

**LINCOLN COUNTY  
SCHOOL DISTRICT  
AUDIT REPORT  
JUNE 30, 2025**

## TABLE OF CONTENTS

Independent Auditor's Report	1-3
Management Discussion and Analysis	4-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Basic Financial Statements	20-52
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	53
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	54
Schedule of District's Proportionate Share of Net Pension Liability – Teachers' Retirement System	55
Schedule of District's Proportionate Share of Net Pension Liability – County Employees Retirement System	56
Schedule of Contributions to the Teachers Retirement System	57

## TABLE OF CONTENTS (CONTINUED)

Schedule of Contributions to the County Employees Retirement System	58
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - CERS	59
Schedule of District's Proportionate Share of the Net OPEB Liability – Medical Insurance - TRS	60
Schedule of District's Proportionate Share of the Net OPEB Liability – Life Insurance - TRS	61
Schedule of Contributions to the Medical Insurance Plan - CERS	62
Schedule of Contributions to the Medical Insurance Plan - TRS	63
Schedule of Contributions to the Life Insurance Plan - TRS	64
Notes to Required Supplementary Information	65-70
Other Supplementary Information:	
Combining Statement – Non-Major Funds:	
Combining Balance Sheet – Non-Major Governmental Funds	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	72
Combining Statement of Revenues, Expenditures and Fund Balances – Agency Funds	73
Statement of Receipts, Disbursements and Fund Balance – High School Activity Fund	74
Schedule of Expenditures of Federal Awards	75
Notes to Schedule of Expenditures of Federal Awards	76
Schedule of Findings and Questioned Costs	77
Schedule of Prior Year Audit Findings	78
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 <i>Government Auditing Standards</i>	79-80
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required the Uniform Guidance	81-83
Management Letter Comments	84
Letter to Those Charged with Governance	85-87

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

678 Metts Drive

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA  
Thomas C. Spalding, CPA

Email joe.montgomery@jamcpas.com  
Email: thomas.spalding@jamcpas.com

December 17, 2025

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Lincoln County School District  
Stanford, Kentucky

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Lincoln County School District's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. 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 Lincoln County School District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Lincoln County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln County School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control 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, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 53 through 56, and 59 through 61 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 Lincoln County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the 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 my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued my report dated December 17, 2025, on our consideration of Lincoln County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lincoln County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln County School District's internal control over financial reporting and compliance.

Sincerely,

***Montgomery & Company, P.L.L.C.***

Certified Public Accountants

# **LINCOLN COUNTY PUBLIC SCHOOL DISTRICT – STANFORD, KY**

## **MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)**

### **YEAR ENDED JUNE 30, 2025**

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

#### **FINANCIAL HIGHLIGHTS**

- The June 30, 2025 cash balance for the District was \$16.47 million, as compared with the beginning cash balance of \$15.75 million. The ending cash balance consists of General Fund of \$8,969,989, Debt Service Fund of \$16,443, Building Fund of \$1,248,822, Construction Fund of \$3,552,357, District Activity of \$79,672, SEEK/Capital Outlay of \$1,869,921, School Activity of \$342,651, and Food Service of \$394,157.
- Government-wide net position increased \$3,996,244 during the year. Total long-term obligations decreased by \$1,554,879.
- The General Fund had \$34.2 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$36.9 million in General Fund expenditures.
- General Fund revenue increased \$1,575,829 from last fiscal year mainly due to an increase in SEEK funding. General Fund expenses increased \$5,260,170 compared to last fiscal year.
- The financial statements reflect revenues of \$9,483,423 in on-behalf payments compared to revenues of \$7,863,736 for the previous year. On-behalf payments are revenue from the state on-behalf of District employees retirement contributions, health insurance, administration fees and technology with a like amount of expenses recorded.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 in addition to the basic financial statements themselves.

#### **Government-wide financial statements**

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

### **Fund financial statements**

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

### **Notes to the financial statements**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$24,952,200.

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) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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



## Net Position for the period ending June 30, 2024 and June 30, 2025

A comparison of June 30, 2024 and June 30, 2025 government wide net position is as follows:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Current and Other Assets	\$17,507,824	\$18,858,637	\$1,067,645	\$608,682	\$18,575,469	19,467,319
Capital Assets	41,473,324	40,703,849	185,382	191,756	41,658,706	40,895,605
Total Assets	58,981,148	59,562,486	1,253,027	800,438	60,234,175	60,362,924
Deferred Outflows	6,651,099	6,676,337	485,538	395,034	7,136,637	7,071,371
TOTAL ASSETS AND DEFERRED OUTFLOWS	65,632,247	66,238,823	1,738,565	1,195,472	67,370,812	67,434,295
Current Liabilities	3,824,262	3,688,836	8,277	25,290	3,832,539	3,714,126
Non-Current Liabilities	30,527,409	29,013,754	1,855,163	1,810,687	32,382,572	30,824,441
Total Liabilities	34,351,671	32,702,590	1,863,440	1,835,977	36,215,111	34,538,567
Deferred Inflows	10,571,268	8,584,033	1,089,487	820,505	11,660,755	9,404,538
TOTAL LIABILITIES AND DEFERRED INFLOWS	44,922,939	41,286,623	2,952,927	2,656,482	48,875,866	43,943,105
<b>Net Position</b>						
Investment in capital assets (net of related debt)	23,302,166	24,470,951	115,312	109,179	23,417,478	24,580,130
Restricted	3,705,994	6,934,330	(1,329,674)	(1,570,189)	2,376,320	5,364,141
Unrestricted	(6,298,852)	(6,453,081)	-	-	(6,298,852)	(6,453,081)
<b>Total Net Position</b>	<u>\$ 20,709,308</u>	<u>\$ 24,952,200</u>	<u>\$ (1,214,362)</u>	<u>\$ (1,461,010)</u>	<u>\$ 19,494,946</u>	<u>\$23,491,190</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 248,537	\$ 51,881	\$ 31,792	\$ 30,920	\$ 280,329	\$ 82,801
Operating grants and contributions	13,408,547	10,756,255	3,264,800	3,072,276	16,673,347	13,828,531
Capital grants	66,489	85,525			66,849	85,525
General revenues						
Property taxes	6,807,123	7,404,944			6,807,123	7,404,944
Motor vehicle taxes	1,391,479	1,300,582			1,391,479	1,300,582
Utility Taxes	1,298,550	1,375,365			1,298,550	1,375,365
Other taxes	17,276	10,128			17,276	10,128
Investment earnings	546,359	626,170	47,336	23,713	593,695	649,883
State and formula grants	24,590,459	30,132,115			24,590,459	30,132,115
Miscellaneous	928,257	1,087,064			928,257	1,087,064
Fund Transfer	150,500	169,231	(150,500)	(169,231)	0	0
Gain (Loss) Sale of Assets	16,351	222,044			16,351	222,044
<b>Total revenues</b>	<u>49,470,287</u>	<u>53,221,304</u>	<u>3,193,428</u>	<u>2,957,678</u>	<u>52,663,715</u>	<u>56,178,982</u>
<b>EXPENSES</b>						
Program Activities						
Instructional	28,047,486	29,727,699			28,047,486	29,727,699
Student support	1,124,068	1,463,447			1,124,068	1,463,447
Instructional staff Support	1,465,102	1,486,982			1,465,102	1,486,982
District administrative support	1,026,374	1,126,802			1,026,374	1,126,802
School administrative support	2,480,062	2,751,873			2,480,062	2,751,873
Business support	1,286,217	1,186,671			1,286,217	1,186,671
Plant operations and maintenance	5,200,879	6,257,871			5,200,879	6,257,871
Student transportation	3,298,314	3,497,306			3,298,314	3,497,306
Central Office						
Food Service Operations		274,735				274,735
Community service activities	550,388	591,616			550,388	591,616
Debt Service	577,962	534,439			577,962	534,439
Business-type Activities						
Food service			3,348,905	3,204,326	3,348,905	3,204,326
Community education						
<b>Total operating expenses</b>	<u>45,056,852</u>	<u>48,899,411</u>	<u>3,348,905</u>	<u>3,204,326</u>	<u>48,405,757</u>	<u>52,103,737</u>
<b>Revenue Over (Under) Expend.</b>	<u>\$ 4,413,435</u>	<u>\$ 4,321,893</u>	<u>\$ (155,477)</u>	<u>\$ (246,648)</u>	<u>\$ 4,257,958</u>	<u>\$ 4,075,245</u>

### Statement of Activities

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance benefits, administration fees, technology, retirement plans and debt service. The total on-behalf payments for 2024 and 2025 were \$7,863,736 and \$9,483,423 respectively.

### Governmental Activities

For the governmental program, instructional expense comprises 61% of total expense and includes the schools' expenditures for staff and supplies. Support services equate to 37% of total expense and are comprised of spending for student support, staff support, district administrative support, business support, plant operation and maintenance and student transportation. Interest and other expenses make up the remaining 2% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of Activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Instructional	\$ 28,047,486	\$ 29,727,669	\$ 15,933,364	\$ 20,726,975
Support Services	15,881,016	18,045,687	14,900,460	16,829,521
Other	550,388	591,616	(12,018)	340
Interest Costs	<u>577,962</u>	<u>534,439</u>	<u>511,113</u>	<u>448,914</u>
Total Expenses	<u>\$ 45,056,852</u>	<u>\$ 48,899,411</u>	<u>\$ 31,332,919</u>	<u>\$ 38,005,750</u>

### Business-Type Activities

The business type activities at the District are Food Service. This program had total revenues of \$3,126,909 and expenses of \$3,204,326 for fiscal year 2025. These revenues were made up of \$30,920 charges for services, \$3,072,276 federal and state operating grants and \$23,713 earnings on investments. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

### FSPK and Construction Funds Revenue/Expenditures

Fund 310 is the capital outlay fund and Fund 320 is the building fund (FSPK). State funding makes up the Capital Outlay fund and building fund is made up of state and local revenue. Fund 400 is the debt service fund and is used to make debt payments. There, the funds 310 and 320 were used to collect the state and local revenues, and transfers were then made to Fund 400 as debt service payments came due.

