

SHELBY COUNTY BOARD OF EDUCATION

**FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORTS**

YEAR ENDED JUNE 30, 2025

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January 21, 2026

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statement

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedules of the district’s proportionate share of net pension liabilities, and the schedules of the district’s proportionate share of net other post-employment benefits on pages 7 through 18, 66 through 70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued my report dated January 21, 2026, on our consideration of Shelby 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 Shelby County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shelby County School District's internal control over financial reporting and compliance.

Sincerely,

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

Certified Public Accountants

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended June 30, 2025

As management of the Shelby County Public School District (District), we offer readers of the financial statements this narrative overview and analysis to highlight and further explain the financial events that have taken place over the past year. We encourage readers to consider the information presented herein along with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund had \$83.1 million in revenues, which primarily consisted of funding from the State's Support Education Excellence in Kentucky (SEEK) program and revenues from taxes, which include property taxes, motor vehicle taxes, and utilities taxes. This compares to \$80.3 million in General Fund revenues for the prior year, which is an increase of \$2.8 million. The increase in revenues is attributable to an increase in the on-behalf payments received from the State and an increase in property tax revenue due to an increase in assessments.
- Net General Fund SEEK revenue for the year was \$20.7 million, the same level as the prior year. The decrease resulting from increased assessed valuations was offset by the increase in base per pupil and transportation funding.
- Construction began during 2024-25 on a large-scale renovation project at Heritage Elementary School. Bonds in the amount of \$35,080,000 were sold to finance the project.
- The District maintains an underlying bond rating of Aa2 with Moody's Investors Service.
- The District's bonding potential at June 30, 2025 is approximately \$48.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) entity-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.

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or*

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The entity-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital outlay fund, the Facilities Support Program of Kentucky (FSPK) fund, the school construction fund, and the debt service fund, all of which are considered major funds.

Proprietary funds. Proprietary funds are used to account for food services and day care programs which are operated by the District like a business. The proprietary funds statements offer short- and long-term financial information about the activities of these funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the entity-wide financial statements because the District cannot use these funds to finance its operations.

The fund financial statements can be found on pages 21-29 of this report.

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

The notes to the financial statements can be found on pages 30-63 of this report.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$87,583,332 at the close of the most recent fiscal year. Unrestricted net position is (\$15,499,212) due to the recognition of the district's proportionate share of the pension and other post-employment benefits (OPEB) liabilities. Without the effect of the pension and OPEB liabilities, unrestricted net position would be approximately \$20.4 million. Net position is summarized in Table 1.

- The largest portion of the District's net position, or 68%, reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in 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.
- An additional portion of the District's net position, or 50%, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- Unrestricted net position of (\$15,499,212), or (18%), represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. GASB Statements 68 and 75 impacted the district's net position in governmental funds negatively by approximately \$19.5 million in net pension liability and (\$1.1) million in pension expense and by approximately \$10.8 million in net other post-employment benefits liability and (\$3.1) million in other post-employment benefits expense. The proprietary funds' net assets were negatively impacted by approximately \$1.5 million in net pension liability and (\$87) thousand in pension expense and by approximately \$44 thousand in net funded other post-employment benefits asset and (\$128) thousand in other post-employment benefits expense.

Table 1
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 72,830,761	\$ 3,447,638	\$ 76,278,399
Capital assets	186,154,180	964,768	187,118,948
Deferred outflows of resources	13,945,898	514,794	14,460,692
Total assets and deferred outflows of resources	<u>272,930,839</u>	<u>4,927,200</u>	<u>277,858,039</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 12,642,652	\$ 20,587	\$ 12,663,239
Long-term liabilities outstanding	152,701,515	1,527,852	154,229,367
Deferred inflows of resources	20,003,340	865,727	20,869,067
Total liabilities and deferred inflows of resources	<u>185,347,507</u>	<u>2,414,166</u>	<u>187,761,673</u>
Net position:			
Net Investment in Capital Assets	59,607,135	964,768	60,571,903
Restricted	43,475,409	(270,882)	43,204,527
Unrestricted	(15,499,212)	1,819,148	(13,680,064)
Total net position	<u>87,583,332</u>	<u>2,513,034</u>	<u>90,096,366</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 272,930,839</u>	<u>\$ 4,927,200</u>	<u>\$ 277,858,039</u>

Table 2 presents a summary of the District's revenues for the year:

Table 2
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
REVENUES
For the Year Ended June 30, 2025

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>	<u>Percent</u>
Property taxes	\$ 40,091,309	\$ -	\$ 40,091,309	34.9%
Motor vehicle taxes	3,122,882	-	3,122,882	2.7%
Utilities taxes	3,851,302	-	3,851,302	3.4%
Earnings on investment	2,906,576	-	2,906,576	2.5%
Other local revenues	2,989,772	89,867	3,079,639	2.7%
Capital contributions	-	136,884	136,884	0.1%
State revenue	48,380,834	352,917	48,733,751	42.6%
Federal revenue	7,508,165	4,232,413	11,740,578	10.2%
Lunchroom sales	-	161,831	161,831	0.1%
Child care fees	-	886,003	886,003	0.8%
Total	108,850,840	5,859,915	114,710,755	100.0%

2024-2025 Revenues

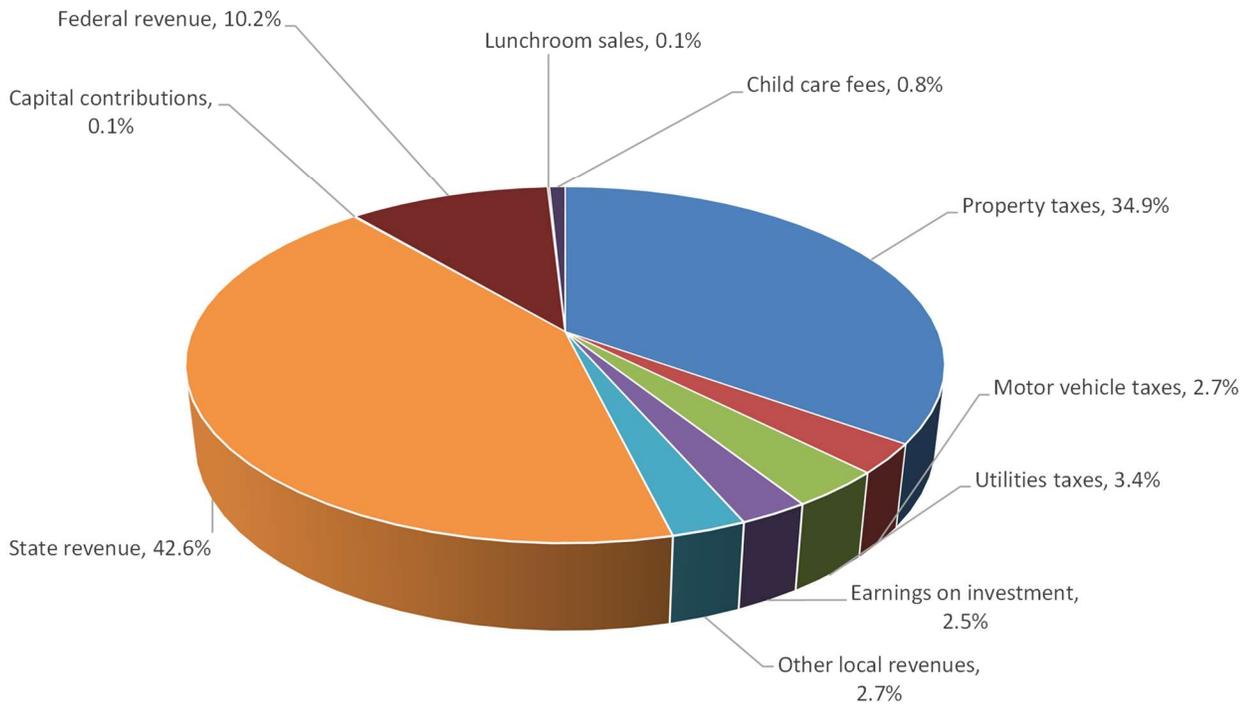


Table 3 presents a summary of the District's expenditures for the year.

