



Muhlenberg County School District

FINANCIAL STATEMENTS

June 30, 2025



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REPORT





CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
922 State Street
Suite 100
Bowling Green, KY 42101

Mailing Address:
PO Box 104
Bowling Green, KY 42102

270.782.0700
270.782.0932 (fax)
CRIadv.com

Independent Auditor's Report

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

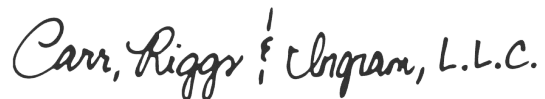
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and select pension/OPEB information on pages 5 through 13 and 83 through 98 be presented to supplement the basic financial statements. Such information 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026 on our consideration of Muhlenberg County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
January 22, 2026



FINANCIAL STATEMENTS



**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2025**

As the management of the Muhlenberg 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 ending June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

CURRENT ISSUES

The financial health of the Muhlenberg County School District continues to reflect the economic conditions of the local community. In FY 2025, locally generated property tax revenue totaled \$9.75 million, a decrease of about \$1.04 million from the prior year. This change was primarily due to lower franchise tax collections compared to FY 2024.

Another important source of funding, the Support Education Excellence in Kentucky (SEEK) program, is influenced by the average daily attendance (ADA) of students in our schools. Although student attendance has been gradually declining, SEEK payments increased by \$1.01 million in FY 2025. This increase was mainly the result of a \$126 rise in the SEEK base per-pupil funding amount, which helped offset the impact of lower attendance.

The District remains committed to offering competitive salaries to attract and retain highly qualified educators and staff. For FY 2025, the starting salary for a beginning teacher was \$41,009, and the top of the 185-day salary schedule reached \$70,901. All certified employees continued under 185-day contracts. Overall, salaries within the Muhlenberg County School District remain generally higher than those offered by most neighboring Western Kentucky districts.

As we look to the future, staffing levels will continue to be reviewed and adjusted based on the District’s staffing formula. This ensures that financial resources are used effectively providing students with the resources they need to succeed while keeping salary growth sustainable and responsible.

The District continues to monitor state revenue projections closely. While bonding capacity is gradually improving as older bonds are paid off, some revenue sources, such as Tennessee Valley Authority (TVA) payments, remain uncertain. Because of this, maintaining a strong cash reserve is a key priority, ensuring that the District can respond to unexpected costs or revenue shortfalls.

In addition, the District continues to explore cost-saving strategies across all areas, including transportation, administrative operations, facility maintenance, and energy management. Cash balances are also being strategically invested to generate additional income and help offset anticipated decreases in revenue in future years.

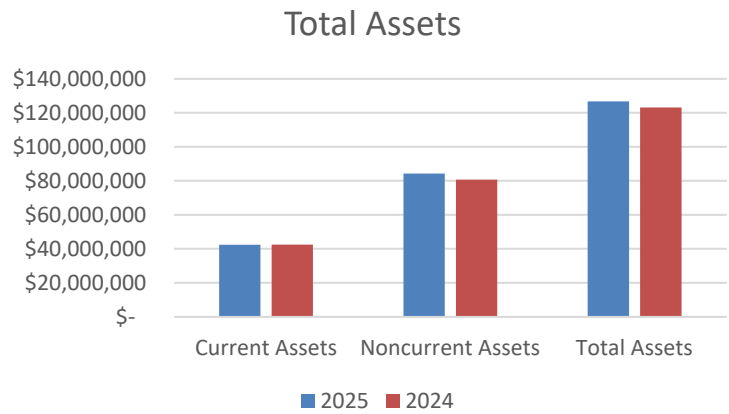
Through careful planning, fiscal responsibility, and a continued focus on student achievement, the District is working to maintain a strong financial foundation that supports the long-term success of its students, staff, and community.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025 are as follows:

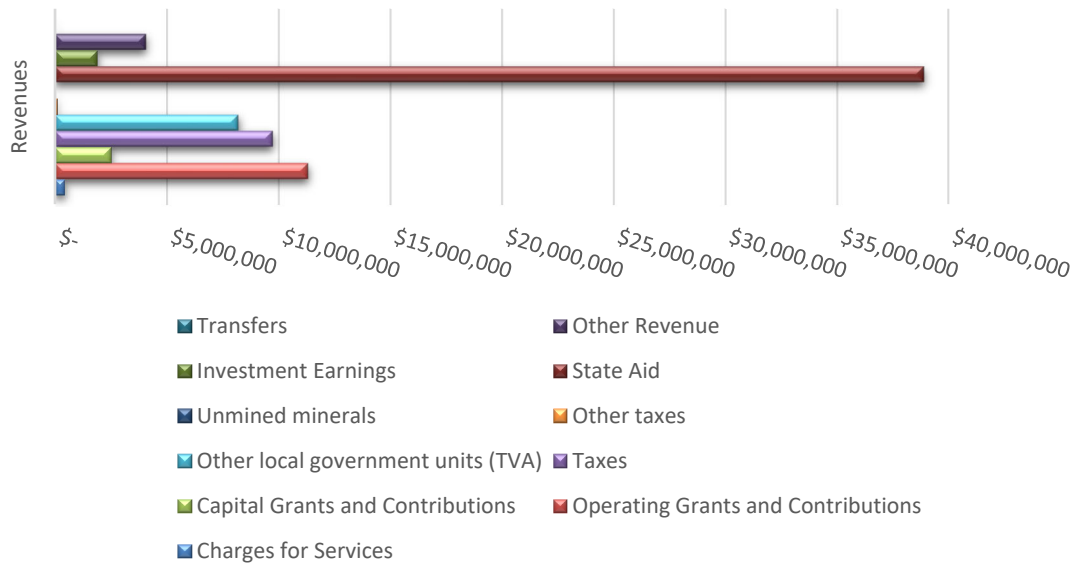
**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONT’D)
FOR THE YEAR ENDED JUNE 30, 2025**

- In total, net position increased \$5,021,918. Net position of governmental activities increased \$5,231,998 from fiscal year 2024. Net position of the business-type activity, which represents food service, decreased \$210,080 from fiscal year 2024.



- General revenues accounted for \$62.95M in revenue or 81.5 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$14.29M or 18.5 percent of total revenues of \$77.24M. General revenues increased by \$648,120, which was primarily in State Aid. Program specific revenues decreased by \$254,165.

Statement of Activities



- Total revenue was \$77.24M, an increase of \$415,241 from FY 2024, which is primarily in State Aid and TVA revenues.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

- The Board had \$71.79M in total governmental expenses. Compared to governmental expenses of \$63.48M in FY2024.
- Investment income was \$1.89M, which is a slight decrease from last year due to banking interest rates. The district is using excess funds in every way possible to help offset decreasing revenues in various sources.
- SEEK net general funding was \$20.97M, which was an increase of \$1,014,628 when compared to the prior year. In FY25 the SEEK base amount increased by \$126 per pupil. The district will still take a conservative stance on expenditures when possible as the state often places more requirements of the increase than the increase will bear.
- Total salary and benefit costs increased 3.77% \$1,369,560 from 2023-24 (\$36.37M), to \$37.74M (figures provided do not include on-behalf payments). This includes the state contributions to health insurance and state retirement matches. While this is not the percentage raise that was given, the percentage is a reflection of the total cost incurred by the district. This increase has been minimal due to staffing adjustments that have countered significant increases in on-behalf payments.
- Total general fund current operating expenses were \$53.20M which is a \$4.13M increase over 2023-24. The district saw increases in the areas of Instruction, Construction, and Student Transportation.
- The General Fund ending balance was \$37.12M compared to \$34.02 the prior year, a \$3.10M increase. This can be attributed to growth in interest. Contingency fund was \$27.81M which is 52.39%.
- Construction projects have been completed in FY 2025 to include a middle school cafeteria renovation, parking lot resurfacing at the middle school and roofing replaced at both the middle and high schools.
- The district has a projected bonding capacity of \$18M as of June 30, 2025.

Overview of the Annual Financial Report (AFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Muhlenberg County School District as a financial whole, an entire operating entity, in a manner similar to a private-sector business. The annual report consists of three parts: (A) management's discussion and analysis (this section), (B) the basic financial statements, and (C) required and other supplemental information. The statements then proceed to provide an increasingly detailed look at specific financial activities. The district's basic financial statements comprise three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONT’D)
FOR THE YEAR ENDED JUNE 30, 2025**

District-Wide Financial Statements

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements can be found on pages 31 to 82.

Reporting the School District as a Whole

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

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

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

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

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) (CONT’D)
FOR THE YEAR ENDED JUNE 30, 2025**

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the district, assets exceeded liabilities by \$70,607,514 as of June 30, 2025. This was an increase of \$5.02M over the previous year.

The largest portion of the district’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The amount of capital assets, net of related debt was \$58,086,589 (an increase of \$1,159,661 over the previous year). The district uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

After looking at the district as a whole, an analysis of the School District’s major funds follows. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the district can be divided into three categories: governmental, proprietary fund and fiduciary fund. Fiduciary funds are assets that belong to others. The school’s activity funds are reported as fiduciary funds. The only proprietary fund is the school food fund. A proprietary fund is sometimes referred to as an enterprise fund. It is a fund that operates like a business with sales of goods and services. All other activities of the district are included in the governmental funds. The major governmental funds for the Muhlenberg County School District are the general fund and special revenue (grants) fund.

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

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

reconciled in the financial statements.

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

Fiduciary Funds – The Lyle Cleaborn Baugh Scholarship is the district's only fiduciary fund. The fiduciary fund cash balances at year-end totaled \$32,000 (a decrease of \$2,000 from the previous year).

The fund financial statements are on page 18 to 30.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

DISTRICT WIDE FINANCIAL ANALYSIS

The perspective of the statement of net position is of the district as a whole. The following table provides a summary of the district's net position for 2025 compared to 2024:

	2025	2024
Current Assets	\$ 42,392,114	\$ 42,477,875
Noncurrent Assets	\$ 84,392,995	\$ 81,031,432
Total Assets	\$ 126,785,109	\$ 123,509,307
Deferred outflow of resources	\$ 8,810,338	\$ 11,575,906
Current liabilities	\$ 1,129,814	\$ 995,667
Noncurrent liabilities	\$ 50,252,608	\$ 50,608,326
Total liabilities	\$ 51,382,422	\$ 51,603,993
Deferred inflow of resources	\$ 13,605,511	\$ 17,561,768
Net position		
Net investment in capital assets	\$ 58,086,589	\$ 56,926,928
Restricted	\$ 1,738,860	\$ 4,765,994
Unrestricted fund balance	\$ 10,782,065	\$ 3,892,674
Total net position	\$ 70,607,514	\$ 65,585,596

Total net position increased \$5,021,918. The net position of the district's governmental activities increased \$5,231,998. The net position of the district's business-type activity decreased \$210,080.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

DISTRICT WIDE FINANCIAL ANALYSIS (CONT'D)

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2025, and 2024.

