-25	20,516
Title I Grants to Local Educational Agencies	84.010	3100202-25	130,439
			<u>3,252,936</u>
<i>Special Education Cluster</i>			
Special Education Grants to States	84.027A	3810002-24	94,480
Special Education Grants to States	84.027A	3810002-25	915,285
Special Education Grants to States	84.027A	3810002-25	11,180
			<u>1,020,945</u>
Special Education Preschool Grants	84.173A	3800002-24	74,224
Special Education Preschool Grants	84.173A	3800002-25	75,677
			<u>149,901</u>
<b>Total Special Education Cluster</b>			<u>1,170,846</u>
Career and Technical Education - Basic Grants to States	84.048	3710002-24	45,965
			<u>45,965</u>
Innovative Approaches to Literacy	84.215	3710002-24	631,447
			<u>631,447</u>
Rural and Low-Income School Program	84.358B	3140002-24	4,418
Rural and Low-Income School Program	84.358B	3140002-25	88,813
			<u>93,231</u>
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	3160002-24	34,871
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	3160002-25	298,585
			<u>333,456</u>
Supporting Effective Instruction State Grants	84.367A	3230002-23	1,428
			<u>1,428</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Continued</u>			
Passed through the Kentucky Department of Education:			
Student Support and Academic Enrichment Grant	84.424A	3420002-23	127
Student Support and Academic Enrichment Grant	84.424A	3420002-24	620
Student Support and Academic Enrichment Grant	84.424A	3420002-24	982
Student Support and Academic Enrichment Grant	84.424A	3420002-24	33,756
Student Support and Academic Enrichment Grant	84.424A	3420002-24	69,654
Student Support and Academic Enrichment Grant	84.424A	3420002-24	48
Student Support and Academic Enrichment Grant	84.424A	3420002-24	8,850
Student Support and Academic Enrichment Grant	84.424A	3420002-24	22,417
Student Support and Academic Enrichment Grant	84.424A	3420002-24	11,748
Student Support and Academic Enrichment Grant	84.424A	3420002-24	79,917
			<u>228,119</u>
Education Stabilization Fund (COVID-19):			
American Rescue Plan Elementary and Secondary School Emergency Relief Fund (COVID-19)	84.425U	4300002-23	2,721,830
American Rescue Plan - Elementary and Secondary School Emergency Relief Fund (COVID-19)	84.425U	563I	5,013
			<u>2,726,843</u>
<b>Total U.S. Department of Education</b>			<u>8,484,271</u>
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
Passed through the Kentucky Department of Education			
National School Lunch Program	10.555	7750002-24	1,514,519
National School Lunch Program - Commodities	10.555	57502.02	89,770
			<u>1,604,289</u>
School Breakfast Program	10.553	7760005-24	549,160
			<u>549,160</u>
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<u>2,153,449</u>
Passed through the Kentucky Department of Education			
State Administrative Expenses for Child Nutrition	10.560	7700001-24	2,003
<b>Total U.S. Department of Agriculture</b>			<u>2,155,452</u>
<b>Total federal expenditures</b>			<u>\$ 10,639,723</u>

**CLAY COUNTY SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2025**

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Clay County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because this 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.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2025 is \$89,770.

**3. CLUSTER PROGRAMS**

The following ALN are considered cluster programs:

Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

**4. INDIRECT COST RATE**

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

**5. SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.





**Cloyd & Associates, PSC**

*Certified Public Accountants  
and  
Business Advisors*

**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  
Clay County Board of Education  
Manchester, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits 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 Clay County Board of Education (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Clay County Board of Education's basic financial statements, and have issued our report thereon dated December 1, 2025.

**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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the 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 test disclosed no instances of material noncompliance with specific state statutes or regulations identified in the *Independent Auditor's Contract-State Audit Requirements*.