Table 3
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
EXPENDITURES
For the Year Ended June 30, 2025

	<u>Governmental</u> <u>Funds</u>	<u>Proprietary</u> <u>Funds</u>	<u>Total</u>	<u>Percent</u>
Instruction	\$ 54,808,154	\$ -	\$ 54,808,154	46.2%
Student support	5,279,681	-	5,279,681	4.4%
Instructional staff support	7,403,652	-	7,403,652	6.2%
District administration	2,225,863	-	2,225,863	1.9%
School administration	6,026,551	-	6,026,551	5.1%
Business support	2,086,977	-	2,086,977	1.8%
Operation and maintenance of facilities	10,476,976	-	10,476,976	8.8%
Student transportation	4,953,026	-	4,953,026	4.2%
Food service operations	138,954	4,489,517	4,628,471	3.9%
Day care operations	362,187	497,627	859,814	0.7%
Community services	932,454	-	932,454	0.8%
Education foundation operations	-	43,953	43,953	0.0%
Capital outlay	11,198,187	-	11,198,187	9.4%
Debt service	8,177,409	-	8,177,409	6.9%
Total	<u>114,070,071</u>	<u>5,031,097</u>	<u>119,101,168</u>	<u>100.0%</u>

2024-2025 Expenditures

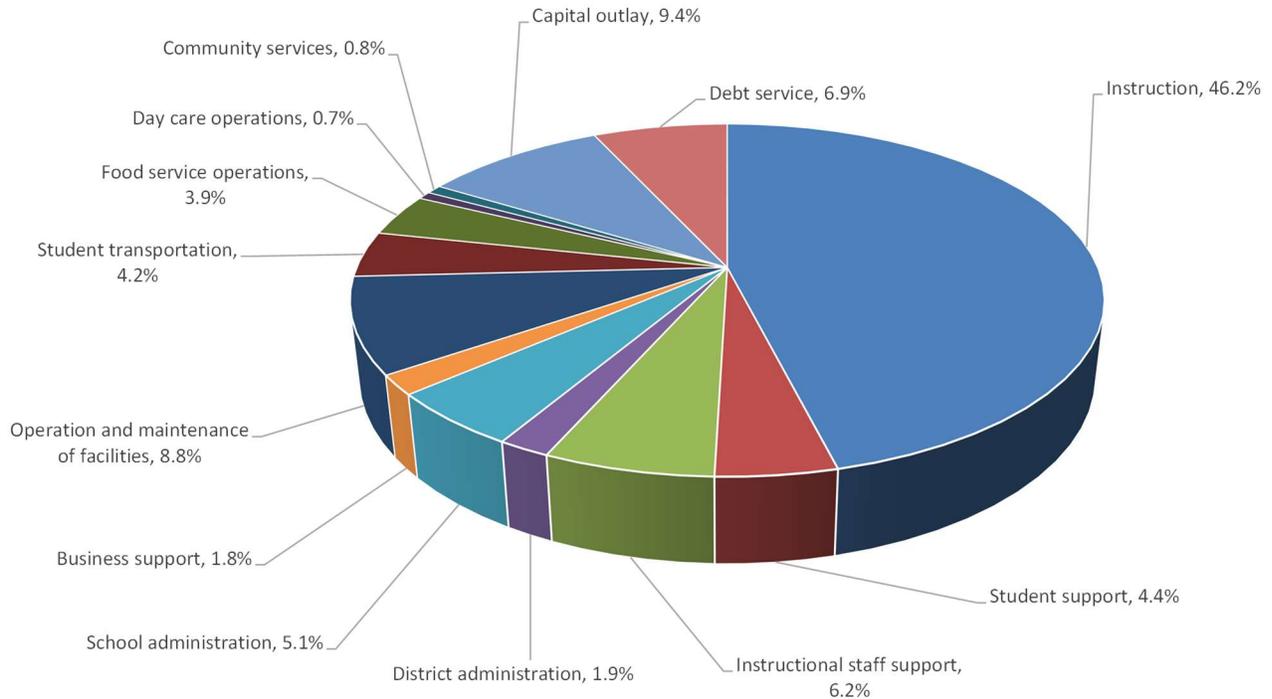


Table 4
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
NET POSITION
For the Years Ended June 30, 2025 and June 30, 2024

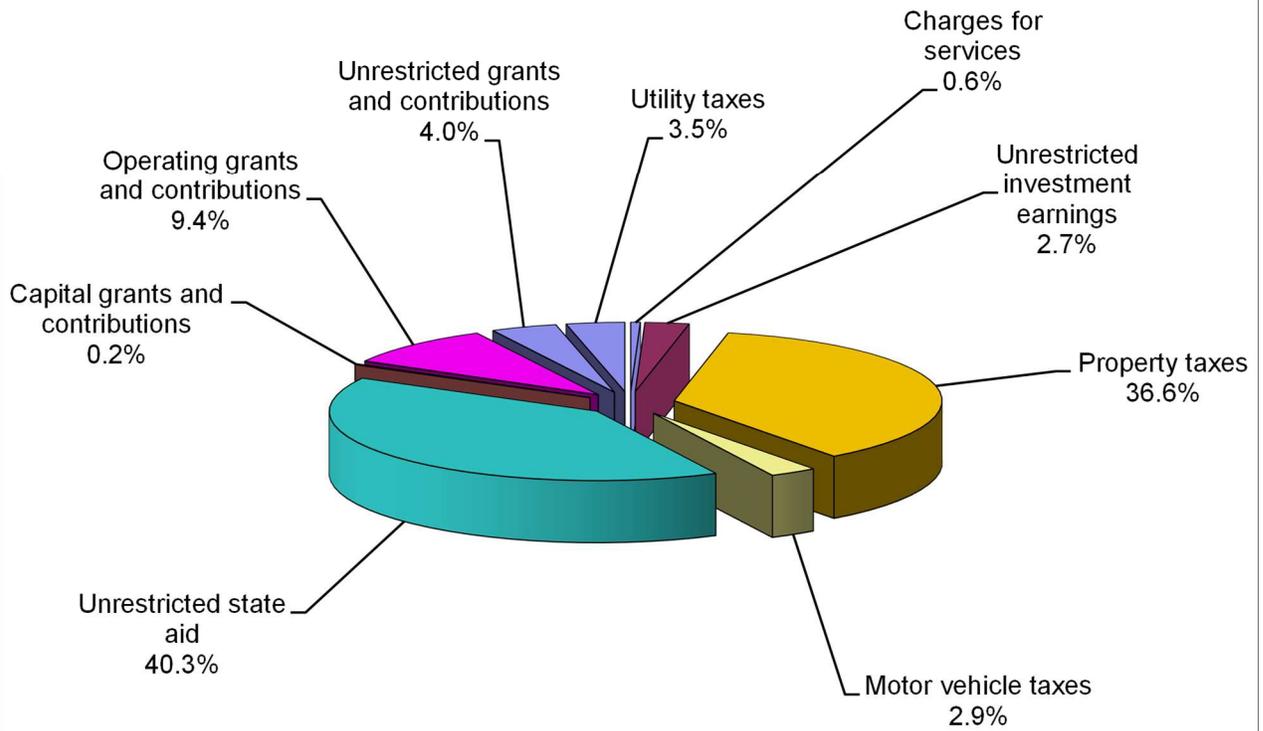
	2025	2024	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 72,830,761	\$ 38,784,459	\$ 34,046,302
Capital assets	186,154,180	178,497,348	7,656,832
Deferred outflows of resources	13,945,898	18,540,594	(4,594,696)
Total assets and deferred outflows of resources	<u>272,930,839</u>	<u>235,822,401</u>	<u>37,108,438</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 12,642,652	\$ 9,081,567	\$ 3,561,085
Long-term liabilities outstanding	152,701,515	126,794,932	25,906,583
Deferred inflows of resources	20,003,340	24,002,808	(3,999,468)
Total liabilities and deferred inflows of resources	<u>185,347,507</u>	<u>159,879,307</u>	<u>25,468,200</u>
Net position:			
Net Investment in Capital Assets	59,607,135	81,733,331	(22,126,196)
Restricted	43,475,409	9,265,117	34,210,292
Unrestricted	(15,499,212)	(15,055,354)	(443,858)
Total net position	<u>87,583,332</u>	<u>75,943,094</u>	<u>11,640,238</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 272,930,839</u>	<u>\$ 235,822,401</u>	<u>\$ 37,108,438</u>