	2025	2024
Revenues:		
Program Revenues		
Charges for Services	\$ 440,872	\$ 663,476
Operating Grants and Contributions	\$ 11,335,429	\$ 10,840,068
Capital Grants and Contributions	\$ 2,516,664	\$ 3,043,586
General Revenue		
Taxes	\$ 9,754,928	\$ 10,790,227
Other local government units (TVA)	\$ 8,214,393	\$ 7,817,945
Other taxes	\$ 102,785	\$ 232,814
Unmined minerals	\$ -	\$ 21,286
State Aid	\$ 38,903,948	\$ 37,855,919
Investment Earnings	\$ 1,893,699	\$ 2,064,248
Other Revenue	\$ 4,078,426	\$ 3,517,620
Transfers	\$ -	\$ -
Total Revenue	\$ 77,241,144	\$ 76,847,189
Expenses:		
Instructional	\$ 40,927,779	\$ 43,969,274
Student Support	\$ 1,999,852	\$ 1,766,748
Instructional Support	\$ 2,073,257	\$ 1,346,101
District Administration	\$ 1,518,406	\$ 1,874,696
School Administration	\$ 3,145,538	\$ 2,807,411
Business Support	\$ 2,107,085	\$ 1,956,009
Plant Operations and Maintenance	\$ 9,248,300	\$ 6,251,647
Student Transportation	\$ 4,994,632	\$ 3,863,483
Other	\$ 967,783	\$ 900,435
Debt Services	\$ 769,725	\$ 784,322
Food Services-Govt.	\$ 47,296	\$ 47,787
Food Services	\$ 3,862,844	\$ 3,265,579
Day Care	\$ 506,126	\$ 258,422
Community Education	\$ -	\$ -
Building improvement	\$ -	\$ 20,639
Bond Issuance Cost	\$ 46,500	\$ -
Loss on Disposal of Assets	\$ 4,103	\$ -
Total Expenses	\$ 72,219,226	\$ 66,372,278
Excess/Loss of revenue over expenditures	\$ 5,021,918	\$ 7,734,636

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

BUSINESS-TYPE ACTIVITY

The major business-type activity of the district is the food service operation. This program had revenues of \$3.65M and expenses of \$3.86M for fiscal year 2025. The food service operation is mainly self-operating with minimal assistance from the General Fund.

THE DISTRICT'S FUNDS

The district's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$68.08M and expenditures and other financing uses of \$71.79M. The governmental funds increased \$582,090.

GENERAL FUND BUDGETING HIGHLIGHTS

The district's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky, the public schools fiscal year is July 1 - June 30; other programs, i.e., some federal, operate on a different fiscal calendar but are reflected in the overall budget. By law the budget must have a minimum 2 percent contingency. The district adopted a budget with \$19.08M in contingency (24.86% percent). The beginning fund balance for the fiscal year was \$34,021,684. The most significant budgeted fund is the General Fund.

During fiscal year 2025, the district amended its General Fund budget as needed. The district uses a centralized budget. The budgeting system is designed to control budgets but allow flexibility for management.

For the General Fund, actual revenues, and other financing sources, including state contribution (on-behalf) payments were \$55.03M. Budgeted revenues were \$52.96M. The increase revenue can be attributed to an increase in state aid, interest on investments, TVA receipts, and on-behalf payments (non-cash item).

Original general fund budget expenditures were \$53.08M, including on-behalf payments made by the State of Kentucky. Actual expenditures were \$53.20M (includes contingency funds).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Investment in capital assets for governmental activities ended at \$83.45M and capital assets in business-type activities ended at \$461,865.

Debt

On June 30, 2025, the District had \$30.99M (principal and interest) in outstanding bonds. Bond payments are primarily paid from the Capital Outlay and Building funds. The district paid \$3.00M (including federal rebate) for bond payments for FY 2025. However, this includes \$1.45M from the state for on-behalf paid through the SFCC.

**MUHLENBERG COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2025**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the district's finances and to reflect the district's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Mr. Eric Bletzinger, Treasurer, at 270-338-2871, or by mail at 510 W. Main St., Powderly, KY 42367.

Muhlenberg County School District
Statement of Net Position

<i>June 30, 2025</i>	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 23,701,084	\$ 2,687,316	\$ 26,388,400
Investments	13,985,559	-	13,985,559
Accounts receivable:			
Taxes	200,557	-	200,557
Intergovernmental	1,387,555	29,830	1,417,385
Inventory	352,641	47,572	400,213
Nondepreciable capital assets	6,413,372	-	6,413,372
Depreciable capital assets	150,690,596	1,986,957	152,677,553
Less: accumulated depreciation	(73,649,694)	(1,525,092)	(75,174,786)
Net OPEB asset	409,953	66,903	476,856
Total assets	123,491,623	3,293,486	126,785,109
Deferred Outflows of Resources			
Deferred loss on debt refundings	118,272	-	118,272
OPEB related	4,766,319	165,425	4,931,744
Pension related	3,232,710	527,612	3,760,322
Total deferred outflows of resources	8,117,301	693,037	8,810,338
Liabilities			
Accounts payable	636,756	16,890	653,646
Accrued liabilities	37,480	-	37,480
Unearned revenue	298,157	-	298,157
Accrued interest	140,531	-	140,531
Long-term obligations:			
Due within one year:			
Outstanding bonds	2,195,000	-	2,195,000
Compensated absences	726,079	30,013	756,092
Due beyond one year:			
Outstanding bonds	23,752,822	-	23,752,822
Compensated absences	976,892	10,715	987,607
Net OPEB liability	6,091,000	-	6,091,000
Net pension liability	14,159,334	2,310,753	16,470,087
Total liabilities	49,014,051	2,368,371	51,382,422

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

Muhlenberg County School District
Statement of Net Position

<i>June 30, 2025</i>	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
OPEB related	9,432,945	733,396	10,166,341
Pension related	2,956,654	482,516	3,439,170
Total deferred inflows of resources	12,389,599	1,215,912	13,605,511
Net Position (Deficit)			
Net investment in capital assets	57,624,724	461,865	58,086,589
Restricted for:			
Student activities	1,039,365	-	1,039,365
Greenville Library	699,495	-	699,495
Unrestricted (deficit)	10,841,690	(59,625)	10,782,065
Total net position (deficit)	\$ 70,205,274	\$ 402,240	\$ 70,607,514

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

Muhlenberg County School District
Statement of Activities

<i>For the year ended June 30, 2025</i>	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 40,927,779	\$ -	\$ 6,399,074	\$ 152,076	\$ (34,376,629)	\$ -	\$ (34,376,629)
Support services:							
Student	1,999,852	-	62,466	-	(1,937,386)	-	(1,937,386)
Instructional staff	2,073,257	-	1,681	-	(2,071,576)	-	(2,071,576)
District administration	1,518,406	-	-	-	(1,518,406)	-	(1,518,406)
School administration	3,145,538	-	95,616	-	(3,049,922)	-	(3,049,922)
Business	2,107,085	-	230,658	-	(1,876,427)	-	(1,876,427)
Plant operations and maintenance	9,248,300	7,310	-	-	(9,240,990)	-	(9,240,990)
Student transportation	4,994,632	-	253,292	-	(4,741,340)	-	(4,741,340)
Other	967,783	-	532,033	-	(435,750)	-	(435,750)
Food service operation	47,296	-	-	-	(47,296)	-	(47,296)
Land improvement	-	-	-	15,000	15,000	-	15,000
Interest on long-term debt	769,725	-	-	2,384,869	1,615,144	-	1,615,144
Bond issuance cost	46,500	-	-	-	(46,500)	-	(46,500)
Loss on disposal of assets	4,103	-	-	-	(4,103)	-	(4,103)
Total governmental activities	67,850,256	7,310	7,574,820	2,551,945	(57,716,181)	-	(57,716,181)
Business-Type Activities:							
Food services	3,862,844	125,523	3,645,687	-	-	(91,634)	(91,634)
Day care	506,126	308,039	79,641	-	-	(118,446)	(118,446)
Total business-type activities	4,368,970	433,562	3,725,328	-	-	(210,080)	(210,080)
Total school district	\$ 72,219,226	\$ 440,872	\$ 11,300,148	\$ 2,551,945	(57,716,181)	(210,080)	(57,926,261)

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

Muhlenberg County School District
Statement of Activities

<i>For the year ended June 30, 2025</i>	Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
General Revenues			
Taxes:			
Property	7,621,473	-	7,621,473
Motor vehicle	1,450,284	-	1,450,284
Unmined minerals	-	-	-
Franchise tax	683,171	-	683,171
Revenue in lieu of taxes	8,214,393	-	8,214,393
Other	102,785	-	102,785
State aid	38,903,948	-	38,903,948
Investment earnings	1,893,699	-	1,893,699
Other	4,078,426	-	4,078,426
Total general revenues and transfers	62,948,179	-	62,948,179
Change in net position	5,231,998	(210,080)	5,021,918
Net position (deficit) - beginning of year	64,973,276	612,320	65,585,596
Net position (deficit) - end of year	\$ 70,205,274	\$ 402,240	\$ 70,607,514

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

Muhlenberg County School District
Balance Sheet
Governmental Funds

<i>June 30, 2025</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 21,756,209	\$ -	\$ 413,941	\$ 1,530,934	\$ 23,701,084
Investments	13,985,559	-	-	-	13,985,559
Accounts receivable:					
Taxes	200,557	-	-	-	200,557
Intergovernmental	-	1,387,555	-	-	1,387,555
Due from other funds	1,073,547	-	-	-	1,073,547
Inventory	352,641	-	-	-	352,641
Total assets	\$ 37,368,513	\$ 1,387,555	\$ 413,941	\$ 1,530,934	\$ 40,700,943