### General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$35,413,356 with actual results being \$35,245,331. Budgeted expenditures were \$45,806,140 compared to actual expenditures of \$37,261,702.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2025 fiscal year, the district had invested \$88,520,246 in a broad range of capital assets, including equipment, buses, buildings, and land. This District had a net increase in Capital Assets of \$1,738,640. Depreciation expense for the year was \$2,606,601 and capital additions were \$1,791,638.

	Governmental		Business - Type		Total Primary Government	
	Activities (Net of Depreciation)		Activities (Net of Depreciation)		(Net of Depreciation)	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Land	\$ 409,580	\$ 409,580	\$ -	\$ -	\$ 409,580	\$ 409,580
Construction in Progress	24,860	579,720			24,860	579,720
Buildings and Improvements	37,020,296	35,474,148	-	-	37,020,296	35,474,148
Technology	587,544	464,769	-	-	587,544	464,769
Vehicles	2,398,743	2,548,420	-	-	2,398,743	2,548,420
General Equipment	<u>774,040</u>	<u>904,991</u>	<u>115,312</u>	<u>109,179</u>	<u>889,352</u>	<u>1,014,170</u>
Total	<u>\$41,215,063</u>	<u>\$40,381,628</u>	<u>\$ 115,312</u>	<u>\$ 109,179</u>	<u>\$ 41,330,375</u>	<u>\$ 40,490,807</u>

	Governmental		Business - Type		Total	
	Activities		Activities		Primary Government	
	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>
Beginning Balance	\$ 40,520,754	\$ 41,215,063	\$ 114,396	\$115,312	\$ 40,635,150	\$41,330,375
Additions	3,085,851	1,765,080	32,961	26,558	3,118,812	1,791,638
Retirements		(25,605)	-	-	0	(25,605)
Depreciation	<u>(2,391,542)</u>	<u>(2,572,910)</u>	<u>(32,045)</u>	<u>(32,691)</u>	<u>(2,423,587)</u>	<u>(2,605,601)</u>
Ending Balance	<u>\$ 41,215,063</u>	<u>\$ 40,381,628</u>	<u>\$ 115,312</u>	<u>\$ 109,179</u>	<u>\$ 41,330,375</u>	<u>\$ 40,490,807</u>

### Long-Term Debt

The District made scheduled bond principal payments in the amount of \$1,797,000 and KISTA principal lease payments in the amount of \$206,945.

### Outstanding Debt at Year-End

	Government	
	Activities (in Millions)	
	<u>2024</u>	<u>2025</u>
Capital Lease Obligations	\$ .46	\$ .25
General Bond Obligations	17.45	15.67
Net Pension Liability	10.51	10.26
Net OPEB Liability	3.94	4.22
Accrued Sick Leave	<u>0.28</u>	<u>0.74</u>
Total Obligations	<u>\$ 32.64</u>	<u>\$ 31.14</u>

### **Future Budgetary Implications**

In Kentucky, the public school's fiscal year is July 1 – June 30; other programs, i.e. some Federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for fiscal year 2024-2025 with a 12% contingency.

The state did not mandate pay increases. A minimum of a 7% certified raise and \$1.00/hour classified raise was given for the 24-25 school year, but the exact raise amount varied from pay type to pay type. The SEEK base received from the State increased to \$4,326. With a declining pupil adjusted average daily attendance (AADA), the total SEEK funding is projected to decrease. Since state funding is not keeping pace with rising costs it will continue to be an issue. Increasing retirement costs borne by the District is one of the significant issues that will impact future budgets.

The District has not experienced any real growth in student population for more than a decade, although costs of providing services continue to increase. Thus, management will continue to be challenged with balancing our staffing needs with declining enrollment and providing the resources to meet the students' needs.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (606) 365-2124 or by mail at Lincoln County Board of Education, 305 Danville Avenue, Stanford, KY 40484.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	16,079,855	394,157	16,474,012
Accounts Receivable:			
Taxes - Current	966,092		966,092
Taxes - Delinquent	10,310		10,310
Accounts	66,304		66,304
Intergovernmental - State	56,150		56,150
Intergovernmental - Federal	1,660,089	161,326	1,821,415
Prepaid Expenses	19,837		19,837
Inventories for Consumption		53,199	53,199
Total Current Assets	18,858,637	608,682	19,467,319
Noncurrent Assets - Note F			
Net CERS OPEB Asset	266,919	82,577	349,496
Subscription - Based IT Asset - Net of Amortization	55,302		55,302
Non-Depreciable Capital Assets	989,300		989,300
Depreciable Capital Assets - Net of Accumulated Depreciation	39,392,328	109,179	39,501,507
Total Noncurrent Assets	40,703,849	191,756	40,895,605
TOTAL ASSETS	59,562,486	800,438	60,362,924
Deferred Outflows Related to Pensions	2,897,466	242,260	3,139,726
Deferred Outflows Related to Other Post Employment Benefits	3,715,423	152,774	3,868,197
Deferred Outflows from Advanced Bond Refundings	63,448		63,448
TOTAL DEFERRED OUTFLOWS	6,676,337	395,034	7,071,371
TOTAL ASSETS AND DEFERRED OUTFLOWS	66,238,823	1,195,472	67,434,295
LIABILITIES:			
Current Liabilities:			
Accounts Payable	404,384	25,290	429,674
Accrued Salaries & Sick Leave - Note A & Note R	210,659		210,659
Advances from Grantors	966,040		966,040
Bond Obligations - Note D	1,828,000		1,828,000
Lease Liabilities - Note E	165,477		165,477
Accrued Interest Payable	114,276		114,276
Total Current Liabilities	3,688,836	25,290	3,714,126
Noncurrent Liabilities:			
Bond Obligations - Note D	13,829,577		13,829,577
Lease Liabilities - Note E	87,623		87,623
Net Pension Liability	10,260,559	1,810,687	12,071,246
Net Other Post Employment Benefits Liability - TRS	4,224,000		4,224,000
Accrued Sick Leave - Note A & Note R	611,995		611,995
Total Noncurrent Liabilities	29,013,754	1,810,687	30,824,441
TOTAL LIABILITIES	32,702,590	1,835,977	34,538,567
Deferred Inflows Related to Pensions	1,885,378	265,386	2,150,764
Deferred Inflows Related to Other Post Employment Benefits	6,698,655	555,119	7,253,774
TOTAL DEFERRED INFLOWS	8,584,033	820,505	9,404,538
TOTAL LIABILITIES AND DEFERRED INFLOWS	41,286,623	2,656,482	43,943,105
NET POSITION:			
Net Investment in Capital Assets	24,470,951	109,179	24,580,130
Restricted for:			
Capital Projects	2,072,352		2,072,352
SFCC Escrow	3,118,740		3,118,740
School Activities	1,726,795		1,726,795
Food Service		(1,570,189)	(1,570,189)
Debt Service	16,443		16,443
Unrestricted	(6,453,081)		(6,453,081)
TOTAL NET POSITION	24,952,200	(1,461,010)	23,491,190
TOTAL LIABILITIES AND NET POSITION	66,238,823	1,195,472	67,434,295

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2025

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	29,727,669	51,881	8,948,813		(20,726,975)		(20,726,975)
Support Services:							
Student Support Services	1,463,447		205,599		(1,257,848)		(1,257,848)
Staff Support Services	1,486,982		450,484		(1,036,498)		(1,036,498)
District Administration	1,126,802				(1,126,802)		(1,126,802)
School Administration	2,751,873		4,731		(2,747,142)		(2,747,142)
Business Support Services	1,186,671		53,724		(1,132,947)		(1,132,947)
Plant Operation & Maintenance	6,257,871		180,733		(6,077,138)		(6,077,138)
Student Transportation	3,497,306		46,081		(3,451,225)		(3,451,225)
Community Service Operations	591,616		591,276		(340)		(340)
Food Service Operations	274,735		274,814		79		79
Interest on Long-Term Debt	534,439			85,525	(448,914)		(448,914)
TOTAL GOVERNMENTAL ACTIVITIES	48,899,411	51,881	10,756,255	85,525	(38,005,750)		(38,005,750)
BUSINESS-TYPE ACTIVITIES:							
Food Service	3,204,326	30,920	3,072,276			(101,130)	(101,130)
TOTAL BUSINESS-TYPE ACTIVITIES	3,204,326	30,920	3,072,276	0	0	(101,130)	(101,130)
TOTAL SCHOOL DISTRICT	52,103,737	82,801	13,828,531	85,525	(38,005,750)	(101,130)	(38,106,880)
GENERAL REVENUES:							
Taxes:							
Property					7,404,944		7,404,944
Motor Vehicle					1,300,582		1,300,582
Utility					1,375,365		1,375,365
Other					10,128		10,128
State Aid - Formula Grants					30,132,115		30,132,115
Investment Earnings					626,170	23,713	649,883
Miscellaneous					1,087,064		1,087,064
Funds Transfer (Expense) - Note N					169,231	(169,231)	0
Gain (Loss) Sale of Assets					222,044		222,044
TOTAL GENERAL REVENUES & TRANSFERS					42,327,643	(145,518)	42,182,125
CHANGE IN NET POSITION					4,321,893	(246,648)	4,075,245
NET POSITION - BEGINNING AS RESTATED NOTE T					20,630,307	(1,214,362)	19,415,945
NET POSITION - ENDING					24,952,200	(1,461,010)	23,491,190