	2025	2024	
	Business-Type	Business-Type	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 3,447,638	\$ 3,338,085	\$ 109,553
Capital assets	964,768	844,926	119,842
Deferred outflows of resources	514,794	780,485	(265,691)
Total assets and deferred outflows of resources	<u>4,927,200</u>	<u>4,963,496</u>	<u>(36,296)</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 20,587	\$ 15,115	\$ 5,472
Long-term liabilities outstanding	1,527,852	1,770,544	(242,692)
Deferred inflows of resources	865,727	1,098,076	(232,349)
Total liabilities and deferred inflows of resources	<u>2,414,166</u>	<u>2,883,735</u>	<u>(469,569)</u>
Net position:			
Net Investment in Capital Assets	964,768	844,926	119,842
Restricted	(270,882)	(428,064)	157,182
Unrestricted	1,819,148	1,662,899	156,249
Total net position	<u>2,513,034</u>	<u>2,079,761</u>	<u>433,273</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 4,927,200</u>	<u>\$ 4,963,496</u>	<u>\$ (36,296)</u>

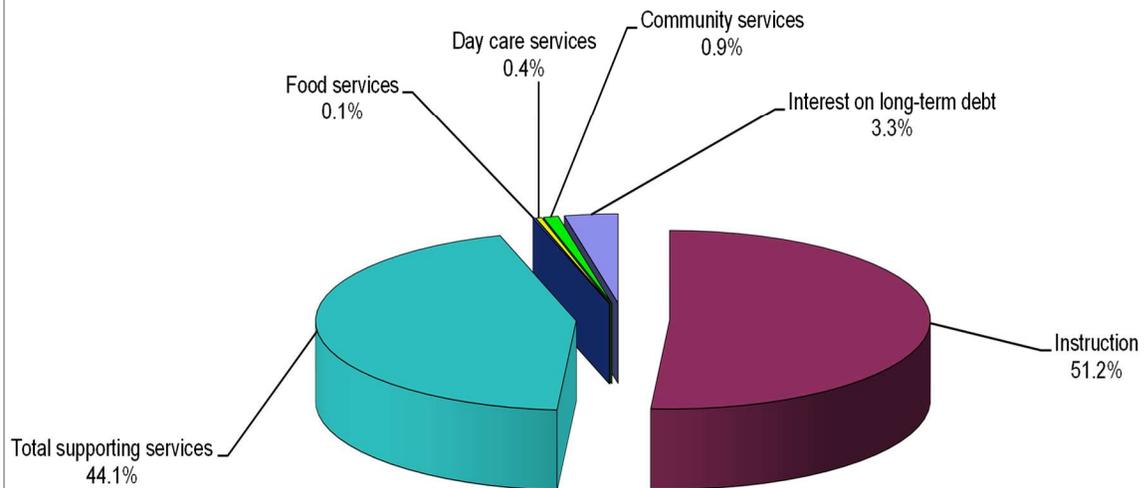
Table 5
SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2025 and June 30, 2024

	2025	2024	
	Governmental	Governmental	
	Activities	Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 629,167	\$ 630,554	\$ (1,387)
Operating grants and contributions	10,261,591	9,971,205	290,386
Capital grants and contributions	207,883	207,883	-
General revenues:			
Property taxes	40,091,309	37,696,175	2,395,134
Motor vehicle taxes	3,122,882	3,011,438	111,444
Utilities taxes	3,851,302	3,763,383	87,919
Earnings on investment	2,906,576	2,519,430	387,146
State grants	44,077,751	42,887,288	1,190,463
Federal grants	1,341,774	1,290,447	51,327
Other local amounts	3,014,729	2,645,222	369,507
Total revenues	109,504,964	104,623,025	4,881,939
Expenses:			
Instruction	51,414,810	51,637,913	(223,103)
Supporting services:			
Students	5,280,910	4,551,367	729,543
Instructional staff	7,403,652	7,095,510	308,142
District admin.	2,241,197	1,959,382	281,815
School admin.	6,101,117	5,886,045	215,072
Business services	2,087,342	1,915,637	171,705
Operation and Maint.	15,768,110	14,547,740	1,220,370
Transportation	5,489,819	5,219,880	269,939
Total supporting services	<u>44,372,147</u>	<u>41,175,561</u>	<u>3,196,586</u>
Food services	138,954	155,534	(16,580)
Day care services	362,187	395,720	(33,533)
Community services	932,454	724,482	207,972
Interest on long-term debt	3,329,340	3,197,533	131,807
Total expenses	100,549,892	97,286,743	3,263,149
Change in net position before transfers	8,955,072	7,336,282	1,618,790
Transfers	395,045	277,634	117,411
Change in net position with transfers and other items	9,350,117	7,613,916	1,736,201
Net position - beginning	75,943,094	68,329,178	7,613,916
Prior period adjustments - (See Note P)	<u>2,290,121</u>	<u>-</u>	<u>2,290,121</u>
Net position - beginning, as restated	78,233,215	68,329,178	9,904,037
Net position - Ending	\$ 87,583,332	\$ 75,943,094	\$ 11,640,238

Revenues by Source



Expenditures by Function



BUDGET COMPARISONS – (SEE PAGE 65 FOR THE COMPLETE SCHEDULE)

Revenues – General fund revenues were less than the amount budgeted by approximately \$2.5 million. The difference is primarily due to the net effect of 1) \$4 million less on behalf than budgeted and 2) \$1.1 million more interest revenue than budgeted. The amount of on-behalf payments made by the state is unpredictable, often resulting in significant budget differences. Tax revenues were budgeted with 99.8% accuracy.

Expenditures – Actual general fund expenditures were less than budgeted by approximately \$26.7 million. This is primarily due to net effect of 1) contingency of \$19.0 million included in budget but not actual; 2) \$4 million less in actual on-behalf payments from the state; 3) nonrecurring projects which were incomplete at June 30, 2025; and 4) carryforward purchase orders.