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

Muhlenberg County School District
Balance Sheet
Governmental Funds

<i>June 30, 2025</i>	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 206,964	\$ 15,851	\$ 413,941	\$ -	\$ 636,756
Accrued liabilities	37,480	-	-	-	37,480
Due to other funds	-	1,073,547	-	-	1,073,547
Unearned revenue	-	298,157	-	-	298,157
Total liabilities	244,444	1,387,555	413,941	-	2,045,940
Fund Balances					
Nonspendable	352,641	-	-	-	352,641
Restricted	699,495	-	-	1,497,090	2,196,585
Committed	5,168,568	-	-	-	5,168,568
Assigned	3,124,332	-	-	33,844	3,158,176
Unassigned	27,779,033	-	-	-	27,779,033
Total fund balances	37,124,069	-	-	1,530,934	38,655,003
Total liabilities and fund balances	\$ 37,368,513	\$ 1,387,555	\$ 413,941	\$ 1,530,934	\$ 40,700,943

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

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

<i>June 30,</i>	2025
Total fund balances - governmental funds	\$ 38,655,003
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$157,103,968 and the accumulated depreciation is \$73,649,694.	83,454,274
Governmental funds record losses on debt refundings as other financing uses when the issues are refunded. Unamortized losses on refundings are included on the government-wide financial statements as a deferred outflow.	118,272
Deferred outflows and inflows or resources related to pensions are applicable to future periods, therefore, are not reported in the funds statements.	276,056
Deferred outflows and inflows or resources related to OPEBs are applicable to future periods, therefore, are not reported in the funds statements.	(4,666,626)
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 consists of:	
Bonds payable	(25,947,822)
Accrued interest on outstanding bonds	(140,531)
Net pension liability	(14,159,334)
Net OPEB asset	409,953
Net OPEB liability	(6,091,000)
Compensated absences	(1,702,971)
Total net position - governmental activities	\$ 70,205,274

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

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

<i>For the year ended June 30, 2025</i>	General Fund	Special Revenue Fund	(Formerly Non-Major) Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes:					
Property	\$ 6,552,393	\$ -	\$ -	\$ 1,069,080	\$ 7,621,473
Motor vehicle	1,450,284	-	-	-	1,450,284
Franchise tax	683,171	-	-	-	683,171
Revenue in lieu of taxes	8,214,393	-	-	-	8,214,393
Other	102,785	-	-	-	102,785
Earnings on investments	1,893,699	-	-	-	1,893,699
Other local revenue	1,917,136	-	15,000	1,850,987	3,783,123
Intergovernmental - state	33,900,528	3,129,060	-	2,384,869	39,414,457
Direct federal	317,613	165,040	-	-	482,653
Intergovernmental - federal	-	4,432,796	-	-	4,432,796
Total revenues	55,032,002	7,726,896	15,000	5,304,936	68,078,834
Expenditures					
Current:					
Instruction	29,775,247	6,629,732	-	1,787,179	38,192,158
Support services:					
Student	1,785,853	62,466	-	-	1,848,319
Instructional staff	1,950,912	1,681	-	-	1,952,593
District administration	1,600,801	-	-	-	1,600,801
School administration	3,069,864	95,616	-	-	3,165,480

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

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

<i>For the year ended June 30, 2025</i>	General Fund	Special Revenue Fund	(Formerly Non-Major) Construction Fund	Other Governmental Funds	Total Governmental Funds
Business	1,541,829	230,658	-	-	1,772,487
Plant operations and maintenance	8,744,051	-	-	-	8,744,051
Student transportation	4,310,989	253,292	-	-	4,564,281
Other	375,060	532,033	-	-	907,093
Food service operation	45,121	-	-	-	45,121
Debt service:					
Principal	-	-	-	2,220,000	2,220,000
Interest	-	-	-	776,224	776,224
Building acquisition and construction	-	-	1,049,776	-	1,049,776
Building improvements	-	-	4,908,196	-	4,908,196
Bond issuance costs	-	-	46,500	-	46,500
Total expenditures	53,199,727	7,805,478	6,004,472	4,783,403	71,793,080
Excess (deficiency) of revenues over expenditures	1,832,275	(78,582)	(5,989,472)	521,533	(3,714,246)
Other Financing Sources (Uses)					
Bond proceeds	-	-	4,296,336	-	4,296,336
Operating transfers in	1,684,051	78,582	482,232	2,354,545	4,599,410
Operating transfers out	(413,941)	-	(1,830,924)	(2,354,545)	(4,599,410)
Total other financing sources (uses)	1,270,110	78,582	2,947,644	-	4,296,336
Net change in fund balances	3,102,385	-	(3,041,828)	521,533	582,090
Fund balances - beginning of year	34,021,684	-	-	4,051,229	38,072,913
Adjustments (Note 3)	-	-	3,041,828	(3,041,828)	-
Fund balances - beginning of year, after adjustments	34,021,684	-	3,041,828	1,009,401	38,072,913
Fund balances - end of year	\$ 37,124,069	\$ -	\$ -	\$ 1,530,934	\$ 38,655,003

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

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

<i>For the year ended June 30,</i>	2025
Total net change in fund balances - governmental funds	\$ 582,090
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$6,561,741) exceeds depreciation expense (\$3,724,624) in the period.	2,837,117
Gains and losses are not presented in governmental funds because they do not provide or use current financial resources. However, they are presented on the statement of activities. The difference between proceeds from the sale of assets and the actual gain (loss) from the sale net to this amount for the year.	(4,103)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,220,000
The issuance of a bond is shown as an other financing source in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position.	(4,296,336)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
District pension contributions	1,574,944
Cost of benefits earned net of employee contributions	(544,203)
Governmental funds report district OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	
District OPEB contributions	610,663
Cost of benefits earned net of employee contributions	1,440,580
Expenditures reported in the fund financial statements are recognized when the current financial resource is used. However, expenses in the statement of activities are recognized when they are incurred.	811,246
Change in net position - governmental activities	\$ 5,231,998

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

Muhlenberg County School District
Statement of Net Position
Proprietary Funds

<i>June 30, 2025</i>	Enterprise Fund Food Service	Day Care	Total
Assets			
Current Assets			
Cash	\$ 1,706,647	\$ 980,669	\$ 2,687,316
Accounts receivable:			
Intergovernmental	29,830	-	29,830
Inventory	47,572	-	47,572
Total current assets	1,784,049	980,669	2,764,718
Non-Current Assets			
Net OPEB asset	54,648	12,255	66,903
Fixed assets - net	461,865	-	461,865
Total assets	2,300,562	992,924	3,293,486
Deferred Outflows of Resources			
OPEB related	135,123	30,302	165,425
Pension related	430,963	96,649	527,612
Total deferred outflows of resources	566,086	126,951	693,037
Liabilities			
Current Liabilities			
Accounts payable	16,722	168	16,890
Compensated absences	30,013	-	30,013
Total current liabilities	46,735	168	46,903
Long-Term Liabilities			
Compensated absences	10,715	-	10,715
Net pension liability	1,887,472	423,281	2,310,753
Total long-term liabilities	1,898,187	423,281	2,321,468

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

Muhlenberg County School District
Statement of Net Position
Proprietary Funds

<i>June 30, 2025</i>	Enterprise Fund Food Service	Day Care	Total
Deferred Inflows of Resources			
OPEB related	599,053	134,343	733,396
Pension related	394,129	88,387	482,516
Total deferred inflows of resources	993,182	222,730	1,215,912
Net Position (Deficit)			
Net investment in capital assets	461,865	-	461,865
Unrestricted (deficit)	(533,321)	473,696	(59,625)
Total net position (deficit)	\$ (71,456)	\$ 473,696	\$ 402,240

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

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

<i>For the year ended June 30, 2025</i>	Enterprise Fund		
	Food Service	Day Care	Total
Operating Revenues			
Lunchroom sales	\$ 125,523	\$ -	\$ 125,523
Tuition and fees	-	308,039	308,039
Total operating revenues	125,523	308,039	433,562
Operating Expenses			
Salaries and wages	1,550,652	399,709	1,950,361
Contract services	15,748	-	15,748
Materials and supplies	2,280,627	106,417	2,387,044
Other operating expenses	200	-	200
Depreciation expense	15,617	-	15,617
Total operating expenses	3,862,844	506,126	4,368,970
Operating (loss) income	(3,737,321)	(198,087)	(3,935,408)
Non-Operating Revenues (Expenses)			
State operating grants	366,404	79,641	446,045
Federal operating grants	3,072,521	-	3,072,521
Donated commodities	206,762	-	206,762
Total non-operating revenues	3,645,687	79,641	3,725,328
Change in net position	(91,634)	(118,446)	(210,080)
Net position (deficit) - beginning of year	20,178	592,142	612,320
Net position (deficit) - end of year	\$ (71,456)	\$ 473,696	\$ 402,240

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

Muhlenberg County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2025</i>	Enterprise Fund Food Service	Day Care	Total
Operating Activities			
Cash received from user charges	\$ 125,523	\$ 308,039	\$ 433,562
Cash payments to employees for services	(1,406,254)	(317,788)	(1,724,042)
Cash payments for contract services	(15,748)	-	(15,748)
Cash payments to suppliers for goods and services	(2,078,910)	(106,249)	(2,185,159)
Cash payments for other operating expenses	(200)	-	(200)
Net cash (used in) provided by operating activities	(3,375,589)	(115,998)	(3,491,587)
Noncapital Financing Activities			
Nonoperating grants received	3,092,948	-	3,092,948
Net cash provided by noncapital financing activities	3,092,948	-	3,092,948
Cash Flows From Capital and Related Financing Activities			
Acquisition of capital assets	(452,381)	-	(452,381)
Net cash used in capital and related financing activities	(452,381)	-	(452,381)
Net increase in cash	(735,022)	(115,998)	(851,020)
Cash - beginning of year	2,441,669	1,096,667	3,538,336
Cash - end of year	\$ 1,706,647	\$ 980,669	\$ 2,687,316

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

Muhlenberg County School District
Statement of Cash Flows
Proprietary Funds

<i>For the year ended June 30, 2025</i>	Enterprise Fund Food Service	Day Care	Total
Reconciliation of Operating (Loss) Income to Net Cash (Used In) Provided By Operating Activities			
Operating (loss) income	\$ (3,737,321)	\$ (198,087)	\$ (3,935,408)
Adjustments To Reconcile Operating (Loss) Income To Net Cash (Used In) Provided By Operating Activities			
Depreciation	15,617	-	15,617
On-behalf payments	342,112	79,641	421,753
Commodities used	206,762	-	206,762
Pension contributions in excess of pension expense	(45,061)	22,894	(22,167)
OPEB contributions in excess of pension expense	(133,984)	(20,614)	(154,598)
Changes in assets and liabilities:			
Inventories	(5,214)	-	(5,214)
Accounts payable	169	168	337
Accrued benefits	(18,669)	-	(18,669)
Net cash (used in) provided by operating activities	\$ (3,375,589)	\$ (115,998)	\$ (3,491,587)

Noncash Activities

- The food service fund received \$206,762 of donated commodities from the federal government.
- The District received on-behalf payments of \$342,112 relating to insurance benefits for the food service fund.
- The District received on-behalf payments of \$79,641 relating to insurance benefits for the day care fund.
- The District reclassified \$257,071 related to pension expense to deferred outflows of resources.
- The District reclassified \$0 related to OPEB expense to deferred outflows of resources.