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2025

	GENERAL FUND	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	8,969,989		3,552,357	3,557,509	16,079,855
Prepaid Expenses	19,837				19,837
Accounts Receivable:					
Taxes - Current	966,092				966,092
Taxes - Delinquent	10,310				10,310
Accounts	66,304				66,304
Interfund Receivable	610,473				610,473
Intergovernmental - State		56,150			56,150
Intergovernmental - Federal		1,660,089			1,660,089
TOTAL ASSETS	<u>10,643,005</u>	<u>1,716,239</u>	<u>3,552,357</u>	<u>3,557,509</u>	<u>19,469,110</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	89,125	139,726	173,888	1,645	404,384
Accrued Salaries & Sick Leave	210,659				210,659
Interfund Payable		610,473			610,473
Advances from Grantors		966,040			966,040
Total Liabilities	<u>299,784</u>	<u>1,716,239</u>	<u>173,888</u>	<u>1,645</u>	<u>2,191,556</u>
Fund Balance:					
Non-Spendable	19,837				19,837
Restricted for:					
Capital Projects			3,378,469		3,378,469
School Activities				420,678	420,678
SFCC Escrow				3,118,743	3,118,743
Debt Service				16,443	16,443
Committed for:					
Compensated Absences	497,781				497,781
Assigned for:					
Purchase Obligations	537,439				537,439
Unassigned Fund Balance	9,288,164				9,288,164
Total Fund Balance	<u>10,343,221</u>	<u>0</u>	<u>3,378,469</u>	<u>3,555,864</u>	<u>17,277,554</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>10,643,005</u>	<u>1,716,239</u>	<u>3,552,357</u>	<u>3,557,509</u>	<u>19,469,110</u>

See independent auditor's report and accompanying notes to financial statements.



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

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

TOTAL GOVERNMENTAL FUND BALANCE		17,277,554
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	87,062,259	
Accumulated Depreciation	<u>(46,680,631)</u>	40,381,628
Right to Use Subscription Asset - Net of Amortization		55,302
Deferred Outflows on Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.		63,448
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.		2,897,466
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.		3,715,423
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(15,703,000)	
Unamortized Bond Premiums	(21,803)	
Unamortized Bond Discount	67,226	
Lease Liabilities	(253,100)	
Accrued Interest on Bonds	(114,276)	
Net Pension Liability	(10,260,559)	
Net Other Post Employment Benefits Liability	(3,957,081)	
Accrued Sick Leave	<u>(611,995)</u>	(30,854,588)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.		(6,698,655)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.		<u>(1,885,378)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>24,952,200</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

	GENERAL	SPECIAL REVENUE	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	5,755,330			1,649,614	7,404,944
Motor Vehicle	1,300,582				1,300,582
Utility	1,375,365				1,375,365
Other	10,128				10,128
Earnings on Investments	455,300	20,801	142,583	7,486	626,170
Intergovernmental - State	25,002,827	2,210,651	3,500,000	1,714,813	32,428,291
Intergovernmental - Federal	200,202	8,345,403			8,545,605
Other Sources	112,274	117,130		909,541	1,138,945
TOTAL REVENUES	34,212,008	10,693,985	3,642,583	4,281,454	52,830,030
EXPENDITURES:					
Instructional	20,283,341	8,946,239		975,159	30,204,739
Support Services:					
Student Support Services	1,300,398	205,540			1,505,938
Staff Support Services	1,073,948	450,354			1,524,302
District Administration	1,157,506				1,157,506
School Administration	2,879,277	4,730			2,884,007
Business Support Services	1,187,721	53,709			1,241,430
Plant Operation & Maintenance	5,413,760	180,681			5,594,441
Student Transportation	3,652,362	46,068			3,698,430
Community Service Operations		591,106			591,106
Food Service Operations		274,735			274,735
Facility Acquisition & Construction	19,637		579,721		599,358
Debt Service:					
Principal				2,003,945	2,003,945
Interest				512,241	512,241
TOTAL EXPENDITURES	36,967,950	10,753,162	579,721	3,491,345	51,792,178
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(2,755,942)	(59,177)	3,062,862	790,109	1,037,852
OTHER FINANCING SOURCES(USES):					
Loss Compensation	242,764				242,764
Sale of Assets	4,885				4,885
Operating Transfers In - Note N	1,028,438	75,031		2,202,888	3,306,357
Operating Transfers Out - Note N	(293,752)	(15,854)		(2,827,520)	(3,137,126)
TOTAL OTHER FINANCING SOURCES	982,335	59,177	0	(624,632)	416,880
NET CHANGE IN FUND BALANCES	(1,773,607)	0	3,062,862	165,477	1,454,732
FUND BALANCES - BEGINNING	12,116,828	0	315,607	3,390,387	15,822,822
FUND BALANCES - ENDING	10,343,221	0	3,378,469	3,555,864	17,277,554

See independent auditor's report and accompanying notes to financial statements.

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

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

NET CHANGES - GOVERNMENTAL FUNDS		1,454,732
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(2,572,910)	
Capital Outlays	<u>1,765,080</u>	(807,830)
Amortization Subscription-Based IT Asset		(6,913)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Bond Principal Paid	1,797,000	
Lease Liabilities Paid	<u>206,945</u>	2,003,945
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Amortization-Deferred Outflows on Advanced Bond Refundings	(41,512)	
Amortization - Bond Premiums	3,380	
Amortization - Bond Discounts	(5,106)	
District Pension Contributions	1,176,736	
Cost of Benefits Earned Net of Employee Contributions	(706,714)	
District Other Post Employment Benefits Contributions	564,705	
Cost of Benefits Earned Net of Employee Contributions - OPEB	1,059,166	
Accrued Interest Payable	21,039	
Accrued Sick Leave	<u>(368,130)</u>	1,703,564
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Cost Basis of Disposed of Assets		<u>(25,605)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>4,321,893</u></u>

See independent auditor's report and accompanying notes to financial statements.

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

	<u>ENTERPRISE FUNDS</u>
	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	394,157
Accounts Receivable	161,326
Inventories for Consumption	53,199
Total Current Assets	<u>608,682</u>
Noncurrent Assets:	
Net OPEB Asset	82,577
Furniture & Equipment	1,457,987
Less: Accumulated Depreciation	<u>(1,348,808)</u>
Total Noncurrent Assets	<u>191,756</u>
TOTAL ASSETS	<u><u>800,438</u></u>
Deferred Outflows Related to Other Post Employment Benefits	152,774
Deferred Outflows Related to Pensions	<u>242,260</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>1,195,472</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	25,290
Total Current Liabilities	<u>25,290</u>
Noncurrent Liabilities:	
Net Pension Liability	<u>1,810,687</u>
Total Noncurrent Liabilities	<u>1,810,687</u>
TOTAL LIABILITIES	<u><u>1,835,977</u></u>
Deferred Inflows Related to Other Post Employment Benefits	555,119
Deferred Inflows Related to Pensions	<u>265,386</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>2,656,482</u></u>
Net Position:	
Net Investment in Capital Assets	109,179
Restricted	<u>(1,570,189)</u>
Total Net Position	<u>(1,461,010)</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>1,195,472</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

	<u>ENTERPRISE FUNDS</u>
	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	30,920
Other Operating Revenues	-
TOTAL OPERATING REVENUES	<u>30,920</u>
OPERATING EXPENSES:	
Salaries & Benefits	1,163,780
Contract Services	47,118
Materials & Supplies	1,938,258
Depreciation - Note F	32,691
Other Operating Expenses	22,479
TOTAL OPERATING EXPENSES	<u>3,204,326</u>
OPERATING INCOME(LOSS)	(3,173,406)
NONOPERATING REVENUES(EXPENSES):	
Transfer Out to General Fund	(169,231)
Federal Grants	2,602,520
State Grants	245,786
Donated Commodities	223,970
Interest Income	23,713
TOTAL NONOPERATING REVENUE	<u>2,926,758</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(246,648)
CAPITAL CONTRIBUTIONS	<u>-</u>
CHANGE IN NET POSITION	(246,648)
TOTAL NET POSITION	<u>(1,214,362)</u>
TOTAL NET POSITION - ENDING	<u><u>(1,461,010)</u></u>

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2025

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	30,920
Other Activities	-
Cash Paid to/for:	
Employees	(1,173,563)
Supplies	(1,710,169)
Other Activities	(69,597)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(2,922,409)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer out to General Fund	(169,231)
Federal Grants	2,469,449
State Grants	20,107
	<hr/>
Net Cash Provided by Non-Capital and Related Financing Activities	2,320,325
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	(26,557)
Receipt of Interest Income	23,713
	<hr/>
Net Cash Provided by Investing Activities	(2,844)
Net Decrease in Cash and Cash Equivalents	(604,928)
Balances, Beginning of Year	999,085
	<hr/>
Balances, End of Year	394,157
	<hr/> <hr/>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	(3,173,406)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	32,691
State On-Behalf Payments	225,679
Donated Commodities	223,970
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Deferred Outflows	90,504
Deferred Inflows	(268,982)
Net Pension Liability	(44,476)
Net Other Post Employment Benefits	(12,507)
Inventory	(12,894)
Accounts Payable	17,012
	<hr/>
Net Cash Provided (Used) by Operating Activities	(2,922,409)
	<hr/> <hr/>
Schedule of Non-Cash Transactions:	
Donated Commodities	223,970
State On-Behalf Payments	225,679

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2025

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

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

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

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

Lincoln County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Lincoln 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.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**Fund Financial Statements** – Fund financial statements report detailed information about the District. 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 net total assets. 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.