By law the District must have at least a 2% contingency for budgetary purposes but management has concluded a higher reserve is needed due to significant fluctuations and instability in state and federal funding. The District ended the year with \$19.0 million remaining in budgeted contingency or 21.7% of actual expenditures in the general and food service funds combined.

Budget Approach – The District prepares its budget in a conservative manner. A sizable fund balance at the beginning of the fiscal year is important since the majority of the District's tax revenue is not received until approximately five months into the fiscal year. Adequate funds must be maintained in contingency to continue services to students in the event of unforeseen events including natural disaster, fire, or pandemic.

In addition, the District receives nearly half its funding from state sources. As a result, it is important that the District continue to budget conservatively due to periodic changes in state and federal funding, such as cuts in state and federal grants and downward adjustments to state SEEK allocations.

FACTORS AFFECTING THE DISTRICT'S FINANCIAL OUTLOOK

The following factors may affect the District's financial position in the upcoming fiscal year:

- Tax rates for 2024-25 were set at 71.4 for real estate and personal property, the same as the 2024-25 rates. Property assessments are expected to continue to rise. This limits the District's ability to generate additional revenue because state SEEK funding decreases when property assessments rise.
- The General Assembly's biennial budget included an increase of \$260 per pupil, resulting in base SEEK funding of \$4,586 per pupil for the 2025-26 year. Discontinuation of funding for full-day kindergarten would significantly negatively impact the District's state revenues.

Transportation has been underfunded historically by the legislature. Despite an uptick in the current biennial budget, the District was funded at only 74% of the calculated entitlement for the 2024-25 year.

The District has a significant student population of English Learners. State funding for these students is inadequate to support their learning.

- Enrollment is projected to steadily grow over the next five years, however actual enrollment has declined due to transfers and home schooling as a result of Covid-19. Enrollment has improved but still has not yet returned to normal levels as of October 2025.
- Recruitment and retention of qualified staff has become a significant issue. The District provided for a substantial salary improvement package for the 2024-25 year including a

4% across-the-board pay increase for all employees, improvements to the annual step increases, and extension of both certified and classified salary schedules to 40 years.

A 3% across-the-board pay increase was given for the 2025-26 year. All classified positions were analyzed and many received additional salary increases to align with responsibilities and to remain competitive with the private sector.

- A renovation project is beginning at Simpsonville Elementary, including the addition of a secure vestibule. The District will sell bonds in the amount of \$14,855,000 to finance the project during the 2025-26 fiscal year.

Other current construction projects include a secure vestibule at West Middle School, locker rooms at Martha Layne Collins High School, and bleachers at Milestone. These projects are funded by a combination of excess capital outlay funds and contingency funds beyond the 10% target contingency level. Contingency was 21.7% at June 30, 2025.

- \$1.8 million in committed funds for construction remains available as of June 30, 2025.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability of the public funds it receives. If you have questions about this report or need additional information, contact Susan Barkley, Chief Financial Officer, Shelby County Public Schools, 1155 Main Street, Shelbyville, Kentucky 40065. She can also be reached by electronic mail at susan.barkley@shelby.kyschools.us or by telephone at 502-633-2375.

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 69,887,717	\$ 3,281,025	\$ 73,168,742
Investments	43,621	-	43,621
Accounts Receivable			
Taxes	1,032,572	-	1,032,572
Intergovernmental	936,479	-	936,479
Other	144,282	52,469	196,751
Prepaid workers' compensation premiums	19,441	-	19,441
Inventory	-	69,909	69,909
Total Current Assets	<u>72,064,112</u>	<u>3,403,403</u>	<u>75,467,515</u>
Funded OPEB Asset - CERS	565,911	44,235	610,146
Right to Use Assets, Net of Amortization - SBITA	200,738	-	200,738
Nondepreciable Capital Assets	12,811,173	-	12,811,173
Depreciable Capital Assets, Net of Depreciation	173,343,007	964,768	174,307,775
Total Noncurrent Assets	<u>186,920,829</u>	<u>1,009,003</u>	<u>187,929,832</u>
Total Assets	<u>258,984,941</u>	<u>4,412,406</u>	<u>263,397,347</u>
Deferred Outflows of Resources:			
Deferred Outflows Related to Pensions	4,817,256	376,550	5,193,806
Deferred Outflows Related to Other Post Employment Benefits	9,078,905	138,244	9,217,149
Deferred Outflows Related to Bond Refundings	49,737	-	49,737
Total Deferred Outflows of Resources	<u>13,945,898</u>	<u>514,794</u>	<u>14,460,692</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 272,930,839</u>	<u>\$ 4,927,200</u>	<u>\$ 277,858,039</u>
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 4,299,163	\$ 9,311	\$ 4,308,474
Unearned revenue	856,714	11,276	867,990
Current maturities of bond obligations	5,395,000	-	5,395,000
Current portion of lease liability	245,229	-	245,229
Current portion of SBITA liability	56,090	-	56,090
Current portion of compensated absences	221,046	-	221,046
Interest payable	1,569,410	-	1,569,410
Total Current Liabilities	<u>12,642,652</u>	<u>20,587</u>	<u>12,663,239</u>
Noncurrent Liabilities:			
Noncurrent maturities of bond obligations	120,774,069	-	120,774,069
Noncurrent portion of lease liability	132,747	-	132,747
Noncurrent portion of SBITA liability	112,452	-	112,452
Net pension liability	19,545,965	1,527,852	21,073,817
Net OPEB liability - TRS	10,830,000	-	10,830,000
Noncurrent portion of compensated absences	1,306,282	-	1,306,282
Total Noncurrent Liabilities	<u>152,701,515</u>	<u>1,527,852</u>	<u>154,229,367</u>
Total Liabilities	<u>165,344,167</u>	<u>1,548,439</u>	<u>166,892,606</u>
Deferred Inflows of Resources:			
Deferred Inflows Related to Pensions	4,646,514	363,204	5,009,718
Deferred Inflows Related to Other Post Employment Benefits	15,356,826	502,523	15,859,349
Total Deferred Inflows of Resources	<u>20,003,340</u>	<u>865,727</u>	<u>20,869,067</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 185,347,507</u>	<u>\$ 2,414,166</u>	<u>\$ 187,761,673</u>
Net Position:			
Net Investment in Capital Assets	\$ 59,607,135	\$ 964,768	60,571,903
Restricted for:			
Special projects	1,197,119	(270,882)	926,237
Capital projects/debt service	42,278,290	-	42,278,290
Unrestricted	(15,499,212)	1,819,148	(13,680,064)
Total Net Position	<u>87,583,332</u>	<u>2,513,034</u>	<u>90,096,366</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 272,930,839</u>	<u>\$ 4,927,200</u>	<u>\$ 277,858,039</u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense), Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	51,414,810	322,051	5,426,813	-	(45,665,946)	-	(45,665,946)
Supporting services:							
Students	5,280,910	47	557,398	-	(4,723,465)	-	(4,723,465)
Instructional staff	7,403,652	-	781,453	-	(6,622,199)	-	(6,622,199)
District administration	2,241,197	-	236,557	-	(2,004,640)	-	(2,004,640)
School administration	6,101,117	-	643,970	-	(5,457,147)	-	(5,457,147)
Business support services	2,087,342	-	220,318	-	(1,867,024)	-	(1,867,024)
Operation and maintenance of facilities	15,768,110	307,069	1,664,318	-	(13,796,723)	-	(13,796,723)
Student transportation	5,489,819	-	579,448	-	(4,910,371)	-	(4,910,371)
Food services	138,954	-	14,667	-	(124,287)	-	(124,287)
Day care operations	362,187	-	38,229	-	(323,958)	-	(323,958)
Community services	932,454	-	98,420	-	(834,034)	-	(834,034)
Interest on long-term debt	3,329,340	-	-	207,883	(3,121,457)	-	(3,121,457)
Total governmental activities	100,549,892	629,167	10,261,591	207,883	(89,451,251)	-	(89,451,251)
Business-type activities:							
Food services	4,489,517	161,831	4,585,694	136,884	-	394,892	394,892
Child care	497,627	886,003	-	-	-	388,376	388,376
Education Foundation Operating Fund	43,953	-	-	-	-	(43,953)	(43,953)
Total business-type activities	5,031,097	1,047,834	4,585,694	136,884	-	739,315	739,315
Total Primary Government	105,580,989	1,677,001	14,847,285	344,767	(89,451,251)	739,315	(88,711,936)
General revenues:							
Property taxes					40,091,309	-	40,091,309
Motor vehicle taxes					3,122,882	-	3,122,882
Utilities taxes					3,851,302	-	3,851,302
Earnings on investment					2,906,576	-	2,906,576
State grants					44,077,751	-	44,077,751
Federal grants					1,341,774	-	1,341,774
Proceeds from disposal of assets					654,124	300	654,424
Other local amounts					2,360,605	89,203	2,449,808
Total general revenues					98,406,323	89,503	98,495,826
Transfers in (out)					395,045	(395,545)	(500)
Change in net position					9,350,117	433,273	9,783,390
Net position - beginning					75,943,094	2,079,761	78,022,855
Prior period adjustments - (See Note R)					2,290,121	-	2,290,121
Net position - beginning, as restated					78,233,215	2,079,761	80,312,976
Net position - ending					87,583,332	2,513,034	90,096,366