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

Muhlenberg County School District
Statement of Fiduciary Net Position
Fiduciary Fund

<i>June 30, 2025</i>	Private Purpose Trust Fund	
<hr/>		
Assets		
Cash and investments	\$	32,000
<hr/>		
Total assets	\$	32,000
<hr/> <hr/>		
Net Position		
Held in trust for scholarships	\$	32,000
<hr/>		
Net position	\$	32,000
<hr/> <hr/>		

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

Muhlenberg County School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund

<i>For the year ended June 30, 2025</i>	Private Purpose Trust Fund
<hr/>	
Deductions	
Scholarships	\$ 2,000
<hr/>	
Total deductions	2,000
<hr/>	
Change in net position	(2,000)
<hr/>	
Net position - beginning of year	34,000
<hr/>	
Net position - end of year	\$ 32,000
<hr/> <hr/>	

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

NOTE 1: DESCRIPTION OF THE ENTITY

Reporting Entity

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

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

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

Blended Component Unit

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Fund Financial Statements — Fund financial statements report detailed information about the District's funds, including fiduciary funds. Separate statements for each fund category — governmental, proprietary and fiduciary — are presented. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The District has the following funds:

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unassigned fund balances are considered as resources available for use. The general fund is a major fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The *Special Revenue Fund* accounts for proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the schedule of expenditures of federal awards. The special revenue fund is a major fund.

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

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

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

The *Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund* receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified in the District's facility plan and certain operating costs.

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Proprietary Fund Types

Enterprise Funds

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

The *Day Care Fund* is used to account for day care services offered to the general public. The day care fund is a major fund.

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

Fiduciary funds account for assets held by the District in a trustee's capacity or in a custodial capacity for others that cannot be used to support the District's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

Custodial Funds

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

Private Purpose Trust Fund

The *Private Purpose Trust Fund* is used to report trust arrangements under which principal and income benefit individuals.

Measurement Focus and Basis of Accounting

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to fair market value of investments, compensated absences, depreciation, pension liability, and OPEB liability.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are reported at fair value which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

Inventory

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

Prepaid Items

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

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 with the exception of computer workstations and laptops for which there is a \$1,000 threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

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

Description	Estimated Lives
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

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

Deferred Outflows of Resources – Debt Related

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows and Outflows of Resources – Pension Related

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

Deferred Inflows and Outflows of Resources – OPEB Related

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

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

Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS)/Teachers Retirement System of the State of Kentucky (KTRS) and additions to/deductions from CERS/KTRS fiduciary net position have been determined on the same basis as they are reported by CERS/KTRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The District's proportionate share of OPEB amounts were further allocated to each participating employer based on the contributions paid by each employer. OPEB investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Note 10 provides further detail on the net OPEB liability.

Post-Employment Health Care Benefits

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

Unearned Revenue

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

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

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

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

Accrued Liabilities

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

Long-Term Obligations

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

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

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a leased asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

residual guarantees. The intangible leased asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Leased assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Net Position

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

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

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

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

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

Property Taxes

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues — Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions are where each party receives equal value. On the modified accrual basis of accounting, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Assets from property taxes are normally recognized when an enforceable legal claim arises. However, for the District, an enforceable legal claim arises after the period for which taxes are levied. Property taxes receivable are recognized in the same period that the revenues are recognized. The property taxes are normally levied in September.

On the modified accrual basis of accounting, assets and revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Revenues from nonexchange transactions must also be available before they can be recognized.

Interfund Activity

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

Interfund Balances

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. Note 8 provides further detail on the District's encumbrances.

Operating Revenues and Expenses

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

Subsequent Events

The District has evaluated subsequent events through the date that the financial statements were available to be issued, January 22, 2026 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Issued and Adopted Accounting Pronouncements

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Issued and Adopted Accounting Pronouncements (continued)

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

Recent Accounting Pronouncements

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

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

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (continued)

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

NOTE 3: CHANGE IN FINANCIAL REPORTING ENTITY

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

The Construction Fund was presented as a non-major fund included in the total other governmental funds column in the District’s fiscal year 2024 governmental fund financial statements. However, in fiscal year 2025, the Construction Fund meets the quantitative thresholds that require major fund presentation. The District consequently reclassified the fund from non-major other governmental funds column and presented the Construction Fund as a major fund in a separate column in the fiscal year 2025 governmental fund financial statements.

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

	Fund Financial Statements			
	Governmental			
	Construction Fund	Non-Major Funds		
6/30/2024 fund balance as previously reported	\$	-	\$	4,051,229
Change from non-major to major presentation		3,041,828		(3,041,828)
6/30/2024 fund balance as restated and adjusted	\$	3,041,828	\$	1,009,401

Muhlenberg County School District
Notes to the Financial Statements

NOTE 3: CHANGE IN FINANCIAL REPORTING ENTITY (CONTINUED)

Government-Wide Financial Statements	
	Governmental Activities
6/30/2024 net position as previously reported	\$ 64,973,276
Change from non-major to major presentation	-
6/30/2024 net position as restated and adjusted	\$ 64,973,276

NOTE 4: CASH AND INVESTMENTS

Deposits

At June 30, 2025, the carrying amounts of the District's cash in deposits were \$26,420,400 and the bank balances were \$27,219,633, which were covered by federal depository insurance or by collateral held by the bank's agent in the District's name.

The carrying amounts are reflected in the financial statements as follow:

<i>June 30,</i>	<i>2025</i>
Govenmental funds	\$ 23,701,084
Proprietary funds	2,687,316
Fiduciary funds	32,000
	\$ 26,420,400

Custodial Credit Risk Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. However, the District is required by state statute that bank deposits must be collateralized. The District's bank balance of \$27,219,633 was not exposed to custodial credit risk as of June 30, 2025.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 4: CASH AND INVESTMENTS

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2025:

- Publicly traded stocks of \$699,495 are valued using quoted market prices (Level 1 inputs)
- Fixed rate annuity contracts of \$13,286,064 are valued using other observable inputs (Level 2 inputs)

<i>June 30, 2025</i>			
Investment	Rating	Maturities	Fair Value
Chevron Corp Stock	N/A	-	\$ 194,452
Exxon Mobile Corp	N/A	-	505,043
Fixed rate annuity contract	N/A	7/19/2025	2,194,798
Fixed rate annuity contract	N/A	7/19/2026	3,320,516
Fixed rate annuity contract	N/A	7/19/2027	5,549,985
Fixed rate annuity contract	N/A	4/13/2030	2,220,765
			\$ 13,985,559

The District is the beneficiary of the donated stock, which is restricted for the use of the Greenville Library.

Interest Rate Risk

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

Credit Risk

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

NOTE 4: CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Risks and Uncertainties

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

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2025 consist of the following:

<i>June 30, 2025</i>		
Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Fund	\$ 1,073,547

The amount represents interfund loans between the general fund and special revenue fund that are necessary to fulfill the current cash requirements of the special revenue fund.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 6: CAPITAL ASSETS

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

<i>June 30, 2025</i>	Capital Cost			
	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 2,391,197	\$ -	\$ -	\$ 2,391,197
Construction in progress	5,869,799	5,957,972	7,805,596	4,022,175
Total non-depreciable historical cost	8,260,996	5,957,972	7,805,596	6,413,372
Capital assets that are depreciated:				
Land improvements	2,506,237	-	-	2,506,237
Buildings and improvements	121,995,882	7,805,596	-	129,801,478
Technology equipment	3,606,855	-	87,834	3,519,021
Vehicles	10,376,692	94,469	-	10,471,161
General	3,885,218	509,300	1,819	4,392,699
Total depreciable historical cost	142,370,884	8,409,365	89,653	150,690,596
Less accumulated depreciation for:				
Land improvements	2,269,241	112,932	-	2,382,173
Buildings and improvements	52,661,782	3,145,088	-	55,806,870
Technology equipment	3,566,820	-	85,550	3,481,270
Vehicles	8,359,262	318,562	-	8,677,824
General	3,153,515	148,042	-	3,301,557
Total accumulated depreciation	70,010,620	3,724,624	85,550	73,649,694
Total depreciable historical cost, net	72,360,264	4,684,741	4,103	77,040,902
Governmental activities, capital assets, net	\$ 80,621,260	\$ 10,642,713	\$ 7,809,699	\$ 83,454,274

Muhlenberg County School District
Notes to the Financial Statements

NOTE 6: CAPITAL ASSETS (CONTINUED)

<i>June 30, 2025</i>	Capital Cost			Ending Balance
	Beginning Balance	Additions	Retirements/ Reclassifications	
Business-Type Activities:				
Capital assets that are depreciated:				
Buildings and improvements	\$ 24,186	\$ -	\$ -	\$ 24,186
Technology equipment	2,166	-	-	2,166
General	1,508,224	452,381	-	1,960,605
Total depreciable historical cost	1,534,576	452,381	-	1,986,957
Less accumulated depreciation for:				
Buildings and improvements	24,186	-	-	24,186
Technology equipment	2,130	-	-	2,130
General	1,483,159	15,617	-	1,498,776
Total accumulated depreciation	1,509,475	15,617	-	1,525,092
Business-type activities, capital assets, net	\$ 25,101	\$ 436,764	\$ -	\$ 461,865

Depreciation expense was charged to governmental functions as follows:

<i>For the year ended June 30,</i>	2025
Instruction	\$ 2,742,325
Support services:	
Student support	1,118
District administration	15,870
School administration	7,968
Business support	198
Facilities operations	601,095
Student transportation	319,677
Other	36,373
Total depreciation expense	\$ 3,724,624

Muhlenberg County School District
Notes to the Financial Statements

NOTE 7: LONG-TERM OBLIGATIONS

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

Issue Date	Proceeds	Rates
2012 Bond	\$ 1,100,000	0.90%-2.125%
2013 Bond	6,000,000	1.00%-3.00%
2014 Bond	1,100,000	1.00%-4.00%
2014(2) Bond	3,325,000	3.00%-3.375%
2016R Bond	12,890,000	2.00%-2.25%
2019 Bond	7,125,000	3.00%-3.125%
2022 Bond	1,165,000	3.00%-4.00%
2023 Bond	1,100,000	3.25%-4.125%
2024 Bond	4,250,000	4.00%

On November 26, 2024, the District issued \$4,250,000 in Series 2024 School Building Revenue Bonds with an interest rate of 4.00% for the Muhlenberg County Middle School renovation projects.