The District has the following funds:

### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust 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 and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  - 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. This is a major fund of the District.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.
- D. Debt Service Funds are 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 generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

### 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, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The 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.

### III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### 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 Nonexchange 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 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

## NOTES TO FINANCIAL STATEMENTS (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 it can be recognized.

Deferred Revenue – Deferred 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 deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. 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. Unused donated commodities are reported as deferred 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 costs, such as depreciation, are not recognized in governmental funds.

### Property Taxes

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

The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$0.522 per \$100 valuation for real property, \$0.546 per \$100 valuation for business personal property, and \$0.542 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 gases.

### Capital Assets

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

### Interfund Balances

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

### Accumulated Compensated Absences

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund.

### 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 when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator 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.

### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

### 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.

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

### Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Formal School Board action must be taken during an open meeting to establish, modify, or rescind a fund balance commitment.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$497,781	Long-Term Compensated Absences Commitment

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

### Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 positions are 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.

### 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.

### 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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Interfund Activity

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

### Pensions

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

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

### Postemployment Benefits Other Than Pensions

Teachers' Retirement System – 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 additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

### Changes in Accounting Principle

Effective July 1, 2024 the District adopted Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and No. 102, *Certain Risk Disclosures*. GASB 101 enhances the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB 102 provides users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. Adoption of the provisions related GASB 102 did not have a material impact on the District's financial statements. GASB 101 requires retrospective application, see Note T for restatement of beginning net position.

### **NOTE B – 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 general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### **NOTE C – CASH AND CASH EQUIVALENTS**

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$16,474,012. Of the total cash balance, \$266,443 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2025, consisted of the following:

	<b>Bank Balance</b>	<b>Book Balance</b>
Farmers Bank	17,938,472	16,457,569
U.S. Bank	<u>16,443</u>	<u>16,443</u>
Total Cash	<u>17,954,915</u>	<u>16,474,012</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Breakdown per financial statements:

Governmental Funds	16,079,855
Proprietary Funds	<u>394,157</u>
Total Cash	<u>16,474,012</u>

### NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Lincoln County School District Finance Corporation in the original amount aggregating \$25,245,000.

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

2012 Refunding	6,820,000	1.00% - 2.375%
2014 Refunding	5,385,000	2.75% - 3.625%
2015 Refunding	6,745,000	2.00% - 3.00%
2019	740,000	2.50% - 2.75%
2021 Refunding	2,040,000	1.00% - 1.80%
2022	615,000	1.25% - 3.00%
2023	2,400,000	3.25% - 4.25%
2023B	500,000	4.25% - 5.00%

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

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Year	Principal	Interest	Participation	District's Portion
2025-26	1,828,000	457,611	400,609	1,885,002
2026-27	1,750,000	419,121	309,913	1,859,209
2027-28	1,811,000	370,369	309,522	1,871,848
2028-29	1,888,000	316,431	310,049	1,894,382
2029-30	1,944,000	255,770	309,513	1,890,257
2030-31	1,685,000	184,851	266,446	1,603,405
2031-32	1,427,000	157,811	115,419	1,469,393
2032-33	263,000	130,769	114,626	279,143
2033-34	276,000	120,781	115,501	281,280
2034-35	282,000	110,431	114,276	278,155
2035-36	295,000	99,907	115,076	279,831
2036-37	307,000	88,737	114,726	281,011
2037-38	315,000	77,150	115,251	276,899
2038-39	327,000	65,238	114,652	277,586
2039-40	334,000	52,988	109,076	277,912
2040-41	311,000	40,663	74,150	277,513
2041-42	329,000	27,425	79,325	277,100
2042-43	303,000	24,450	40,350	287,100
2043-44	28,000	700	28,700	-
	<u>15,703,000</u>	<u>3,001,200</u>	<u>3,157,200</u>	<u>15,547,022</u>

Long-term liability activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government</b>					
Governmental Activities:					
Revenue Bond Payable	17,500,000	0	1,797,000	15,703,000	1,828,000
Add: Bond Premiums	25,184	0	3,381	21,803	3,382
Less: Bond Discount	<u>(72,332)</u>	<u>0</u>	<u>(5,106)</u>	<u>(67,226)</u>	<u>(5,106)</u>
Net Revenue Bond Payable	17,452,852	0	1,795,275	15,657,577	1,826,276
Lease Liabilities	460,045	0	206,945	253,100	165,477
Net Pension Liability	10,512,593	0	252,034	10,260,559	0
Net OPEB Liability	3,941,000	283,000	0	4,224,000	0
Accrued Comp. Absences					
Restated	<u>360,796</u>	<u>569,687</u>	<u>187,837</u>	<u>742,646</u>	<u>130,651</u>
Total Governmental Activities:	32,727,286	852,687	2,442,091	31,137,882	2,122,404
Proprietary Activities:					
Net Pension Liability	<u>1,855,163</u>	<u>0</u>	<u>44,476</u>	<u>1,810,687</u>	<u>0</u>
Total Long-Term Liabilities:	<u>34,582,449</u>	<u>852,687</u>	<u>2,486,567</u>	<u>32,948,569</u>	<u>2,122,404</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE E – LEASE LIABILITIES

The District is the lessee of buses with the lease expiring in various years through 2027. The assets and liabilities under the leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under these leases is included in depreciation expense for fiscal year 2025.

The following is a summary of property held under leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2025</u>
Buses	1,795,364
Accumulated Amortization	<u>(1,523,068)</u>
	<u>272,296</u>

The following is a schedule by years of the future principal payments under the leases as of June 30, 2025:

<u>Year Ending June 30,</u>	<u>Lease Liabilities</u>
2026	171,991
2027	<u>89,858</u>
Net minimum lease payments	261,849
Amount representing interest	<u>(8,749)</u>
Present value of net minimum lease payments	<u>253,100</u>

Interest rates on the leases vary from 1.00% to 3.00%. The leases provide for the buses to revert to the District at the end of the respective lease with no further payment for purchase.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE F - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land	409,580			409,580
Construction	24,860	579,720	24,860	579,720
Depreciable Assets:				
Buildings & Building Improvements	69,194,183	174,188	3,138	69,365,233
Technology Equipment	4,750,143	39,267	-	4,789,410
Vehicles	8,651,996	736,844	25,000	9,363,840
General Equipment	2,319,415	235,061		2,554,476
TOTAL AT HISTORICAL COST	85,350,177	1,765,080	52,998	87,062,259
LESS ACCUMULATED DEPRECIATION FOR:				
Buildings & Building Improvements	32,173,887	1,719,591	2,393	33,891,085
Technology Equipment	4,162,599	162,042		4,324,641
Vehicles	6,253,253	587,167	25,000	6,815,420
General Equipment	1,545,375	104,110		1,649,485
TOTAL ACCUMULATED DEPRECIATION	44,135,114	2,572,910	27,393	46,680,631
GOVERNMENTAL ACTIVITIES CAPITAL NET	41,215,063	(807,830)	(25,605)	40,381,628
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	65,921			65,921
General Equipment	1,365,508	26,558		1,392,066
TOTALS AT HISTORICAL COST	1,431,429	26,558	-	1,457,987
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	65,921			65,921
General Equipment	1,250,196	32,691		1,282,887
TOTAL ACCUMULATED DEPRECIATION	1,316,117	32,691	-	1,348,808
PROPRIETARY ACTIVITIES CAPITAL NET	115,312	(6,133)	-	109,179
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				816,484
Staff Support Services				5,958
District Administration				5,581
Business Support Services				1,042
Plant Operation & Maintenance				1,187,775
Student Transportation				555,560
Community Service Operations				510
TOTAL				2,572,910

**NOTE G – RETIREMENT PLANS**

The District’s employees are provided with two pension plans, based on each position’s college degree

requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous (“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 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

### **General information about the Teachers' Retirement System of the State of Kentucky ("TRS")**

*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 (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the 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 [http://www.TRS.ky.gov/05\\_publications/index.htm](http://www.TRS.ky.gov/05_publications/index.htm).

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

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

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

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

**Contributions**—Contribution rates are established by Kentucky Revised Statutes (KRS). University members contribute 10.40% of salary to the retirement system. Non-university members contribute 12.855% of salary to the retirement system. Member contributions are picked up by the employer.

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

### **Medical Insurance Plan**

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

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

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2025, the District reported a liability \$12,071,246 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 12,071,246
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>59,751,977</u>
	<u>\$ 71,823,223</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.201846% percent.