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2025

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Governmental
	Current Expense	Revenue	Activity	Activity	Capital Outlay	Program (FSPK)	Construction	Service	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund	
ASSETS									
Assets:									
Cash and cash equivalents	\$ 23,541,533	\$ -	\$ 372,868	\$ 836,043	\$ -	\$ -	\$ 45,137,273	\$ -	\$ 69,887,717
Investments	43,621	-	-	-	-	-	-	-	43,621
Accounts receivable									
Taxes	1,032,572	-	-	-	-	-	-	-	1,032,572
Intergovernmental	-	936,479	-	-	-	-	-	-	936,479
Other receivables	144,282	-	-	-	-	-	-	-	144,282
Interfund receivable	43,385	-	-	-	-	-	-	-	43,385
Prepaid workers' compensation premiums	19,441	-	-	-	-	-	-	-	19,441
Total assets	24,824,834	936,479	372,868	836,043	-	-	45,137,273	-	72,107,497
TOTAL ASSETS	\$ 24,824,834	\$ 936,479	\$ 372,868	\$ 836,043	\$ -	\$ -	\$ 45,137,273	\$ -	\$ 72,107,497
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	1,392,008	\$ 36,380	\$ 1,042	\$ 10,750	\$ -	\$ -	\$ 2,858,983	\$ -	4,299,163
Interfund payable	\$ 43,385	-	-	-	-	-	-	-	43,385
Unearned revenue	-	856,714	-	-	-	-	-	-	856,714
Current portion of accumulated sick leave	99,690	-	-	-	-	-	-	-	99,690
Total liabilities	1,491,698	936,479	1,042	10,750	-	-	2,858,983	-	5,298,952
Fund Balances:									
Nonspendable	19,441	-	-	-	-	-	-	-	19,441
Restricted	-	-	-	825,293	-	-	42,278,290	-	43,103,583
Committed	1,843,424	-	-	-	-	-	-	-	1,843,424
Assigned	3,161,267	-	371,826	-	-	-	-	-	3,533,093
Unassigned	18,309,004	-	-	-	-	-	-	-	18,309,004
Total fund balances	23,333,136	-	371,826	825,293	-	-	42,278,290	-	66,808,545
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,824,834	\$ 936,479	\$ 372,868	\$ 836,043	\$ -	\$ -	\$ 45,137,273	\$ -	\$ 72,107,497

See Notes to Financial Statements

**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
June 30, 2025**

Total fund balances - governmental funds	\$ 66,808,545
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The historical cost of the assets is \$281,259,667 and the accumulated depreciation is \$95,105,487.	186,154,180
Right to use assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. This is the cost net of amortization.	200,738
Deferred outflows are not reported in the governmental funds because they are not current financial resources, but they are reported in the statement of net position.	13,945,898
Deferred inflows of resources are not reported in the fund financial statement because they are not due and payable, but they are reported in the statement of net position.	(20,003,340)
Bonds payable are not reported in the governmental funds balance sheet because they are not due and payable in the current period, but they are presented in the statement of net position	(126,130,000)
Unamortized premiums and discounts on bonds are not due and payable in the current period and therefore are not reported on the governmental funds balance sheet.	(39,069)
The noncurrent portion of compensated absences is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,427,638)
Interest payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(1,569,410)
Pension liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(19,545,965)
Other post-employment benefit liability is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(10,264,089)
Lease payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	(377,976)
SBITA payable is not reported in the governmental funds balance sheet because it is not due and payable in the current period, but it is presented in the statement of net position.	<u>(168,542)</u>
Total net position - governmental activities	<u>\$ 87,583,332</u>

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

	1	2	21	25	310	320	360	400	Total
	General	Special	District	School	SEEK	Facility Support	School	Debt	Governmental
	Current	Revenue	Activity	Activity	Capital Outlay	Program (FSPK)	Construction	Service	
	Fund	Funds	Funds	Funds	Fund	Fund	Fund	Fund	
Revenues:									
Local sources:									
Property taxes	\$ 30,428,018	\$ -	\$ -	\$ -	\$ -	\$ 9,663,291	\$ -	\$ -	\$ 40,091,309
Motor vehicle taxes	3,122,882	-	-	-	-	-	-	-	3,122,882
Utility taxes	3,851,302	-	-	-	-	-	-	-	3,851,302
Earnings on investments	2,144,750	10,743	24,737	28,048	-	-	698,298	-	2,906,576
Other local	1,116,174	193,684	229,431	1,440,377	-	10,106	-	-	2,989,772
State sources	41,095,670	4,095,200	-	-	631,184	1,802,156	-	756,624	48,380,834
Federal sources	1,341,774	6,166,391	-	-	-	-	-	-	7,508,165
Total revenues	83,100,570	10,466,018	254,168	1,468,425	631,184	11,475,553	698,298	756,624	108,850,840
Expenditures:									
Instruction									
Supporting services:									
Students	46,216,505	6,919,012	385,346	1,287,291	-	-	-	-	54,808,154
Instructional staff	5,162,431	117,250	-	-	-	-	-	-	5,279,681
District administration	5,708,809	1,666,091	28,752	-	-	-	-	-	7,403,652
School administration	2,225,863	-	-	-	-	-	-	-	2,225,863
Business support services	5,978,348	48,203	-	-	-	-	-	-	6,026,551
Operation and maintenance of facilities	2,086,977	-	-	-	-	-	-	-	2,086,977
Student transportation	10,213,717	255,081	8,178	-	-	-	-	-	10,476,976
Food services	4,792,060	141,461	19,505	-	-	-	-	-	4,953,026
Day care operations	134,832	4,122	-	-	-	-	-	-	138,954
Community services	362,187	-	-	-	-	-	-	-	362,187
Capital outlay	1,617	930,837	-	-	-	-	-	-	932,454
Debt service	436,848	-	-	-	-	-	10,761,339	-	11,198,187
Total expenditures	82,958,007	10,444,244	441,781	1,287,291	-	-	10,761,339	8,177,409	114,070,071
Excess (deficiency) of revenues over expenditures	142,563	21,774	(187,613)	181,134	631,184	11,475,553	(10,063,041)	(7,420,785)	(5,219,231)
Other financing sources (uses):									
Proceeds from sale of assets	17,769	-	-	-	-	-	-	-	17,769
Loss compensation	636,355	-	-	-	-	-	-	-	636,355
Proceeds from the sale of bonds	-	-	-	-	-	-	35,080,000	-	35,080,000
Bond discount	-	-	-	-	-	-	(279,755)	-	(279,755)
Transfers in	579,313	127,536	163,830	47,766	-	-	12,251,293	7,420,785	20,590,523
Transfers (out)	(4,956,109)	(149,310)	(2,280)	(199,947)	(2,615,957)	(12,271,875)	-	-	(20,195,478)
Total other financing sources (uses)	(3,722,672)	(21,774)	161,550	(152,181)	(2,615,957)	(12,271,875)	47,051,538	7,420,785	35,849,414
Net change in fund balances	(3,580,109)	-	(26,063)	28,953	(1,984,773)	(796,322)	36,988,497	-	30,630,183
Fund balances - beginning	26,913,245	-	397,889	796,340	1,984,773	796,322	5,289,793	-	36,178,362
Fund balances - ending	\$ 23,333,136	\$ -	\$ 371,826	\$ 825,293	\$ -	\$ -	\$ 42,278,290	\$ -	\$ 66,808,545