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

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

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 7: LONG-TERM OBLIGATIONS (CONTINUED)

Year	Muhlenberg County School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2025-2026	\$ 1,683,657	\$ 499,863	\$ 511,343	\$ 176,024	\$ 2,870,887
2026-2027	1,735,645	459,788	524,355	163,013	2,882,801
2027-2028	1,718,175	418,938	466,825	150,225	2,754,163
2028-2029	1,765,648	377,041	479,352	137,700	2,759,741
2029-2030	1,826,548	331,897	498,452	124,366	2,781,263
2030-2031	1,892,744	283,547	472,256	110,492	2,759,039
2031-2032	1,346,429	240,212	333,571	98,028	2,018,240
2032-2033	1,410,230	201,546	344,770	86,829	2,043,375
2033-2034	940,304	160,460	284,696	74,913	1,460,373
2034-2035	975,884	145,122	294,116	67,565	1,482,687
2035-2036	687,239	110,906	227,761	55,991	1,081,897
2036-2037	723,812	93,087	236,188	48,013	1,101,100
2037-2038	770,084	74,250	244,916	39,736	1,128,986
2038-2039	806,046	54,366	253,954	31,148	1,145,514
2039-2040	315,764	32,674	124,236	22,070	494,744
2040-2041	325,693	26,556	129,307	17,000	498,556
2041-2042	345,415	20,112	134,585	11,722	511,834
2042-2043	355,969	13,240	119,031	6,649	494,889
2043-2044	293,073	6,211	61,927	3,030	364,241
2044-2045	305,215	2,099	44,785	896	352,995
	<u>\$ 20,223,574</u>	<u>\$ 3,551,915</u>	<u>\$ 5,786,426</u>	<u>\$ 1,425,410</u>	<u>\$ 30,987,325</u>

Muhlenberg County School District
Notes to the Financial Statements

NOTE 7: LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term obligations are as follows:

<i>June 30, 2025</i>	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Amounts Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 23,980,000	\$ 4,250,000	\$ (2,220,000)	\$ 26,010,000	\$ 2,195,000
Less (discounts)/premiums - net	(119,404)	46,336	10,890	(62,178)	-
Total bonds and notes payable	23,860,596	4,296,336	(2,209,110)	25,947,822	2,195,000
Other liabilities:					
Compensated absences	2,507,718	-	(804,747)	1,702,971	726,079
Total other liabilities	2,507,718	-	(804,747)	1,702,971	726,079
Total long-term liabilities	\$ 26,368,314	\$ 4,296,336	\$ (3,013,857)	\$ 27,650,793	\$ 2,921,079
Business-Type Activities:					
Other liabilities:					
Compensated absences	\$ 59,397	\$ -	\$ (18,669)	\$ 40,728	\$ 30,013
Total long-term liabilities	\$ 59,397	\$ -	\$ (18,669)	\$ 40,728	\$ 30,013

NOTE 8: FUND BALANCES

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

Nonspendable fund balances are amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. At June 30, 2025, the District had \$352,641 nonspendable in the general fund related to inventory.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2025, the District had \$699,495 restricted in the general fund for Greenville Library, \$457,725 restricted in the FSPK fund for future construction and \$1,039,365 restricted in the student activity fund for student activities.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 8: FUND BALANCES (CONTINUED)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments in the general fund at June 30, 2025: \$1,958,568 for compensated absences and \$3,210,000 for future construction.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The District has assigned \$1,875,261 for site-base carryforward and \$1,249,071 for encumbrances and other in the general fund and the district activity fund had assigned \$33,844 for operating costs of District's schools at June 30, 2025. Assigned fund balances also include (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

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

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations using restricted funds first, followed by committed funds, assigned funds and then unassigned funds. Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically rebudgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2025 in the governmental funds balance sheet.

NOTE 9: PENSION PLANS

Pensions

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

General Information About the KTRS Pension Plan

Plan Description

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

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

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

Benefits Provided

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

For Members Hired Before July 1, 2008 (TRS 1 and TRS 2):

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

NOTE 9: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

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

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

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

For Members Hired On or After July 1, 2008 and Before January 1, 2022 (TRS 3):

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

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

The annual retirement allowance for members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

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

NOTE 9: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

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

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

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

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

The multiplier for members is shown in the following table:

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

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

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

A life insurance benefit payable upon the death of a member is \$2,000 for active contributing members and \$5,000 for retired or disabled members who began participating before January 1, 2022. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

NOTE 9: PENSION PLANS (CONTINUED)

Contributions

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

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

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

Pension Liabilities and Pension Expense

At June 30, 2025, the amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth of Kentucky (State) support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		87,340,348
Total	\$	<u>87,340,348</u>

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

For the year ended June 30, 2025, the District recognized pension expense of \$10,680,255 and revenue of \$10,680,255 for support provided by the State in the government wide financial statements and pension expense of \$5,676,835 and revenue of \$5,676,835 for support provided by the State in the fund statements.

NOTE 9: PENSION PLANS (CONTINUED)

Actuarial Assumptions

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

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

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

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 9: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

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

Discount Rate

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

NOTE 9: PENSION PLANS (CONTINUED)

General Information About the CERS Pension Plan

Plan Description

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

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

Benefits Provided

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

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

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

NOTE 9: PENSION PLANS (CONTINUED)

Benefits Provided (continued)

of contributions and interest, however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

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

Contributions

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

NOTE 9: PENSION PLANS (CONTINUED)

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

At June 30, 2025, the District reported a liability of \$16,470,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on the District's share of 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .275400%.

For the year ended June 30, 2025, the District recognized pension expense of \$647,008. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 797,182	\$ -
Net difference between projected and actual investment earnings on pension plan investments	1,131,125	2,190,063
Change of assumptions	-	744,125
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	504,982
District contributions subsequent to the measurement date	1,832,015	-
Total	<u>\$ 3,760,322</u>	<u>\$ 3,439,170</u>

\$1,832,015 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 9: PENSION PLANS (CONTINUED)

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

Year ended June 30,	
2026	\$ (1,095,055)
2027	227,256
2028	(407,068)
2029	(235,996)
Thereafter	-

Actuarial Assumptions

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

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

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real 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 are summarized in the table below.

NOTE 9: PENSION PLANS (CONTINUED)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

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

NOTE 9: PENSION PLANS (CONTINUED)

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension liability	\$ 21,232,633	\$ 16,470,087	\$ 12,518,429

Deferred Compensation Plans

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

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the KTRS OPEB Plan

Plan Description

The Teachers' Retirement System of the State of Kentucky (TRS) is cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts, including health and life insurance benefits for specified employees in the state. TRS was created by the 1938 General Assembly and is governed by KRS Chapter 161 Sections 220 through 990. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained on the TRS website.

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Plan Description (continued)

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

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

Health Insurance Trust

Plan Description

In addition to the OPEB benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits for eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Benefits Provided

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

Contributions

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

At June 30, 2025, the District reported a liability of \$6,091,000 for its proportionate share of collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.273271%.

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	\$ 6,091,000
State's proportionate share of the net OPEB liability	
<u>associated with the District</u>	<u>5,426,000</u>
<u>Total</u>	<u>\$ 11,517,000</u>

For the year ended June 30, 2025, the District recognized total OPEB expense of \$(297,000), which included \$(154,000) related to changes in proportion and differences between employer contributions and proportionate share of contributions. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,829,000
Changes of assumptions	1,551,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	195,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,591,000	2,915,000
District contributions subsequent to measurement date	<u>610,663</u>	<u>-</u>
Total	<u>\$ 3,752,663</u>	<u>\$ 4,939,000</u>

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$610,663 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<i>Year ended June 30,</i>	
2026	\$ (595,000)
2027	(218,000)
2028	(264,000)
2029	(410,000)
2030	(314,000)
Thereafter	4,000

Actuarial Assumptions

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

Valuation Date	June 30, 2023
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation
Healthcare Cost Trends:	
Medical trend	6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FYE 2031
Medicare Part B Premiums	5.92% for FYE 2024 with an ultimate rate of 4.50% by 2035

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

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

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

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

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. Future contributions to the Health Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Based on those assumptions, the Health Trust's fiduciary net position was not projected to be depleted.

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the collective net OPEB liability	\$ 8,092,000	\$ 6,091,000	\$ 4,433,000

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trends Rates

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

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the collective net OPEB liability	\$ 4,115,000	\$ 6,091,000	\$ 8,547,000

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. The TRS Life Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits Provided

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

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

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

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

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		15,132
Total	\$	<u>15,132</u>

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

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

Valuation Date	June 30, 2023
Investment Rate of Return	7.10%, net of OPEB plan investment expense, including inflation
Projected Salary Increases	3.00% - 7.50%, including wage inflation
Inflation Rate	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Municipal Bond Index Rate	3.94%
Discount Rate	7.10%
Single Equivalent Interest Rate	7.10%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the Pub2010 (Teachers Amount-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees, deferred vested retirees, and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2023 valuation were based on the results for the most recent actuarial experience studies for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021.

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

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total OPEB liability as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The employer will contribute Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies. Based on those assumptions, the Life Trust's fiduciary net position was not projected to be depleted.

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

Plan Description

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits Provided

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

Contributions

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

Implicit Subsidy

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

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

At June 30, 2025, the District reported an asset of \$(476,856) for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.275671%.

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$(1,228,729).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 264,554	\$ 3,751,918
Net difference between projected and actual investment earnings on OPEB plan investments	419,169	854,328
Change of assumptions	432,089	336,472
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,269	284,623
District contributions subsequent to the measurement date	-	-
Total	\$ 1,179,081	\$ 5,227,341

For the year ended June 30, 2025, \$0 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended June 30,</u>	
2026	\$ (1,629,118)
2027	(1,246,907)
2028	(1,119,094)
2029	(53,141)
2030	-
Thereafter	-

Muhlenberg County School District
Notes to the Financial Statements

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Actuarial Assumptions

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return was determined by using a building block method in which best estimated ranges of expected future real rates of return were 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:

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Long-Term Expected Rate of Return (continued)

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

Discount Rate

Single discount rate of 5.99% for the CERS non-hazardous insurance plan was used to measure the total OPEB liability as of June 30, 2024. The single discount rate is based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarially determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate (continued)

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

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

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

	<u>1% Decrease (4.99%)</u>	<u>Current Discount Rate (5.99%)</u>	<u>1% Increase (6.99%)</u>
District's proportionate share of the collective net OPEB liability (asset)	\$ 644,763	\$ (476,856)	\$ (1,419,916)

Sensitivity of the District's Proportionate Share of the collective net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	<u>1% Decrease</u>	<u>Current Healthcare Rate</u>	<u>1% Increase</u>
District's proportionate share of the collective net OPEB liability (asset)	\$ (1,147,258)	\$ (476,856)	\$ 304,115

Muhlenberg County School District
Notes to the Financial Statements

NOTE 11: CONTINGENCIES

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

NOTE 12: CONCENTRATIONS

For the year ended June 30, 2025, the District received \$8,214,393 from the Tennessee Valley Authority (TVA) as payment in-lieu-of-tax, which represented 14.9% of the total general fund revenues.