## **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.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
December 1, 2025



**Cloyd & Associates, PSC**

*Certified Public Accountants  
and  
Business Advisors*

**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  
Clay County Board of Education  
Manchester, Kentucky

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Clay County Board of Education's (District) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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 programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 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), and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract-State Audit Requirements*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors 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 the relevant ethical requirements related 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 risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



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

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
December 1, 2025

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



CLAY COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement noted	_____	Yes	<u>✓</u> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>ALN</u>
---	------------

Education Stabilization Fund:	
American Rescue Plan Elementary and Secondary School Emergency Relief Fund	84.425U

Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

State Administrative Expenses for Child Nutrition	10.560
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Dollar threshold used to distinguish between Type A and Type B program	\$750,000
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Auditee qualified as low risk	<u>✓</u> Yes	_____ No
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(Continued)

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
**YEAR ENDED JUNE 30, 2025**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None

**CLAY COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2025**

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**Status of Prior Year Findings**

There were no prior year audit findings.

## **MANAGEMENT LETTER COMMENTS**



**Cloyd & Associates, PSC**

*Certified Public Accountants  
and  
Business Advisors*

**MANAGEMENT LETTER**

Members of the Board of Education  
Clay County School District  
Manchester, Kentucky

In planning and performing our audit of the basic financial statements of Clay County School District (District) for the year ended June 30, 2025, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

If during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency we have included them on the memorandum that accompanies this letter which summarizes comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated December 1, 2025, on the basic financial statements of Clay County School District.

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
December 1, 2025





**Prior Year Comments – School Activity Funds**

Burning Springs Elementary

1. Several instances of receipts not being deposited timely.

*No instances identified in the current year.*

Goose Rock Elementary

2. Several instances of receipts not being deposited timely.

*No instances identified in the current year.*

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER COMMENTS-CONTINUED**  
**Year Ended June 30, 2025**

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**Current Year Comments –School Activity Funds**

**Big Creek Elementary**

1. Several instances of bank statements not being signed and dated by the proper employee. Bank statements must be reviewed, signed and dated by the proper employee.

*Management Response: The director of finance will monitor the monthly bank statements to ensure the school principal signs and dates all bank statements. Additional Redbook training will be made available to staff, if needed.*

2. Several instances of checks being written with only one signature. All checks must be signed by both the principal and the school bookkeeper.

*Management Response: The director of finance will review cancelled checks on the monthly bank statements to ensure all checks have two signatures. Additional Redbook training will be made available to staff, if needed.*

3. Several instances of invoices dated prior to the issuance of the purchase order. All purchases need to have proper purchase order approval before ordering and/or payment of an invoice.

*Management Response: The school principal will monitor the supporting documentation prior to signing the checks to ensure that purchase orders are being issued prior to the invoice date. The director of finance will also ensure purchase orders are being utilized properly during the on-site audit. Additional Redbook training will be made available to staff, if needed.*

**Goose Rock Elementary**

1. Several instances of ending tickets not attached to ticket sales form. All ticket sales forms must have the beginning and ending ticket attached.

*Management Response: The director of finance will ensure beginning and ending tickets are being attached to the ticket sales form during the internal audit. Additional Redbook training will be made available to staff, if needed.*

**Manchester Elementary**

1. Several instances of ticket sale deposits not being made timely. All deposits must be made on the day collected, or the next business day,

*Management Response: The school principal will monitor the timeliness of each deposit during the bank statement review to ensure all deposits are being made in a timely manner. The director of finance will also review the timeliness of deposits during the on-site internal audit. Additional Redbook training will be made available to staff, if needed.*

**Paces Creek Elementary**

1. Several instances of bank statements not being signed and dated by the proper employee. Bank statements must be reviewed, signed and dated by the proper employee.

*Management Response: The Director of Finance will monitor the monthly bank statements to ensure the school principal signs and dates all bank statements. Additional Redbook training will be made available to staff, if needed.*

**CLAY COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER COMMENTS-CONTINUED**  
Year Ended June 30, 2025

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2. Several instances of invoices dated prior to the issuance of the purchase order. All purchases need to have proper purchase order approval before ordering and/or payment of an invoice.

*Management Response: The school principal will monitor the supporting documentation prior to signing the checks to ensure that purchase orders are being issued prior to the invoice date. The Director of Finance will also ensure purchase orders are being utilized properly during the on-site audit. Additional Redbook training will be made available to staff, if needed.*