See Notes to Financial Statements

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025**

Net change fund balances - governmental funds	\$ 30,630,183
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeds depreciation.	5,224,853
Governmental funds report right to use assets as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives. This is the amount by which right to use assets have increased/(decreased).	200,738
Deferred loss on bond refundings are not reported as expenditures in the governmental funds but are capitalized and amortized over the life of the related bonds on the statement of activities. This is the amount by which the deferred loss on bond refundings has increased/(decreased).	(12,434)
The repayment of the principal of long-term debt is shown as expenditures in the governmental funds financial statements at the time the payments are made. However, these payments are shown as a reduction of long-term debt in the statement of net position.	5,100,000
Proceeds from the sale of bonds are shown as other financing uses in the governmental funds financial statements. However, the sale of bonds is shown as an increase to long-term debt in the statement of net position.	(35,080,000)
Premiums and discounts on bonds are capitalized and amortized over the life of the related bonds on the statement of activities. This is the amount by which the balance has increased/(decreased).	192,168
Lease liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which lease liability has (increased)/decreased.	236,041
SBITA liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which SBITA liability has (increased)/decreased.	(168,542)
Deferred outflows from pensions. This is the amount by which deferred outflows from pensions has increased/(decreased).	(2,306,378)
Deferred outflows from other post-employment benefits. This is the amount by which deferred outflows from other post-employment benefits has increased/(decreased).	(2,437,527)
Deferred inflows from pensions. This is the amount by which deferred inflows from pensions has (increased)/decreased.	314,850
Deferred inflows from other post-employment benefits. This is the amount by which deferred inflows from other post-employment benefits has (increased)/decreased.	3,684,618
Compensated absences are reported as a liability in the statement of net position, but is only reported in the governmental funds to the extent that the amounts will be paid with current financial resources. This is the amount by which accumulated sick leave has (increased)/decreased	(724,683)
Pension liability is recognized in the statement of activities but not in the governmental funds. This is the amount by which pension liability has (increased)/decreased.	3,104,786
Other post-employment benefits liability is recognized in the statement of activities but not in the governmental fund financial statements because it is not paid with existing financial resources. This is the amount by which other post-employment benefits liability has (increased)/decreased.	1,835,543
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due but in the statement of activities, interest expense is recognized as the interest accrues. This is the amount by which accrued interest has (increased)/decreased.	(444,099)
Change in net position of governmental activities	<u>\$ 9,350,117</u>

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2025

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,460,447	\$ 1,820,578	\$ -	\$ 3,281,025
Accounts Receivable	49,625	2,844	-	52,469
Inventory	69,909	-	-	69,909
Total Current Assets	<u>1,579,981</u>	<u>1,823,422</u>	<u>-</u>	<u>3,403,403</u>
Noncurrent Assets:				
Funded OPEB asset	44,235	-	-	44,235
Capital Assets	2,340,544	-	-	2,340,544
Less Accumulated Depreciation	<u>(1,375,776)</u>	<u>-</u>	<u>-</u>	<u>(1,375,776)</u>
Total Noncurrent Assets	<u>1,009,003</u>	<u>-</u>	<u>-</u>	<u>1,009,003</u>
Total Assets	\$ 2,588,984	\$ 1,823,422	\$ -	\$ 4,412,406
Deferred Outflows of Resources:				
Deferred Outflows Related to Pensions	376,550	-	-	376,550
Deferred Outflows Related to Other Post Employment Benefits	138,244	-	-	138,244
Total Deferred Outflows of Resources	<u>514,794</u>	<u>-</u>	<u>-</u>	<u>514,794</u>
Total Assets and Deferred Outflows of Resources	\$ 3,103,778	\$ 1,823,422	\$ -	\$ 4,927,200
LIABILITIES				
Current Liabilities:				
Accounts Payable	6,573	2,738	-	9,311
Unearned Revenue	9,740	1,536	-	11,276
Total Current Liabilities	<u>16,313</u>	<u>4,274</u>	<u>-</u>	<u>20,587</u>
Noncurrent Liabilities:				
Net Pension Liability	1,527,852	-	-	1,527,852
Total Noncurrent Liabilities	<u>1,527,852</u>	<u>-</u>	<u>-</u>	<u>1,527,852</u>
Total liabilities	<u>1,544,165</u>	<u>4,274</u>	<u>-</u>	<u>1,548,439</u>
Deferred Inflows of Resources:				
Deferred Inflows Related to Pensions	363,204	-	-	363,204
Deferred Inflows Related to Other Post Employment Benefits	502,523	-	-	502,523
Total Deferred Inflows of Resources	<u>865,727</u>	<u>-</u>	<u>-</u>	<u>865,727</u>
Total Liabilities and Deferred Inflows of Resources	\$ 2,409,892	\$ 4,274	\$ -	\$ 2,414,166
NET POSITION				
Net Investment in Capital Assets	964,768	-	-	964,768
Restricted	(270,882)	-	-	(270,882)
Unrestricted	-	1,819,148	-	1,819,148
Total Net Position	\$ 693,886	\$ 1,819,148	\$ -	\$ 2,513,034
Total Liabilities and Net Position	\$ 3,103,778	\$ 1,823,422	\$ -	\$ 4,927,200