NOTE 13: RISK MANAGEMENT

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

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

NOTE 14: LITIGATION

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

Muhlenberg County School District
Notes to the Financial Statements

NOTE 15: EXCESS EXPENDITURES OVER APPROPRIATIONS

The following funds had excess current year expenditures over current year appropriated revenues:

<i>For the year ended June 30, 2025</i>	
Fund	Amount
Construction Fund	\$ 3,041,828
District Activity Fund	3,147
Food service	91,634
Day Care	118,446

NOTE 16: FUND TRANSFERS

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

Type	From Fund	To Fund	Purpose	Amount
Operating	General Fund	Special Revenue Fund	Matching	\$ 78,582
Operating	General Fund	Construction	Construction	335,359
Operating	Construction	General Fund	Matching	1,684,051
Operating	SEEK	Debt Service	Debt Service	398,621
Operating	Construction	Construction	Construction	146,873
Operating	FSPK	Debt Service	Debt Service	1,955,924

Muhlenberg County School District
Notes to the Financial Statements

NOTE 17: ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including pension, technology, health care costs, operating costs and debt service. The amount received for the fiscal year ended June 30, 2025, was \$13,884,647. These payments were recorded in the funds as follows:

<i>Year ended June 30, 2025</i>	
Fund	Amount
General Fund	\$ 12,821,215
Debt Service Fund	641,679
Food Service Fund	342,112
Day Care Fund	79,641
Total	\$ 13,884,647
<i>Year ended June 30, 2025</i>	
Technology	\$ 85,033
Health Insurance less Federal Reimbursements	6,561,959
Life Insurance	8,626
Administrative Fees	68,904
HRA/Dental/Vision Insurance	320,950
SFCC Debt Service	641,679
KTRS	6,197,496
Total	\$ 13,884,647

Muhlenberg County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2025</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ 17,881,970	\$ 18,178,470	\$ 20,813,861	\$ 2,635,391
State programs	34,485,898	34,485,898	33,900,528	(585,370)
Federal programs	300,000	300,000	317,613	17,613
<hr/>				
Total revenues	52,667,868	52,964,368	55,032,002	2,067,634
<hr/>				
Expenditures				
Current:				
Instruction	32,124,448	32,400,193	29,775,247	2,624,946
Support services:				
Student	1,822,053	1,821,053	1,785,853	35,200
Instructional staff	2,156,551	2,161,551	1,950,912	210,639
District administration	2,255,098	2,255,598	1,600,801	654,797
School administration	3,070,963	3,069,038	3,069,864	(826)
Business	1,382,840	1,382,840	1,541,829	(158,989)
Plant operations and maintenance	9,794,134	9,794,469	8,744,051	1,050,418
Student transportation	4,622,354	4,609,854	4,310,989	298,865
Other	346,442	362,442	375,060	(12,618)
Food service operations	51,568	51,568	45,121	6,447
Building improvements	35,228	35,228	-	35,228
Contingency	19,078,374	19,078,374	-	19,078,374
<hr/>				
Total expenditures	76,740,053	77,022,208	53,199,727	23,822,481

Muhlenberg County School District
Budgetary Comparison Schedule for the General Fund

<i>For the year ended June 30, 2025</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Excess (deficiency) of revenues over expenditures	(24,072,185)	(24,057,840)	1,832,275	25,890,115
Other Financing Sources (Uses)				
Operating transfers - net	-	-	1,270,110	1,270,110
Total other financing sources (uses)	-	-	1,270,110	1,270,110
Net change in fund balance	(24,072,185)	(24,057,840)	3,102,385	27,160,225
Fund balance-beginning of year	24,072,185	24,072,185	34,021,684	9,949,499
Fund balance- end of year	\$ -	\$ 14,345	\$ 37,124,069	\$ 37,109,724

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

<i>For the year ended June 30, 2025</i>	Budgeted Amounts		Actual	Variances
	Original	Final		Final to Actual
Revenues				
Local and intermediate sources	\$ -	\$ -	\$ -	\$ -
State programs	3,644,623	3,711,859	3,129,060	(582,799)
Federal programs	4,030,332	4,172,944	4,597,836	424,892
Total revenues	7,674,955	7,884,803	7,726,896	(157,907)
Expenditures				
Current:				
Instruction	6,757,570	6,900,170	6,629,732	270,438
Support services:				
Student	106,842	106,853	62,466	44,387
Instructional staff	95,928	95,928	1,681	94,247
School administration	96,181	96,181	95,616	565
Business	-	67,236	230,658	(163,422)
Student transportation	105,600	105,600	253,292	(147,692)
Other	512,834	512,835	532,033	(19,198)
Total expenditures	7,674,955	7,884,803	7,805,478	79,325
Excess (deficiency) of revenues over expenditures	-	-	(78,582)	(78,582)

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

<i>For the year ended June 30, 2025</i>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>	
Other Financing Sources (Uses)					
Operating transfers - net	-	-	78,582	78,582	
Total other financing sources (uses)	-	-	78,582	78,582	
Net change in fund balance	-	-	-	-	
Fund balance-beginning of year	-	-	-	-	
Fund balance-end of year	\$ -	\$ -	\$ -	\$ -	

Muhlenberg County School District
 Schedule of the District's Proportionate Share of the
 Net Pension Liability and Schedule of District's Contributions
 Kentucky Teachers' Retirement System

Schedule of the District's Proportionate Share of the Net Pension Liability-KTRS											
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
District's proportion of the net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	\$ 87,340,348	\$ 87,442,153	\$ 93,830,779	\$ 75,720,612	\$ 87,036,809	\$ 84,510,868	\$ 79,773,478	\$ 163,528,921	\$ 175,851,028	\$ 191,991,858	
District's covered payroll	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	\$ 21,425,484	
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.83%	35.22%	42.49%	

Schedule of the District's Contributions-KTRS											
<i>For the Year Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,902,693	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	\$ 19,596,590	
Contributions as a percentage of covered payroll	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%	0.00000%

Muhlenberg County School District
Schedule of the District's Proportionate Share of the
Net Pension Liability and Schedule of District's Contributions
Kentucky Teachers' Retirement System

Changes of Benefit Terms

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

Changes of Assumptions

2024: No changes in assumptions.

2023: No changes in assumptions.

2022: No changes in assumptions.

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

2020: No changes in assumptions.

2019: No changes in assumptions.

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

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

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

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

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

Schedule of the District's Proportionate Share of the Net Pension Liability-CERS										
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability	0.275400%	0.278835%	0.292562%	0.283269%	0.293371%	0.304180%	0.299454%	0.290814%	0.284910%	0.337830%
District's proportionate share of the net pension liability	\$ 16,470,087	\$ 17,891,471	\$ 21,149,346	\$ 18,060,621	\$ 22,501,313	\$ 21,393,115	\$ 18,237,661	\$ 17,022,238	\$ 14,027,874	\$ 14,524,918
District's covered payroll	\$ 9,211,962	\$ 8,231,039	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293	\$ 7,945,412
District's proportionate share of the net pension liability as a percentage of its covered payroll	178.79%	217.37%	250.47%	233.82%	296.87%	278.94%	245.52%	241.58%	207.41%	182.81%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.30%	55.50%	59.97%

Schedule of the District's Contributions-CERS										
<i>For the Year Ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 1,832,015	\$ 2,150,072	\$ 1,926,063	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001
Contributions in relation to the contractually required contribution	\$ 1,832,015	\$ 2,150,072	\$ 1,926,063	\$ 1,787,549	\$ 1,490,778	\$ 1,462,841	\$ 1,243,982	\$ 1,075,595	\$ 982,937	\$ 840,001
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,294,850	\$ 9,211,962	\$ 8,231,039	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143	\$ 6,763,293
Contributions as a percentage of covered payroll	19.71%	23.34%	23.40%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.42%

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

Changes of Benefit Terms

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

2024: No changes in benefit terms.

2023: No changes in benefit terms.

2022: No changes in benefit terms.

2021: No changes in benefit terms.

2020: No changes in benefit terms.

2019: No changes in benefit terms.

2018: No changes in benefit terms.

2017: No changes in benefit terms.

2016: No changes in benefit terms.

Changes of Assumptions

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

2024: No changes in assumptions.

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

2022: No changes in assumptions.

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

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

2020: During the 2020 legislative session, Senate Bill 249 was enacted which changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. Additionally, House Bill 271 was enacted which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to a duty-related injury upon remarriage of the spouse. It also increased benefits for a very small number of beneficiaries. This did not have a material (or measurable) impact on the liability of the plans and therefore, no adjustment was made to the Total Pension Liability to reflect this legislation.

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

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

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

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

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

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS

<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the collective net OPEB liability	0.273271%	0.271929%	0.403689%	0.312965%	0.331674%	0.331938%	0.315874%	0.320675%
District's proportionate share of the collective net OPEB liability	\$ 6,091,000	\$ 6,623,000	\$ 10,022,000	\$ 6,715,000	\$ 8,371,000	\$ 9,715,000	\$ 10,960,000	\$ 11,435,000
District's covered payroll	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	28.24%	29.69%	44.72%	32.41%	40.15%	46.12%	53.52%	57.11%
Plan fiduciary net position as a percentage of the total OEPB liability	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.50%	21.18%

Schedule of the District's Contributions - KTRS

<i>For the year ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 610,663	\$ 627,237	\$ 566,754	\$ 540,797	\$ 535,205	\$ 655,424	\$ 660,257	\$ 643,153
Contributions in relation to the contractually required contribution	610,663	627,237	566,754	540,797	535,205	655,424	660,257	643,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,902,693	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428
Contributions as percentage of covered payroll	2.79%	2.91%	2.54%	2.41%	2.58%	3.14%	3.13%	3.14%

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

Changes of Benefit Terms

2024: No changes of benefit terms.