For the year ended June 30, 2025, the District recognized pension expense of \$831,429 related to CERS and \$3,883,679 related to TRS. The District also recognized revenue of \$3,883,679 for TRS 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:

	<u>Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 584,270	\$ -
Changes of assumptions	-	545,383
Net difference between projected and actual earnings on pension plan investments	829,023	1,605,139
Changes in proportion and differences between District contributions and proportionate share of contributions	342,038	242
District contributions subsequent to the measurement date	<u>1,384,395</u>	<u>-</u>
Total	<u><u>\$ 3,139,726</u></u>	<u><u>\$ 2,150,764</u></u>

\$1,384,395 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2025	(279,240)
2026	355,121
2027	(298,348)
2028	(172,966)
2029	-

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Teachers' Retirement System (TRS)

The total pension liability on the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Long-term Investment Rate of Return, net of pension plan investment expense, including inflation	7.10%
Municipal Bond Index Rate	
Prior Measurement Date	3.66%
Measurement Date	2.13%
Salary increases, including inflation	3.00-7.50%, includes inflation
Post-retirement benefit increases	1.50% annually
Inflation rate	2.75%
Single Equivalent Interest Rate, net of pension plan investment expense, including inflation	
Prior Measurement Date	7.50%
Measurement Date	7.10%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was increased from 2.5 percent to 2.75 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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



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

Asset Class	Target Allocation	Long-Term Expected Real Rates of Return
Large Cap U.S. Equity	35.40%	5.0%
Small Cap U.S. Equity	2.60%	5.5%
Developed International Equity	15.70%	5.5%
Emerging Markets Equity	5.30%	6.1%
Fixed Income	15.00%	1.9%
High Yield Bonds	2.00%	3.8%
Other Additional Categories	8.00%	3.6%
Real Estate	7.00%	3.2%
Private Equity	7.00%	8.0%
Cash	2.0%	1.6%
Total	100.0%	

*Discount rate* - For TRS, The discount rate used to measure the TPL as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### County Employees' Retirement System (CERS)

The total pension liability on the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Experience Study	July 1, 2013-June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.0%
Investment rate of return	6.25%
Projected salary increases	3.30 to 10.30%, varies by service
Inflation rate	2.30%

The mortality table used was the system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale base year of 2019.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% per annum.

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

*Discount rate*—For CERS, projection of cash flows used to determine the discount rate of 6.5% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	15,561,809	12,071,246	9,174,999
TRS	6.50%	7.50%	8.50%
District's proportionate share of net pension liability	0	0	0

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

**NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Teachers' Retirement System of Kentucky

*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 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

**Medical Insurance Plan**

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

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

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

At June 30, 2025, the Lincoln County District reported a liability of \$4,224,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .189505 percent, compared to .1618 percent at June 30, 2023.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

District's proportionate share of the net OPEB liability	\$ 4,224,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,763,000</u>
Total	<u>\$ 7,987,000</u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$155,670 and revenue of \$350,566 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	1,076,000	1,268,000
Net difference between projected and actual earnings on pension plan investments	-	136,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,209,000	2,149,000
District contributions subsequent to the measurement date	<u>564,705</u>	<u>-</u>
Total	<u>2,849,705</u>	<u>3,553,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$564,705 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<b>Year ended June 30:</b>	
2026	\$ (517,000)
2027	(181,000)
2028	(222,000)
2029	(278,000)
2030	(145,000)
Thereafter	75,000

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Actuarial assumptions* – The total OPEB liability on the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5392% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.94%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2024 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2024 valuation. The health care cost trend assumption was updated for the June 30, 2024 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
U.S Large Cap Equity	35.4%	5.0%
U.S. Small Cap	2.6%	5.5%
Developed Int'l Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	3.2%
Private Equity	8.5%	8.0%
Cash (LIBOR)	1.00%	1.6%
	100.00%	

*Discount rate (SEIR)*- The discount rate used to measure the TOL at June 30, 2022 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021.

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	5,612,000	4,224,000	3,074,000

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

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of net OPEB liability	2,853,000	4,224,000	5,927,000

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Life Insurance Plan

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

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

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

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

District's proportionate share of the net OPEB liability	\$ -0-
State's proportionate share of the net OPEB liability associated with the District	<u>86,000</u>
Total	<u>\$ 86,000</u>

*Actuarial assumptions* – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

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

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Real Rate of Return</b>
U.S. Equity	40.00%	5.2%
International Equity	15.00%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	21.00%	1.9%
Real Estate	7.00%	3.2%
Private Equity	5.00%	8.0%
Additional Categories	5.00%	4.0%
Cash (LIBOR)	2.00%	1.6%
	100.00%	

*Discount rate (SEIR)* - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2022.

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

### County Employees' Retirement System of Kentucky

*Plan description* – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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 CERS Medical Insurance. The following information is about the CERS plans:

### **Medical Insurance Plan**

*Plan description* –The Kentucky Retirement Systems' Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Lincoln County School District since the District does not have or qualify to have employees participate in KERS or SPRS.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Benefits provided* – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>Paid By Insurance Fund (%)</u>
20+	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began 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. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

*Contributions* – Due to the CERS post-retirement healthcare benefit plan being fully funded the requirement for employers to contribute as a percent of gross annual payroll was suspended for the year ended June 30, 2025.

At June 30, 2025, the Lincoln County District reported an asset of \$349,496 for its proportionate share of the collective net OPEB benefit that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB benefit used to calculate the collective net OPEB benefit 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 .202044 percent, compared to .192742 percent at June 30, 2023.

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

District’s proportionate share of the net OPEB asset	\$ 349,496
State’s proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 349,496</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,016,789. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 193,896	\$ 2,749,845
Changes of assumptions	316,686	246,606
Net difference between projected and actual earnings on pension plan investments	307,216	626,152
Changes in proportion and differences between District contributions and proportionate share of contributions	105,955	78,171
District contributions subsequent to the measurement date	<u>94,739</u>	<u>-</u>
Total	<u><u>1,018,492</u></u>	<u><u>3,700,774</u></u>

from the following sources:

Of the total amount reported as deferred outflows of resources related to OPEB, \$94,739 resulting from District contributions of \$0 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$94,739, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<b>Year ended June 30:</b>	
2026	\$ (1,166,616)
2027	(857,889)
2028	(739,077)
2029	(13,439)
2030	-
Thereafter	-

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Actuarial assumptions* – The total OPEB liability on the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2022
Investment rate of return	6.25%
Salary Increases	3.30% to 10.30%, varies by service
Inflation	2.30%
Payroll Growth Rate	2.00%
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Post - 65	Initial trend starting at 9.00% in 2024, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years
Mortality	
Pre-retirement	PUB-2010 General Mortality table
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
<b>Equity</b>		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
<b>Liquidity</b>		
Core Bonds	10.00%	2.85%
Special Credit	10.00%	3.82%
Cash	0.00%	1.70%
<b>Inflation Protected</b>		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
<b>Expected Real Return</b>	<b>100.0%</b>	<b>4.69%</b>
<b>Long Term Inflation Assumption</b>		<b>2.50%</b>
<b>Expected Nominal Return</b>		<b>7.19%</b>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.93%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	472,558	(349,496)	(1,040,681)

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

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Systems' net pension liability	(840,845)	(349,496)	222,891

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

### NOTE I – 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 upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE J – INSURANCE AND RELATED ACTIVITIES

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

### NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE L – DEFICIT OPERATING BALANCES

The Food Service Fund had a deficit net position balance in the amount of \$1,461,010 at June 30, 2025. Additionally, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Special Revenue	59,177
District Activity	74,578
Debt Service	2,082,401

### NOTE M – 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).

### NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	75,031
Operating	Special Revenue	General	Operations	15,854
Operating	General	Debt Service	Debt Service	218,720
Operating	Building	Debt Service	Debt Service	1,583,853
Operating	Building	General	Operations	843,353
Operating	Capital Outlay	Building	Operations	12,145
Operating	Capital Outlay	Debt Service	Debt Service	287,314
Operating	School Activity	District Activity	Operations	<u>100,856</u>
		<b>Subtotal Governmental Funds Transfer</b>		3,137,126
Operating	Food Service	General	Indirect Costs	<u>169,231</u>
		<b>Total Transferred Funds</b>		3,306,357

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE O – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$610,473

The interfund payables/receivables represent temporary financing that will be repaid within one year.

### NOTE P – SUBSEQUENT EVENTS

Management has reviewed subsequent events through December 17, 2025, the date the financials were available for release. There are no material subsequent events to disclose.

### NOTE Q – ON-BEHALF PAYMENT

For the year ended June 30, 2025, \$9,483,423 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$3,883,679
Teachers Retirement System (GASB 75)	361,060
Health Insurance	5,435,642
Life Insurance	6,752
Administrative Fee	53,888
HRA/Dental/Vision	237,650
Federal Reimbursement	(987,457)
Technology	65,910
SFCC Debt Service Payments	<u>426,299</u>
Total	<u>\$9,483,423</u>

### NOTE R – EMPLOYEE COMPENSATED ABSENCES

The liability for compensated absences is recorded in the government-wide financial statements. For governmental funds, the liability is recorded only when it has matured due to employee resignation or retirement. The following table shows the changes in the compensated absence liability:

	Current Portion	Long-Term Portion	Total
Beginning Balance - Restated	42,826	317,970	360,796
Net Increase (Decrease)	<u>87,825</u>	<u>294,025</u>	<u>381,850</u>
Ending Balance	<u>130,651</u>	<u>611,995</u>	<u>742,646</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE S – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has recorded \$55,302 (\$69,131 net of \$13,829 accumulated amortization) as intangible right-to-use software in the Governmental Activities non-current assets on the statement of net position. Due to the implementation of GASB Statement No. 96, the arrangement for software meets the criteria of a SBITA; thus, requiring them to be recorded by the District as an intangible asset and if applicable SBITA liability. The assets will be amortized over the terms of the software agreements, 10 years. The district paid for the arrangement in full at the inception and thus there is no related liability.