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2025

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Operating Revenues				
Lunchroom sales	\$ 161,831	\$ -	\$ -	\$ 161,831
Child care fees	-	886,003	-	886,003
Total operating revenues	161,831	886,003	-	1,047,834
Operating Expenses				
Salaries and benefits	2,067,858	406,857	-	2,474,715
Contract services	29,876	2,910	41,453	74,239
Materials and supplies	2,259,106	69,297	2,500	2,330,903
Depreciation	123,702	-	-	123,702
Other	8,975	18,563	-	27,538
Total operating expenses	4,489,517	497,627	43,953	5,031,097
Operating income (loss)	(4,327,686)	388,376	(43,953)	(3,983,263)
Nonoperating Revenues				
Federal grants	3,980,668	-	-	3,980,668
Donated commodities	251,745	-	-	251,745
State grants	352,917	-	-	352,917
Gain on disposal of assets	300	-	-	300
Services provided to governmental funds	364	-	-	364
Local revenues	84,668	-	4,535	89,203
Total nonoperating revenues	4,670,662	-	4,535	4,675,197
Income (loss) before operating transfers and capital contributio	342,976	388,376	(39,418)	691,934
Capital contributions	136,884	-	-	136,884
Operating transfer in	101,621	-	-	101,621
Operating transfer out	(304,457)	(192,209)	(500)	(497,166)
Change in net position	277,024	196,167	(39,918)	433,273
Net position as of July 1, 2024	416,862	1,622,981	39,918	2,079,761
Net position as of June 30, 2025	<u>\$ 693,886</u>	<u>\$ 1,819,148</u>	<u>\$ -</u>	<u>\$ 2,513,034</u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	School Food Service Fund	Child Care Fund	Education Foundation Operating Fund	Total Proprietary Funds
Cash flows from operating activities				
Cash received from:				
Lunchroom sales	\$ 160,877	\$ -	\$ -	\$ 160,877
Child care fees	-	895,255	-	895,255
Cash paid for:				
Employees and contract services	(1,995,381)	(409,767)	(41,453)	(2,446,601)
Materials and supplies	(2,034,691)	(66,811)	(3,075)	(2,104,577)
Other	(8,975)	(18,563)	-	(27,538)
Net cash provided by (used in) operating activities	(3,878,170)	400,114	(44,528)	(3,522,584)
Cash flows from noncapital financing activities				
Government grants	4,013,533	-	-	4,013,533
Other local revenues	664	-	4,535	5,199
Net cash provided by noncapital financing activities	4,014,197	-	4,535	4,018,732
Cash flows from capital and related financing activities				
Purchase of assets	(106,660)	-	-	(106,660)
Net operating transfer to general fund	(202,836)	(192,209)	(500)	(395,545)
Net cash used in capital and related financing activities	(309,496)	(192,209)	(500)	(502,205)
Cash flows from investing activities				
Receipt of interest income	84,668	-	-	84,668
Net cash provided by investing activities	84,668	-	-	84,668
Net Increase (Decrease)	(88,801)	207,905	(40,493)	78,611
Cash as of July 1, 2024	1,549,248	1,612,673	40,493	3,202,414
Cash as of June 30, 2025	<u>\$ 1,460,447</u>	<u>\$ 1,820,578</u>	<u>\$ -</u>	<u>\$ 3,281,025</u>
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ (4,327,686)	\$ 388,376	\$ (43,953)	\$ (3,983,263)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation	123,702	-	-	123,702
Donated commodities	251,745	-	-	251,745
On behalf payments	317,842	-	-	317,842
Changes in assets and liabilities:				
Accounts receivable	-	8,942	-	8,942
Inventory	(31,535)	-	-	(31,535)
Deferred outflows	265,691	-	-	265,691
Unearned revenues	(954)	310	-	(644)
Accounts payable	4,205	2,486	(575)	6,116
Deferred inflows	(232,349)	-	-	(232,349)
Net pension liability	(242,692)	-	-	(242,692)
Net other post-employment benefits asset	(6,139)	-	-	(6,139)
Net cash provided by (used in) operating activities	<u>\$ (3,878,170)</u>	<u>\$ 400,114</u>	<u>\$ (44,528)</u>	<u>\$ (3,522,584)</u>
Schedule of noncash transactions				
Donated commodities	\$ 251,745	\$ -	\$ -	251,745
On behalf payments	317,842	-	-	317,842

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2025

	Private Purpose Trust Fund
ASSETS	
Assets:	
Cash and cash equivalents	\$ -
Receivables	-
Total assets	-
Deferred outflows of resources:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ -
LIABILITIES	
Liabilities:	
Accounts payable	-
Total liabilities	-
Deferred inflows of resources:	
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ -
Total net position	\$ -

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS

For the Year Ended June 30, 2025

	Private Purpose Trust Fund
Additions	
Earnings on investment	\$ -
Contributions	8,000
Total additions	8,000
Deductions	
Scholarships	10,000
Total deductions	10,000
Income (loss) before operating transfer	(2,000)
Operating transfer in	500
Change in net position	(1,500)
Net position as of July 1, 2024	1,500
Net position as of June 30, 2025	<u><u>\$ -</u></u>

See Notes to Financial Statements

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Shelby County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Shelby County School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board 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 Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Shelby County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

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

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

Shelby County School District Finance Corporation (the Corporation) – the Shelby County Board of Education has established the Shelby County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Shelby County Board of Education also comprise the Corporation’s Board of Directors.

Basis of Presentation

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

The entity-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The District’s activities are generally financed through state funding, property and utility taxes, and federal, state, and local grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows take place. Revenues from grants are recognized in the fiscal year in which eligibility requirements are met.

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on individual funds rather than reporting funds by type. Each fund is presented in a separate column.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues applicable to the current fiscal year and collected within 60 days of year end are recognized as revenue.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures when they come due for payment. General capital asset acquisitions are reported as expenditures in governmental funds, and proceeds of general long-term debt are reported as other financing sources.

Under the terms of the District's grant agreements, certain programs are funded by specific cost-reimbursement grants and general revenues. Generally, the District applies cost-reimbursement funds first to finance such programs with remaining costs paid by general revenues.

Proprietary funds utilize the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with the fund's principal operations. The funds' principal operating revenues are food service charges and childcare fees. Operating expenses include salaries and benefits, materials and supplies, administrative costs, and depreciation on capital assets.

Fiduciary funds utilize the economic resources measurement focus and the accrual basis of accounting.

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the general operating fund of the District. It accounts for and reports all financial resources not accounted for and reported in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the

capital improvement costs that are not paid through other funds are paid from the General Fund.

- (B) The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
 - 1. The Special Revenue Fund accounts for the activities of restricted grants from local, state, and federal sources. This is a major fund of the District.
 - 2. The District Activity Fund accounts for funds generated by schools which are defined as district activity funds in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
 - 3. The Student Activity Fund accounts for activities of student groups in accordance with *Accounting Procedures for Kentucky School Activity Funds* Redbook. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets, and to provide financial resources for debt service requirements. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that are held in trust.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as capital outlay funds and is generally restricted for use in financing projects identified in the district's facility plan (including payment of bonded lease obligations). This is a major fund of the District.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for and reports funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - 3. The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund accounts for and reports expenditures for debt payments. This is a major fund of the District.

III. Proprietary Funds (Enterprise Fund)

- 1. The School Food Service Fund accounts for and reports school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund for the District.
- 2. The Child Care Fund is used to account for and report the activities of the day care programs where a fee is charged for participating. This is a major fund of the District.
- 3. The Education Foundation Operating Fund is used to account for the operating revenues and expenses associated with the activities of the Shelby County Education Foundation, for which the District acts as a fiscal agent.

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

The Private Purpose Trust Fund accounts for and reports a scholarship fund under which principal and income are used to benefit individuals by providing scholarships.

Budgetary Process

The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America.

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other local, state, and federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each year.

Additionally, the District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel, and equipment.

The Board must also adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a 2% reserve.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget. The working budget was amended during the year.