2023: No changes of benefit terms.

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

2021: No changes of benefit terms.

2020: No changes of benefit terms.

2019: No changes of benefit terms.

2018: No changes of benefit terms.

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

Changes of Assumptions

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

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

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

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

Schedule of the District's Proportionate share of the Collective Net OPEB Liability - KTRS									
<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	
District's proportion of the collective net OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	\$ 20,022,151	
District's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OEPB liability	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	75.00%	79.99%	
Schedule of the District's Contributions - KTRS									
<i>For the year ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 21,902,693	\$ 21,565,233	\$ 22,306,771	\$ 22,411,958	\$ 20,716,071	\$ 20,848,887	\$ 21,065,686	\$ 20,476,428	
Contributions as percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Changes of Benefit Terms

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

Changes of Assumptions

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

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

Schedule of District's Proportionate Share of the Collective Net OPEB Liability - CERS

<i>As of June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.275671%	0.278902%	0.292509%	0.283202%	0.293286%	0.304098%	0.299442%	0.290814%
District's proportionate share of the net OPEB liability	\$ (476,856)	\$ (385,071)	\$ 5,772,705	\$ 5,421,761	\$ 7,081,965	\$ 5,114,791	\$ 5,316,533	\$ 5,846,356
District's covered payroll	\$ 9,211,962	\$ 8,231,039	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143	\$ 7,046,143
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	-5.18%	-4.68%	68.37%	70.19%	93.44%	66.69%	71.57%	82.97%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%

Schedule of District Contributions - CERS

<i>For the year ended June 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ -	\$ 280,195	\$ 486,687	\$ 368,048	\$ 361,150	\$ 403,676	\$ 349,034
Contributions in relation to the contractually required contribution	-	-	280,195	486,687	368,048	361,150	403,676	349,034
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 9,294,850	\$ 9,211,962	\$ 8,231,039	\$ 8,443,786	\$ 7,724,241	\$ 7,579,486	\$ 7,669,432	\$ 7,428,143
Contributions as a percentage of covered payroll	0.00%	0.00%	3.39%	5.78%	4.76%	4.76%	5.26%	4.70%

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

Changes of Benefit Terms

No changes of benefit terms.

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

Changes of Assumptions

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

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

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

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

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

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

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

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

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

Muhlenberg County School District
Combining Balance Sheet
Nonmajor Governmental Funds

<i>June 30, 2025</i>	SEEK Capital Outlay Fund	FSPK Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Assets						
Cash	\$ -	\$ 457,725	\$ 33,844	\$ 1,039,365	\$ -	\$ 1,530,934
Total assets	\$ -	\$ 457,725	\$ 33,844	\$ 1,039,365	\$ -	\$ 1,530,934
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-	-	-
Fund Balances						
Restricted	-	-	-	1,039,365	-	1,039,365
Restricted for SFCC	-	457,725	-	-	-	457,725
Assigned	-	-	33,844	-	-	33,844
Total fund balances	-	457,725	33,844	1,039,365	-	1,530,934
Total liabilities and fund balances	\$ -	\$ 457,725	\$ 33,844	\$ 1,039,365	\$ -	\$ 1,530,934

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

<i>For the year ended June 30, 2025</i>	SEEK Capital Outlay Fund	FSPK Fund	(Formerly Non-Major) Construction Fund	District Activity Fund	Student Activity Fund	Debt Service Fund	Total Other Governmental Funds
Revenues							
From local sources:							
Taxes:							
Property	\$ -	\$ 1,069,080	\$ -	\$ -	\$ -	\$ -	1,069,080
Other local revenue	-	-	-	14,252	1,836,735	-	1,850,987
Intergovernmental - state	398,621	1,344,569	-	-	-	641,679	2,384,869
Total revenues	398,621	2,413,649	-	14,252	1,836,735	641,679	5,304,936
Expenditures							
Current:							
Instruction	-	-	-	17,399	1,769,780	-	1,787,179
Debt service:							
Principal	-	-	-	-	-	2,220,000	2,220,000
Interest	-	-	-	-	-	776,224	776,224
Building improvements	-	-	-	-	-	-	-
Total expenditures	-	-	-	17,399	1,769,780	2,996,224	4,783,403
Excess (deficiency) of revenues over expenditures	398,621	2,413,649	-	(3,147)	66,955	(2,354,545)	521,533
Other Financing Sources (Uses)							
Operating transfers in	-	-	-	-	-	2,354,545	2,354,545
Operating transfers out	(398,621)	(1,955,924)	-	-	-	-	(2,354,545)
Total other financing sources (uses)	(398,621)	(1,955,924)	-	-	-	2,354,545	-
Net change in fund balances	-	457,725	-	(3,147)	66,955	-	521,533
Fund balances - beginning of year	-	-	3,041,828	36,991	972,410	-	4,051,229
Adjustments (Note 3)	-	-	(3,041,828)	-	-	-	(3,041,828)
Fund balances - beginning of year, after adjustments	-	-	-	36,991	972,410	-	1,009,401
Fund balances - end of year	\$ -	\$ 457,725	\$ -	\$ 33,844	\$ 1,039,365	\$ -	\$ 1,530,934

Muhlenberg County School District
Combining Statement of School Activity Funds

<i>As of and for the year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
Bremen Elementary School	\$ 82,633	\$ 61,029	\$ 73,927	\$ 69,735	\$ -	\$ -	\$ 69,735
Central City Elementary School	112,295	115,718	103,664	124,349	-	-	124,349
Greenville Elementary School	79,741	176,642	157,777	98,606	-	-	98,606
Longest Elementary School	43,729	114,490	119,373	38,846	-	-	38,846
Muhlenberg South Elementary School	50,027	131,398	144,824	36,601	-	-	36,601
Muhlenberg County Middle School	187,241	374,325	367,507	194,059	-	-	194,059
Muhlenberg County High School - Athletics	283,674	621,017	564,849	339,842	-	-	339,842
Muhlenberg County High School	133,070	242,116	237,859	137,327	-	-	137,327
Total	\$ 972,410	\$ 1,836,735	\$ 1,769,780	\$ 1,039,365	\$ -	\$ -	\$ 1,039,365

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – Athletics

<i>As of and for the year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
Start-Up	\$ -	\$ 600	\$ 600	\$ -	\$ -	\$ -	\$ -
Athletics	41,831	143,737	119,551	66,017	-	-	66,017
Football	6,056	29,016	19,842	15,230	-	-	15,230
Tennis	5,053	4,453	4,773	4,733	-	-	4,733
Concessions	21,550	57,948	47,731	31,767	-	-	31,767
Boys' Basketball	-	7,455	7,455	-	-	-	-
Girls' Basketball	324	4,429	4,753	-	-	-	-
Athletic Support	21,010	46,511	32,485	35,036	-	-	35,036
Girls' Golf	1,059	4,540	4,101	1,498	-	-	1,498
Boys' Soccer	2,639	3,803	5,750	692	-	-	692
Softball	4,496	13,619	15,182	2,933	-	-	2,933
Swim Team	1,664	6,840	3,227	5,277	-	-	5,277
Boys' Golf	-	6,758	5,902	856	-	-	856
Track Team	1,092	12,984	10,411	3,665	-	-	3,665
Band	8,706	13,714	18,930	3,490	-	-	3,490
Chorus	3,592	3,522	2,383	4,731	-	-	4,731
Archery	21,064	16,899	18,584	19,379	-	-	19,379
Baseball	1,509	22,805	23,801	513	-	-	513
Cross Country	10,768	13,314	14,509	9,573	-	-	9,573
FM Spruce up the Berg	-	16,000	12,878	3,122	-	-	3,122
FM Band Europe/DC Fees	-	7,500	6,875	625	-	-	625
FM Baseball	-	8,000	7,950	50	-	-	50
FM Math Dept	-	20,000	19,730	270	-	-	270

Muhlenberg County School District
Statement of School Activity Funds
Muhlenberg County High School – Athletics

<i>As of and for the year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
Girls' Soccer	2,259	5,211	4,680	2,790	-	-	2,790
Volleyball	5,714	6,350	6,043	6,021	-	-	6,021
Trap Shooting	2,444	12,680	10,445	4,679	-	-	4,679
Bass Fishing Team	9,397	37,546	35,227	11,716	-	-	11,716
Felix Martin Hall Activities	1,004	34,832	35,115	721	-	-	721
Drama Department	32,096	21,985	22,637	31,444	-	-	31,444
Dance Team	3,483	5,782	8,568	697	-	-	697
Yearbook	30,281	888	9,013	22,156	-	-	22,156
Cheerleaders	101	43,843	29,351	14,593	-	-	14,593
Drama Club	2,670	-	2,670	-	-	-	-
Spirit Club	6,575	10,995	12,514	5,056	-	-	5,056
Scholarship Fund	2,200	1,750	3,950	-	-	-	-
FRYSC - MFW	-	5,143	5,143	-	-	-	-
YSC Bremen Tornado Relief	5,354	-	2,048	3,306	-	-	3,306
Youth Service Center	5,974	-	1,203	4,771	-	-	4,771
Prom	18,112	16,342	15,136	19,318	-	-	19,318
"Denise Baker Scholarship" Fund	70	750	500	320	-	-	320
Project Graduation	3,477	100	830	2,747	-	-	2,747
George Taylor Classic	50	500	500	50	-	-	50
Transfers	-	(48,127)	(48,127)	-	-	-	-
Total	\$ 283,674	\$ 621,017	\$ 564,849	\$ 339,842	\$ -	\$ -	\$ 339,842

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

<i>As of and for the year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
General Fund	\$ 9,929	\$ 29,290	\$ 25,849	\$ 13,370	\$ -	\$ -	\$ 13,370
FCS - Payton	407	162	215	354	-	-	354
KYA	89	-	-	89	-	-	89
Rewards	185	-	-	185	-	-	185
Yearbook	-	-	-	-	-	-	-
FCCLA Club	2,228	1,157	2,452	933	-	-	933
Engineering Club	6	-	-	6	-	-	6
College Board Test Fees	1,995	-	770	1,225	-	-	1,225
Guidance	504	203	121	586	-	-	586
Greenhouse	32,763	5,096	8,677	29,182	-	-	29,182
Equine Science	394	3,445	2,507	1,332	-	-	1,332
Guitar Club	29	135	-	164	-	-	164
TSA	1,567	3,318	4,071	814	-	-	814
FFA Fundraiser Account	27,709	34,895	37,625	24,979	-	-	24,979
Adaptive PE	433	14	265	182	-	-	182
Matter of Taste	1,929	2,502	3,409	1,022	-	-	1,022
FCA Christian Athletics	640	8,195	7,403	1,432	-	-	1,432
Land Judging Fund	1,210	89	267	1,032	-	-	1,032
Geology Club	47	-	-	47	-	-	47
Art Club	416	1,320	826	910	-	-	910
Academic Team	660	332	641	351	-	-	351
JROTC Fundraiser	2,242	11,208	8,045	5,405	-	-	5,405
Skills USA	736	480	705	511	-	-	511
National Honor Society	2,842	3,668	2,403	4,107	-	-	4,107