### NOTE T – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities was increased by \$79,001 due to the impact of the implementation of GASB 101. Below are the details of the restatement:

	Government
	<u>Activities</u>
Net Position June 30, 2024	\$ 20,709,308
GASB 101 Retrospective Application	<u>(79,001)</u>
Beginning Net Position, As Restated	\$ <u>20,630,307</u>

## REQUIRED SUPPLEMENTARY INFORMATION



LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2025

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	8,055,000	8,055,000	8,441,405	386,405
Other Local Sources	541,155	541,155	567,574	26,419
State Sources	26,320,899	26,320,899	25,002,827	(1,318,072)
Federal Sources	300,000	300,000	200,202	(99,798)
Other Sources	196,302	196,302	1,276,087	1,079,785
TOTAL REVENUES	35,413,356	35,413,356	35,488,095	74,739
EXPENDITURES:				
Instructional	21,785,906	21,785,906	20,283,341	1,502,565
Student Support Services	1,408,542	1,408,542	1,300,398	108,144
Staff Support Services	1,126,373	1,126,373	1,073,948	52,425
District Administration	1,248,905	1,248,905	1,157,506	91,399
School Administration	3,245,457	3,245,457	2,879,277	366,180
Business Support Services	1,285,762	1,285,762	1,187,721	98,041
Plant Operation & Maintenance	5,568,025	5,568,025	5,413,760	154,265
Student Transportation	3,968,298	3,968,298	3,652,362	315,936
Facility Acquisition & Construction	6,585	6,585	19,637	(13,052)
Other	6,162,287	6,162,287	293,752	5,868,535
TOTAL EXPENDITURES	45,806,140	45,806,140	37,261,702	8,544,438
NET CHANGE IN FUND BALANCE	(10,392,784)	(10,392,784)	(1,773,607)	8,619,177
FUND BALANCES - BEGINNING	10,392,784	10,392,784	12,116,828	1,724,044
FUND BALANCES - ENDING	0	0	10,343,221	10,343,221

See independent auditor's report and accompanying notes to financial statements.

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	45,484	45,484	20,801	(24,683)
State Sources	1,883,839	1,883,839	2,210,651	326,812
Federal Sources	8,430,698	8,430,698	8,345,403	(85,295)
Other Sources	69,525	69,525	192,161	122,636
TOTAL REVENUES	10,429,546	10,429,546	10,769,016	339,470
EXPENDITURES:				
Instructional	8,996,233	8,996,233	8,946,239	49,994
Student Support Services	58,321	58,321	205,540	(147,219)
Staff Support Services	381,400	381,400	450,354	(68,954)
District Administration	0	0	0	0
School Administration	7,097	7,097	4,730	2,367
Business Support Services	51,276	51,276	53,709	(2,433)
Plant Operation & Maintenance	136,760	136,760	180,681	(43,921)
Student Transportation	59,009	59,009	46,068	12,941
Food Service Operations	158,469	158,469	274,735	(116,266)
Community Service Operations	556,219	556,219	591,106	(34,887)
Facility Acquisition & Construction				0
Other	42,103	42,103	15,854	26,249
TOTAL EXPENDITURES	10,446,887	10,446,887	10,769,016	(322,129)
NET CHANGE IN FUND BALANCE	(17,341)	(17,341)	0	17,341
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	(17,341)	(17,341)	0	17,341

See accompanying auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	114,033,554	145,053,801	128,026,106	60,368,474	59,824,759
TOTAL	<u>114,033,554</u>	<u>145,053,801</u>	<u>128,026,106</u>	<u>60,368,474</u>	<u>59,824,759</u>
District's covered-employee payroll	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	44.70%	57.04%	39.80%	59.30%	58.80%
	2021	2022	2023	2024	2025
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State of Kentucky's share of the net pension liability associated with the district	60,845,647	55,614,069	61,889,115	52,010,619	59,751,977
TOTAL	<u>60,845,647</u>	<u>55,614,069</u>	<u>61,889,115</u>	<u>52,010,619</u>	<u>59,751,977</u>
District's covered-employee payroll	\$ 16,625,189	\$ 17,506,456	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.20%	65.59%	56.14%	57.70%	60.36%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.234952%	0.232259%	0.236088%	0.223531%	0.210158%
District's proportionate share of the net pension liability	10,101,825	11,435,526	13,818,956	13,613,719	14,780,506
State of Kentucky's share of the net pension liability associated with the district	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>10,101,825</b>	<b>11,435,526</b>	<b>13,818,956</b>	<b>13,613,719</b>	<b>14,780,506</b>
District's covered-employee payroll	5,561,734	5,788,896	5,549,483	5,319,668	5,267,100
District's proportionate share of the net pension liability as a percentage of its covered-payroll	181.63%	197.54%	249.01%	255.91%	280.62%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	55.50%	53.30%	53.54%	50.45%
	2021	2022	2023	2024	2025
District's proportion of net pension liability	0.204976%	0.195034%	0.192260%	0.192749%	0.201846%
District's proportionate share of the net pension liability	15,721,490	12,434,947	13,898,501	12,367,756	12,071,246
State of Kentucky's share of the net pension liability associated with the district	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>15,721,490</b>	<b>12,434,947</b>	<b>13,898,501</b>	<b>12,367,756</b>	<b>12,071,246</b>
District's covered-employee payroll	5,002,892	5,342,867	5,625,037	6,389,061	7,023,818
District's proportionate share of the net pension liability as a percentage of its covered-payroll	314.25%	232.74%	247.08%	193.58%	171.86%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%	57.48%	61.61%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 17,267,002	\$ 16,798,382	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,625,189	\$ 17,506,456	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ 690,767	\$ 807,551	\$ 803,565	\$ 862,851	\$ 1,016,550
Contributions in relation to the actuarially determined contributions	<u>690,767</u>	<u>807,551</u>	<u>803,565</u>	<u>862,851</u>	<u>1,016,550</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,561,734	\$ 5,788,896	\$ 5,549,483	\$ 5,319,668	\$ 5,267,100
Contributions as a percentage of Covered employee payroll	12.42%	13.95%	14.48%	16.22%	19.30%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ 965,558	\$ 1,131,085	\$ 1,316,259	\$ 1,491,207	\$ 1,384,395
Contributions in relation to the actuarially determined contributions	<u>965,558</u>	<u>1,131,085</u>	<u>1,316,259</u>	<u>1,491,207</u>	<u>1,384,395</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,002,892	\$ 5,342,867	\$ 5,625,037	\$ 6,389,061	\$ 7,023,818
Contributions as a percentage of Covered employee payroll	19.30%	21.17%	23.40%	23.34%	19.71%

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	2018	2019	2020	2021	2022
District's proportion of net OPEB liability	0.236088%	0.223524%	0.210103%	0.204917%	0.194988%
District's proportionate share of the net OPEB liability	4,746,176	3,968,624	3,533,838	4,948,122	3,732,948
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u>4,746,176</u>	<u>3,968,624</u>	<u>3,533,838</u>	<u>4,948,122</u>	<u>3,732,948</u>
District's covered-employee payroll	5,549,483	5,319,668	5,267,100	5,002,892	5,342,867
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	85.52%	74.60%	67.09%	98.91%	69.68%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%
	2023	2024	2025		
District's proportion of net OPEB liability	0.192228%	0.192742%	0.202044%		
District's proportionate share of the net OPEB liability	3,793,646	(266,113)	(349,496)		
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-		
TOTAL	<u>3,793,646</u>	<u>(266,113)</u>	<u>(349,496)</u>		
District's covered-employee payroll	5,625,037	6,389,061	7,023,818		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	67.44%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	104.23%	104.89%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	2018	2019	2020	2021	2022
District's proportion of net OPEB liability	0.2521%	0.2395%	0.2352%	0.2315%	0.4099%
District's proportionate share of the net OPEB liability	8,991,000	8,309,000	6,883,000	5,843,000	4,920,000
State of Kentucky's share of the net OPEB liability associated with the district	7,344,000	7,160,000	5,559,000	4,680,000	3,996,000
TOTAL	<u>16,335,000</u>	<u>15,469,000</u>	<u>12,442,000</u>	<u>10,523,000</u>	<u>8,916,000</u>
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	54.32%	51.90%	42.36%	35.15%	28.10%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%
	2023	2024	2025		
District's proportion of net OPEB liability	0.3464%	0.1618%	0.3538%		
District's proportionate share of the net OPEB liability	6,565,000	3,941,000	4,224,000		
State of Kentucky's share of the net OPEB liability associated with the district	2,157,000	3,322,000	3,763,000		
TOTAL	<u>8,722,000</u>	<u>7,263,000</u>	<u>7,987,000</u>		
District's covered-employee payroll	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	36.20%	21.53%	22.44%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	53.00%	59.81%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*



LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	2018	2019	2020	2021	2022
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	98,000	123,000	129,000	142,000	53,000
TOTAL	<u>98,000</u>	<u>123,000</u>	<u>129,000</u>	<u>142,000</u>	<u>53,000</u>
District's covered-employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%
	2023	2024	2025		
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%		
District's proportionate share of the net OPEB liability	-	-	-		
State of Kentucky's share of the net OPEB liability associated with the district	107,000	82,000	86,000		
TOTAL	<u>107,000</u>	<u>82,000</u>	<u>86,000</u>		
District's covered-employee payroll	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	76.90%	80.56%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 260,826	\$ 279,815	\$ 250,714	\$ 238,138	\$ 308,818
Contributions in relation to the actuarially determined contributions	<u>260,826</u>	<u>279,815</u>	<u>250,714</u>	<u>238,138</u>	<u>308,818</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,549,483	\$ 5,319,668	\$ 5,267,100	\$ 5,002,892	\$ 5,342,867
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 190,689	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	<u>190,689</u>	<u>-</u>	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 5,625,037	\$ 6,389,061	\$ 7,023,818		
Contributions as a percentage of Covered employee payroll	3.39%	0.00%	0.00%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCON COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 496,520	\$ 480,259	\$ 487,470	\$ 498,756	\$ 525,194
Contributions in relation to the actuarially determined contributions	<u>496,520</u>	<u>480,259</u>	<u>487,470</u>	<u>498,756</u>	<u>525,194</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 544,035	\$ 549,104	\$ 564,705		
Contributions in relation to the actuarially determined contributions	<u>544,035</u>	<u>549,104</u>	<u>564,705</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531		
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	\$ 16,550,655	\$ 16,008,627	\$ 16,249,012	\$ 16,625,189	\$ 17,506,456
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>		
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>		
Covered employee payroll	\$ 18,134,499	\$ 18,303,472	\$ 18,823,531		
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%		

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

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

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

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

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

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

In the 2021, 2022, 2023 and 2024 there were no changes in assumptions.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

Actuarial Cost Method	Entry age, normal
Amortization Period	Level percentage of payroll, closed
Remaining amortization period	30-year closed period that began fiscal year 2011 to amortize the unfunded liability
Asset valuation method	5-year asset smoothing method
Inflation	2.50 percent
Salary Increase	3.00 to 7.50 percent
Ultimate Investment rate of return	7.10 per annum, compounded annually, including inflation

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for TRS pension.

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

**2015**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

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

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

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

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

**2016**

There were no changes of assumptions for the year ended June 30, 2016.

**2017**

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

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

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

**2018**

There were no changes in assumptions.

**2019**

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

The projected salary increase was changed to 3.3-11.5% from 3.05%

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2021, 2022, 2023 and 2024

There were no changes of assumptions for these years.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, Closed
	<i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30 percent
Salary Increase	3.30-10.30 percent, varies by service
Investment Rate of Return	6.50 percent
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS non-hazardous pensions.

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**TEACHERS' RETIREMENT SYSTEM**

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2022

There were no changes in assumptions.

2023

There were no changes in assumptions

2024

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

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The Health Trust is not funded based on an actuarially determined contribution but instead is funded based on statutorily determined amounts.

**NOTE C – CHANGES OF BENEFITS**

There were no changes of benefits.



LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (\*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022

The Initial trend rate for Pre-65 was changes to 6.20% and for Post-65 the change was to 9.00%.

2023

The Initial trend rate for Pre-65 was changes to 6.30% and for Post-65 the change was to 6.3%.

2024

There were no changes in assumptions.

LINCOLN COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2025

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2024:

Valuation Date	June 30, 2022
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	30 years, closed
	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30%-10.30%, varies by service
Investment Rate of Return	6.25 %
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates	
Pre - 65	Initial trend starting at 6.20% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post - 65	Initial trend starting at 9.00 % at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS, non-hazardous OPEB.

## OTHER SUPPLEMENTARY INFORMATION

LINCOLN COUNTY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2025

	DISTRICT ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:						
Cash & Cash Equivalents	79,672	1,869,921	1,248,822	16,443	342,651	3,557,509
TOTAL ASSETS	<u>79,672</u>	<u>1,869,921</u>	<u>1,248,822</u>	<u>16,443</u>	<u>342,651</u>	<u>3,557,509</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	1,645					1,645
Total Liabilities	<u>1,645</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,645</u>
Fund Balances:						
Restricted for:						
SFCC Escrow		1,869,921	1,248,822			3,118,743
Debt Service				16,443		16,443
School Activities	78,027				342,651	420,678
Total Fund Balances	<u>78,027</u>	<u>1,869,921</u>	<u>1,248,822</u>	<u>16,443</u>	<u>342,651</u>	<u>3,555,864</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>79,672</u>	<u>1,869,921</u>	<u>1,248,822</u>	<u>16,443</u>	<u>342,651</u>	<u>3,557,509</u>
Check	-	-	-	-	-	-

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2025

	DISTRICT ACTIVITY FUND	CAPITAL OUTLAY FUND	BUILDING FUND	DEBT SERVICE FUND	SCHOOL ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:						
Property Taxes			1,649,614			1,649,614
Earnings on Investments				7,486		7,486
Intergovernmental - State		299,549	988,965	426,299		1,714,813
Other Sources					909,541	909,541
TOTAL REVENUES	0	299,549	2,638,579	433,785	909,541	4,281,454
EXPENDITURES:						
Instructional	74,578				900,581	975,159
Debt Service:						
Principal				2,003,945		2,003,945
Interest				512,241		512,241
TOTAL EXPENDITURES	74,578	0	0	2,516,186	900,581	3,491,345
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(74,578)	299,549	2,638,579	(2,082,401)	8,960	790,109
OTHER FINANCING SOURCES(USES):						
Operating Transfers In	100,856		12,145	2,089,887		2,202,888
Operating Transfers Out		(299,458)	(2,427,206)		(100,856)	(2,827,520)
TOTAL OTHER FINANCING SOURCES(USES)	100,856	(299,458)	(2,415,061)	2,089,887	(100,856)	(624,632)
NET CHANGE IN FUND BALANCES	26,278	91	223,518	7,486	(91,896)	165,477
FUND BALANCES - BEGINNING	51,749	1,869,830	1,025,304	8,957	434,547	3,390,387
FUND BALANCES - ENDING	78,027	1,869,921	1,248,822	16,443	342,651	3,555,864

See independent auditor's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2025

	FUND BALANCE JULY 1, 2024	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2025
Crab Orchard Elementary	23,431	47,934	39,485	31,880
Highland Elementary	15,135	42,272	43,357	14,050
Huntsville Elementary	53,501	74,663	82,401	45,763
Waynesburg Elementary	17,379	41,772	46,373	12,778
Stanford Elementary	12,454	67,878	63,311	17,021
Lincoln County Middle School	109,987	255,599	273,813	91,773
Lincoln County High School	202,660	379,423	452,697	129,386
Total Activity Funds (Due to Student Groups)	434,547	909,541	1,001,437	342,651

See independent accountant's report and accompanying notes to financial statements.

LINCOLN COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2025

	CASH BALANCE			CASH BALANCE	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	FUND BALANCE
	JULY 1, 2024	RECEIPTS	DISBURSEMENTS	JUNE 30, 2025	JUNE 30, 2025	JUNE 30, 2025	JUNE 30, 2025
GENERAL	11,820	6,417	16,945	1,292	0	0	1,292
BEREAVEMENT FUND	11	0	11	0	0	0	0
GENERAL STUDENT	585	5,649	5,583	651	0	0	651
GENERAL STAFF	1,215	1,211	725	1,701	0	0	1,701
CHROME BOOKS	25	16,228	16,253	0	0	0	0
PROJECT GRADUATION	505	0	500	5	0	0	5
PROM ACCOUNT	13,689	10,035	12,651	11,073	0	0	11,073
YEARBOOK	6,911	1,810	2,476	6,245	0	0	6,245
ART DEPT.	335	378	168	545	0	0	545
BUSINESS DEPT.	551	61	0	612	0	0	612
CULINARY	1,326	6,910	7,649	587	0	0	587
FLORAL DESIGN	108	0	42	66	0	0	66
AG COMMUNICATIONS	390	0	0	390	0	0	390
HORTICULTURE	9,682	23,691	19,411	13,962	0	0	13,962
ATHLETICS	22,520	53,438	75,852	106	0	0	106
A.D. FINANCIAL AID	1,032	7,589	8,106	515	0	0	515
ATHLETIC TRAVEL	0	8,773	8,773	0	0	0	0
B. GOLF	1,386	1,525	2,794	117	0	0	117
G. GOLF	3,032	600	437	3,195	0	0	3,195
TENNIS	2,313	450	1,981	782	0	0	782
CROSS COUNTRY-BOOSTERS	1,933	1,500	610	2,823	0	0	2,823
DISTRICT TOURNAMENTS	21,761	6,670	18,632	9,799	0	0	9,799
CHEERLEADERS-BOOSTERS	6,558	51,721	54,044	4,235	0	0	4,235
DEATH VALLEY BOWL	512	8,200	8,200	512	0	0	512
BASS FISHING	6,889	5,919	3,600	9,208	0	0	9,208
REGIONAL TOURNAMENTS	18,689	41,637	50,348	9,978	0	0	9,978
TRAINING	338	1,500	1,358	480	0	0	480
ARCHERY-BOOSTERS	2,837	1,500	4,337	0	0	0	0
FOOTBALL PLAYOFFS	7,358	0	3,900	3,458	0	0	3,458
BOWLING	9,155	5,619	5,545	9,229	0	0	9,229
UNIFORMS	0	11,500	10,531	969	0	0	969
BASEBALL-EQUIPMENT	252	3,375	338	3,289	0	0	3,289
B. BASKETBALL-EQUIPMENT	3,924	3,358	4,334	2,948	0	0	2,948
G. BASKETBALL-EQUIPMENT	1,126	1,259	1,662	723	0	0	723
FOOTBALL-EQUIPMENT	1,159	3,900	5,000	59	0	0	59
B. SOCCER-EQUIPMENT	246	1,575	1,290	531	0	0	531
G. SOCCER-EQUIPMENT	1,502	1,500	1,128	1,874	0	0	1,874
SOFTBALL-EQUIPMENT	160	2,700	2,846	14	0	0	14
TRACK-EQUIPMENT	1,654	2,025	300	3,379	0	0	3,379
CROSS COUNTRY-EQUIPMENT	0	1,125	0	1,125	0	0	1,125
G. VOLLEYBALL-EQUIPMENT	115	1,335	1,450	0	0	0	0
CHEERLEADERS-EQUIPMENT	0	1,425	594	831	0	0	831
SWIMMING	992	300	427	865	0	0	865
ARCHERY-EQUIPMENT	0	1,765	1,500	265	0	0	265
BETA CLUB	1,322	878	1,815	385	0	0	385
MOCK TRIAL	805	1,897	1,902	800	0	0	800
MUSICAL/DRAMA	1,804	16,560	15,635	2,729	0	0	2,729