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

<i>As of and for the year ended June 30, 2025</i>	Cash July 1, 2024	Cash Receipts	Cash Disbursements	Cash June 30, 2025	Accounts Receivable	Accounts Payable	Fund Balance June 30, 2025
Dare 2 B Club	737	-	-	737	-	-	737
Owensboro Health	-	2,160	2,160	-	-	-	-
Spanish Club	671	200	786	85	-	-	85
STLP	1,755	30	28	1,757	-	-	1,757
AP History/Geography	623	-	68	555	-	-	555
Sr. Beta	3,344	108,047	105,780	5,611	-	-	5,611
Student Government	2,460	-	425	2,035	-	-	2,035
Multicultural	977	800	720	1,057	-	-	1,057
DECA	1,043	3,726	3,495	1,274	-	-	1,274
Library	5,870	123	90	5,903	-	-	5,903
Start Up Change Account	-	1,500	1,500	-	-	-	-
HOSA	5,136	1,838	2,705	4,269	-	-	4,269
MU Alpha Theta	1,059	200	569	690	-	-	690
Culinary Arts	2,102	1,479	321	3,260	-	-	3,260
Wildlife	11,247	15,815	12,359	14,703	-	-	14,703
Educators Rising	2,798	100	333	2,565	-	-	2,565
Muhlenberg Metalworks	3,517	490	189	3,818	-	-	3,818
Automotive/Technology	771	1,159	1,140	790	-	-	790
Transfers	-	(1,060)	(1,060)	-	-	-	-
Total	\$ 133,070	\$ 242,116	\$ 237,859	\$ 137,327	\$ -	\$ -	\$ 137,327

Muhlenberg County School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster				
Direct Program				
Food Distribution Program- noncash	10.555	--	-	\$ 206,762
Passed-Through State Department of Education:				
Summer Food Service Program for Children	10.559	7740023 24	-	86,657
School Breakfast Program	10.553	7760005 25	-	690,727
National School Lunch Program	10.555	7750002 25	-	2,223,094
Fresh Fruits and Vegetables Program	10.582	7720012 25	-	69,860
Subtotal				3,277,100
State Administrative Expenses for Child Nutrition	10.560	7700001 24	-	2,183
Total U.S. Department of Agriculture				3,279,283
U.S. Department of Defense				
Direct Program				
ROTC - 2025	12.U01	--	-	165,040
Total U.S. Department of Defense				165,040
U.S. Department of Education				
Passed-Through State Department of Education:				
Title I, Part A				
Title I Grants to Local Educational Agencies - 2023	84.010	3100002 22	-	5,721
Title I Grants to Local Educational Agencies - 2024	84.010	3100002 23	-	346,480
Title I Grants to Local Educational Agencies - 2025	84.010	3100002 24	-	1,764,214
Subtotal				2,116,415
Special Education Cluster				
Special Education Grants to States - 2023	84.027	3810002 22	-	16,204
Special Education Grants to States - 2024	84.027	3810002 23	-	763,389
Special Education Grants to States - 2025	84.027	3810002 24	-	1,003,110
Special Education Preschool Grants - 2024	83.173	3800002 23	-	13,834
Special Education Preschool Grants - 2025	83.173	3800002 24	-	61,678
Subtotal				1,858,215

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

Muhlenberg County School District
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Career and Technical Education - Basic Grants to States - 2025	84.048	3710002 24	-	63,052
Supporting Effective Instruction State Grant - 2023	84.367	3230002 22	-	2,869
Supporting Effective Instruction State Grant - 2024	84.367	3230002 23	-	130,373
Supporting Effective Instruction State Grant - 2025	84.367	3230002 24	-	<u>62,685</u>
Subtotal				195,927
Student Support and Academic Enrichment Program - 2024	84.424	3420002 23	-	21,711
Student Support and Academic Enrichment Program - 2025	84.424	3420002 24	-	<u>108,419</u>
Subtotal				130,130
Rural Education - 2024	84.358	3140002 23	-	59,551
Rural Education - 2025	84.358	3140002 24	-	<u>8,457</u>
Subtotal				68,008
COVID-19 Education Stabilization Fund COVID-19 American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	4980002 21	-	1,049
Total U.S. Department of Education				4,432,796
Total expenditures of federal awards			\$ -	\$ 7,877,119

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

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

NOTE 1: BASIS OF PRESENTATION

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 3: INDIRECT COST RATE

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

NOTE 4: LOANS AND LOAN GUARANTEES

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

NOTE 5: SUBRECIPIENTS

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

Muhlenberg County School District Summary Schedule of Prior Audit Findings



510 W Main Street
Powderly, Kentucky 42367
(270) 338-2871
firstname.lastname@muhlenberg.kyschools.us

Muhlenberg County School District
Summary Schedule of Prior Audit Findings
Year ended June 30, 2024

2024-001 Year End Accounts Receivable Reconciliation

Condition: The District's processes over the recording of year-end accounts receivable could be enhanced to account for timing differences in receipts and to ensure receipts subsequent to year-end are reflected in the proper period. The District's year-end accounts receivable were understated by approximately \$1.4 million due to the receipt of franchise taxes in July that were related to the 2024 fiscal year.

Recommendation: We recommend the District closely monitor receipts subsequent to year-end so that accounts receivable are properly recorded in the correct fiscal year.

Current Status: The recommendation was adopted on November 13, 2024. No similar findings were noted in the 2025 audit.



CARR, RIGGS & INGRAM, L.L.C.

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

922 State Street

Suite 100

Bowling Green, KY 42101

Mailing Address:

PO Box 104

Bowling Green, KY 42102

270.782.0700

270.782.0932 (fax)

CRIadv.com

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditor’s Contract*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Muhlenberg County School District (the “District”) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Muhlenberg County School District’s basic financial statements, and have issued our report thereon dated January 22, 2026.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated January 22, 2026.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
January 22, 2026



CARR, RIGGS & INGRAM, L.L.C.

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

922 State Street

Suite 100

Bowling Green, KY 42101

Mailing Address:

PO Box 104

Bowling Green, KY 42102

270.782.0700

270.782.0932 (fax)

CRIadv.com

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

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

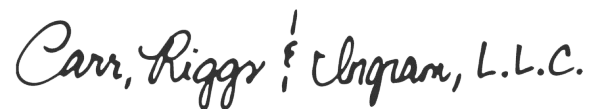
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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.



CARR, RIGGS & INGRAM, L.L.C.
Bowling Green, Kentucky
January 22, 2026

Muhlenberg County School District
Schedule of Findings and Questioned Costs

Section I — Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

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

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

Identification of major federal program:

Federal Assistance Listing Numbers	Name of Federal Program or Cluster
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84.027; 84.173	Special Education Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Muhlenberg County School District
Schedule of Findings and Questioned Costs (Continued)

Section II — Financial Statement Findings

None reported.

Section III — Federal Award Findings and Questioned Costs

None reported.



CARR, RIGGS & INGRAM, L.L.C.

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

922 State Street

Suite 100

Bowling Green, KY 42101

Mailing Address:

PO Box 104

Bowling Green, KY 42102

270.782.0700

270.782.0932 (fax)

CRladv.com

Kentucky State Committee for School District Audits
Members of the Board of Education
Muhlenberg County School District
Powderly, Kentucky

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

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated January 22, 2026 contains our communication of significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated January 22, 2026 on the financial statements of the District.

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

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

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

CARR, RIGGS & INGRAM, L.L.C.

Bowling Green, Kentucky

January 22, 2026

Muhlenberg County School District Comments and Recommendations

Prior Year Comments Not Corrected

- **Central Office**

- During our procedures over bus garage inventory, we noted that while an annual inventory is completed, the inventory listing does not appear to be updated in a timely manner. We recommend the bus garage review a detail inventory listing to ensure accuracy of the items on hand at least annually.

Current Year

- **Muhlenberg County High School**

- During our sampling procedures over receipts, we noted one of two receipts tested lacked dual initials being recorded on the deposit slip. We recommend dual initials be listed on the respective deposit slip in accordance with Redbook.

- **Greenville Elementary School**

- During our sampling procedures over receipts, we noted one of three receipts tested was not deposited timely. We recommend receipts be deposited timely in accordance with Redbook.

Prior Year

All other prior year findings were corrected.



Eric Bletzinger, CFO
510 W Main Street
Powderly, Kentucky 42367
(270) 338-2871
eric.bletzinger@muhlenberg.kyschools.us

Prior Year Comments Not Corrected

• Central Office

- During our procedures over bus garage inventory, we noted that while an annual inventory is completed, the inventory listing does not appear to be updated in a timely manner. We recommend the bus garage review a detail inventory listing to ensure accuracy of the items on hand at least annually.
 - The Bus Garage has been diligently working towards completing the inventory while maintaining the district's fleet of vehicles. In discussions with our auditor, it was noted that while new inventory is being properly recorded, items taken out of inventory are not being recorded properly. The district will work with the Bus Garage to ensure proper additions and removals from inventory are accurately recorded.

Current Year

• Muhlenberg County High School

- During our sampling procedures over receipts, we noted one of two receipts tested lacked dual initials being recorded on the deposit slip. We recommend dual initials be listed on the respective deposit slip in accordance with Redbook.
 - Muhlenberg County High School acknowledges this observation. While the deposit was properly completed, one of the receipts tested did not reflect dual initials on the deposit slip as required. The District will reinforce established procedures and provide additional guidance to ensure dual initials are consistently recorded on all deposit slips in accordance with the Redbook going forward.

• Greenville Elementary School

- During our sampling procedures over receipts, we noted one of three receipts tested was not deposited timely. We recommend receipts be deposited timely in accordance with Redbook.
 - Greenville Elementary acknowledges this observation. Although the receipt was eventually deposited, one item included in the sample was not deposited within the required timeframe. Going forward, Greenville Elementary will emphasize adherence to deposit timelines and strengthen internal practices to ensure all receipts are deposited promptly in accordance with the Redbook.



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