FBLA	2,022	3,134	5,117	39	0	0	39
FFA-WLC CONFERENCE	0	13,093	13,093	0	0	0	0
F.F.A.	11,932	15,179	24,648	2,463	0	0	2,463
F.C.C.L.A.	4,327	7,652	11,316	663	0	0	663
GUIDANCE DEPT.	237	0	62	175	0	0	175
NATIONAL HONOR SOCIETY	2,069	930	1,816	1,183	0	0	1,183
PEP CLUB	707	196	364	539	0	0	539
STLP	493	170	438	225	0	0	225
BAND	2,071	5,667	5,744	1,994	0	0	1,994
CHORUS	1,175	0	987	188	0	0	188
SENIOR CLASS	620	1,410	2,030	0	0	0	0
SENIOR TRIP	0	44,389	44,203	186	0	0	186
ACADEMIC TEAM	450	0	0	450	0	0	450
STUDENT COUNCIL	262	0	190	72	0	0	72
EDUCATORS RISING	3,111	1,733	2,128	2,716	0	0	2,716
SNOW QUEEN	0	90	90	0	0	0	0
LC SHACK	4,657	8,991	7,507	6,141	0	0	6,141
DISTRICT ACTIVITY SWEEP	0	87,103	87,103	0	0	0	0
STARTUP FUNDS	0	1,100	1,100	0	0	0	0
Total All Funds	202,660	516,345	589,619	129,386	0	0	129,386
Accounts Payable 2025							
Accounts Receivable 2025							
Interfund Transfers		(136,922)	(136,922)		0	0	0
Total	202,660	379,423	452,697	129,386	0	0	129,386



LINCOLN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2025

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL ALN NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I - Grants to Local Educational Agencies	84.010	3100002-23		1,454
Title I - Grants to Local Educational Agencies	84.010	3100002-24		501,467
Title I - Grants to Local Educational Agencies	84.010	3100002-25		1,575,956
Title I Total				<u>2,078,877</u>
Supporting Effective Instruction State Grants	84.367	3230002-24		553
Supporting Effective Instruction State Grants	84.367	3230002-25		195,344
Supporting Effective Instruction State Grants Total				<u>195,897</u>
Perkins Voc.	84.048	3710002-23		1,442
Perkins Voc.	84.048	3710002-24		12,079
Perkins Voc.	84.048	3710002-25		24,322
Total Perkins Voc.				<u>37,843</u>
IDEA - Special Education - Grants to State	84.027	3810002-23		3,362
IDEA - Special Education - Grants to State	84.027	3810002-24		556,877
IDEA - Special Education - Grants to State	84.027	3810002-25		1,037,707
IDEA - Special Education - Preschool Grants	84.173	3810002-24		36,119
IDEA - Special Education - Preschool Grants	84.173	3800002-25		52,846
Special Education Cluster				<u>1,686,911</u>
21st Century Learning Center	84.287	3400002-23		579,221
Migrant Education - State Grant Program	84.011	3110002-23		19,049
Migrant Education - State Grant Program	84.011	3110002-24		114,144
Migrant Education - State Grant Program	84.011	3110002-25		133,175
Migrant Education -State Grant Program Total				<u>266,368</u>
Title IV - Rural and Low Income Schools	84.358	3140002-24		76,640
Title IV - Rural and Low Income Schools	84.358	3140002-25		66,392
Title IV - Rural and Low Income Schools Total				<u>143,032</u>
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002-23		35,102
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002-24		265,342
Title IV, Part A-Student Support and Academic Enrichment	84.424	3420002-25		12,182
Title IV, Part A-Student Support and Academic Enrichment Total				<u>312,626</u>
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005		40,764
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425W	4980002		7,681
COVID-19 Education Stabilizatinm Fund Total				<u>48,445</u>

Passed Through Berea College			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379CL	111
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KB	479
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KL	3,381
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KR	32,422
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KS	25,462
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LB	26,652
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LC	1,032
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LE	496
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LL	1,256
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LR	52,338
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LS	185,294
Gaining Early Awareness and Readiness for Undergraduate Programs Total			328,923
Total U.S. Department of Education			5,678,143
<u>U.S. Department of Health and Human Services</u>			
Head Start - Early Head Start	93.600	Direct	608,428
Head Start	93.600	Direct	1,889,482
Head Start Total			2,497,910
<u>U.S. Department of Labor</u>			
Apprenticeship Building America Round	17.285	Direct	59,313
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.555	7750002-24	334,780
National School Lunchroom	10.555	7750002-25	1,468,104
School Breakfast Program	10.553	7760005-24	119,223
School Breakfast Program	10.553	7760005-25	519,087
Summer Food Service Program	10.559	7690024-24	2,795
Summer Food Service Program	10.559	7740023-24	27,244
Fresh Fruit and Vegetable Program	10.582	7720012-24	12,263
Fresh Fruit and Vegetable Program	10.582	7720012-25	107,631
Child Nutrition Cluster			2,591,127
Child & Adult Care Food Program	10.558	7790021-24	2,035
Child & Adult Care Food Program	10.558	7800016-24	1,130
Child & Adult Care Food Program	10.558	7790021-24	21,953
Child & Adult Care Food Program	10.558	7790021-25	128,937
Child & Adult Care Food Program	10.558	7800016-25	7,235
Child & Adult Care Food Program Total			161,290
State Administrative Expense Funds	10.560	7700001-24	9,335
Food Distribution	10.565	057502-10	223,970
Total U.S. Department of Agriculture			2,985,722
Total Federal Financial Assistance			11,221,088

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

**NOTE A – BASIS OF PRESENTATION**

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

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are present where available.

**NOTE C – FOOD DISTRIBUTION**

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

**NOTE D – DE MINIMIS COST RATE**

The District did not elect to use the 15 percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE E – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

LINCOLN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025

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

**Financial Statements**

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None Reported

Type of auditor’s report issued on compliance for major programs (unmodified):

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

Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559/10.582	Child Nutrition Cluster
84.027/84.173	IDEA Cluster
84.424	Title IV, Part A – Student Support and Academic Enrichment

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

Auditee qualified as low-risk auditee?   X   Yes    \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported

LINCOLN COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2025

There were no prior year audit findings.

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

678 Metts Drive

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA  
Thomas C. Spalding, CPA

Email: joe.montgomery@jamcpas.com  
Email: thomas.spalding@jamcpas.com

December 17, 2025

## **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**

Members of the Board of Education  
Lincoln County School District  
Stanford, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Lincoln County School District's basic financial statements, and have issued our report thereon dated December 17, 2025.

### **Report on Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or 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 I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

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

Sincerely,

***Montgomery & Company, P.L.L.C.***

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

678 Metts Drive

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA  
Thomas C. Spalding, CPA

Email: joe.montgomery@jamcpas.com  
Email: thomas.spalding@jamcpas.com

December 17, 2025

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

Members of the Board of Education  
Lincoln County School District  
Stanford, Kentucky

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

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

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

In our opinion, Lincoln County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 State 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 *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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



### ***Responsibilities of Management for Compliance***

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

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

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

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

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

### **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 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.

Sincerely,

*Montgomery & Company, P.L.L.C.*

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

678 Metts Drive

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA  
Thomas C. Spalding, CPA

Email: joe.montgomery@jamcpas.com  
Email: Thomas.spalding@jamcpas.com

December 17, 2025

## MANAGEMENT LETTER

Members of the Board of Education  
Lincoln County School District  
Stanford, Kentucky

In planning and performing my audit of the financial statements of Lincoln County School District for the year ended June 30, 2025, we considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

### **Prior Year Recommendation – District:**

None.

### **Prior Year Recommendation – School Activity Funds:**

None.

### **Current Year Recommendation – School Activity Funds:**

None.

### **Current Year Recommendation – District:**

None.

We would like to offer my assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

*Montgomery and Company, P.L.L.C.*

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

678 Metts Drive

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA  
Thomas C. Spalding, CPA

Email [joe.montgomery@jamcpas.com](mailto:joe.montgomery@jamcpas.com)  
Email: [Thomas.spalding@jamcpas.com](mailto:Thomas.spalding@jamcpas.com)

December 17, 2025

Members of the Board of Education  
Lincoln County School District  
Stanford, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lincoln County School District for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2025. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters:

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Lincoln County School District are described in Note A to the financial statements. The district implemented GASB No. 101, *Compensated Absences*, and GASB No. 102, *Certain Risk Disclosures*. We noted no transactions entered into by Lincoln County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the compensated absences liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2025.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Lincoln County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lincoln County School District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 53 and 54, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 55-56 and 59-61, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 57-58 and 62-64,

which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Lincoln County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Montgomery & Company, P.L.L.C.*

Certified Public Accountants