Cash and Cash Equivalents

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

Investments

The District holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the District's mission, the District determines that the disclosures related to these investments only need to be disaggregated by major type. The District chooses a narrative format for the fair value disclosures.

Inventories

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

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

The food service fund uses the specific identification method.

Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. Prepaid assets are only recorded if material to the financial statements.

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Deferred Loss on Bond Refundings

Deferred loss on bond refundings represents losses equal to the principal amount borrowed to refund the principal amount outstanding on previous bond issues. These amounts are recognized as deferred outflows of resources on the accompany statement of net position. The amounts are amortized over the life of the new bond or the life of the refunded bond (whichever is shorter), and included in interest expense on the accompanying statement of activities.

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.

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 proprietary 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 five thousand dollars. 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.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements if they will be liquidated with current resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Unearned Revenue

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

Accumulated Compensated Absences

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

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

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

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

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and expense, information about the fiduciary net position of the CERS and TRS and additions to /deductions from the fiduciary net position have been determined on the same basis as they are reported by CERS and TRS. The plans recognizes benefit payments when due and payable in accordance with the benefit term.

Fund Balances

The District classifies its governmental fund balances as follows:

Nonspendable - 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.

Restricted – This category includes resources that are either; (a) externally imposed by creditors, grantors, contributors, or laws or regulations or other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The SEEK Capital Outlay Fund and the FSPK Fund are restricted to be used for future debt service or future construction projects. The Construction Fund is restricted for future construction projects. The Debt Service Fund is restricted for debt service.

Committed – This category includes funds that have been designated for specific purposes by formal action of the Board of Education. Only the Board may commit funds and modify or rescind the commitment.

Assigned Fund Balance – This category represents funds that have been assigned for a specific purpose or, in the general fund only, for existing purchase obligations. Assignments can be made by authorized members of management.

Unassigned Fund Balance – This category represents the remainder of the governmental fund balances that do not belong in any other fund balance classifications.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned funds are available, the funds will first be spent from committed, then assigned, and then finally unassigned.

The Board will use restricted funds before unrestricted (committed, assigned, or unassigned) funds when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Net Position

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

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. These transactions are eliminated in the governmental and business-type activities columns of the statement of activities.

Encumbrances

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next fiscal year.

Estimates

The process of preparing financial statements in conformity with general accepted accounting principles of 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.

Changes in Accounting Principle

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

Subsequent Events

The District has evaluated and considered the need to recognize or disclose subsequent events through January 21, 2026, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2025, have not been evaluated by the District.

NOTE B – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$39,670,205 which was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and financial assistance programs, each cash amount within the following funds is considered to be restricted: Special Revenue Funds, Capital Outlay Fund, Facilities Support Program (FSPK) Fund, School Construction Fund, and Private Purpose Trust Funds.

District funds are considered to be public funds. Therefore their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds.

Interest rate risk. In accordance with the District's investment policy, interest rate risk is limited by investing in public funds with the highest rate of return with the maximum security of principal. Investments are undertaken in a manner that seeks to ensure preservation of the capital in its portfolio.

Credit risk. The District's investment policy limits the types of authorized investment instruments to obligations of the United States, its agencies, and instrumentalities. In addition, certificates of deposit or bonds of a bank or the Commonwealth of Kentucky, securities issued by a state or local government or shares of mutual funds are acceptable investments.

Concentration of credit risk. The district may invest, at any one time, funds in any one of the above listed categories with no limitation of the total amount of funds invested on behalf of the District.

Custodial credit risk – deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2025, the District's deposits are entirely insured and/or

collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

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

	Book Balance
General Checking Account	
General Fund	\$23,541,533
Special Revenue Fund 2	-
Special Revenue Fund 21	372,868
Special Revenue Fund 25	836,043
School Construction Fund	45,137,273
Food Service Account	1,460,447
Day Care Fund	<u>1,820,578</u>
Total General Checking Account	<u>73,168,742</u>

Breakdown per financial statements:

Governmental Funds	\$69,887,717
Proprietary Funds	3,281,025
Fiduciary Funds	-
Total	<u>73,168,742</u>

NOTE C – 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 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:

Securities of \$43,621 are valued using quoted market prices (Level 1 inputs)

NOTE D – PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and personal property located in the district. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year in which they were levied.

The property tax rates assessed for the year ended June 30, 2025, to finance operations were \$0.714 per \$100 valuation for real property, \$0.714 per \$100 valuation for business personal property and \$0.465 per \$100 valuation for motor vehicles.

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

The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

Description	per KRS 134.015
Discount, 2%	by November 1
Face value amount payment date	November 2 thru December 31
Delinquent date, 5% penalty	January 1 -31
Delinquent date, 10% penalty	February 1

Vehicle taxes are collected by the County Clerk and are due and collected in the birth month of the vehicle's licensee.

NOTE E – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Beginning Balance			Ending Balance
	6/30/2024	Additions	Retirements	6/30/2025
Land	3,360,274			3,360,274
Land Improvements	1,354,835	327,340		1,682,175
Buildings & Building Improvements, restated	250,139,609	2,116,755	(114,679)	252,141,685
Technology Equipment	1,389,410			1,389,410
Vehicles	7,361,776	663,213	(395,709)	7,629,280
Leased Vehicles	441,361			441,361
General Equipment	3,874,224	240,425	(33,349)	4,081,300
Leased Equipment	593,450			593,450
Construction Work in Progress	479,663	8,971,236		9,450,899
Infrastructure	489,833	-	-	489,833
Totals at Historical Cost	269,484,435	12,318,969	(543,737)	281,259,667
Less Accumulated Depreciation and Amortization:				
Land	-	-	-	-
Land Improvements	1,028,489	30,202		1,058,691
Buildings & Building Improvements	79,159,780	5,842,817	(80,591)	84,922,006
Technology Equipment	1,227,329	139,922		1,367,251
Vehicles	4,642,210	548,160	(395,709)	4,794,661
Leased Vehicles	125,798	88,272		214,070
General Equipment	1,762,979	289,839	(31,223)	2,021,595
Leased Equipment	118,690	118,690		237,380
Infrastructure	489,833	-	-	489,833
Total Accumulated Depreciation and Amortization	88,555,108	7,057,902	(507,523)	95,105,487
Net Capital Assets - Governmental Activities	180,929,327	5,261,067	(36,214)	186,154,180

Business-Type Activities

Food Service Equipment	2,114,200	243,544	(17,200)	2,340,544
Less Accumulated Depreciation:				
Food Service Equipment	1,269,274	123,702	(17,200)	1,375,776
Net Capital Assets - Business-Type Activities	844,926	119,842	-	964,768

Depreciation and amortization expense was charged to functions of the governmental activities as follows:

Instruction	1,138,481
Student Support Services	1,229
District Administration	15,334
School Administration	74,566
Business Support Services	365
Plant Operations and Maintenance	5,291,134
Student Transportation	536,793
Total depreciation and amortization expense, governmental activities	7,057,902

NOTE F – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has recorded \$200,738 (net of \$60,454 accumulated amortization) as intangible right-to-use software in the Governmental Activities non-current assets on the statement of net position. Due to the implementation of GASB Statement No. 96, the arrangement for software meets the criteria of a SBITA; thus, requiring them to be recorded by the District as an intangible asset and if applicable SBITA liability. The assets will be amortized over the terms of the software agreements, 5 years.

A summary of the principal and interest amounts for the arrangements are:

Year	Principal	Interest
2026	56,090	6,910
2027	58,389	4,611
2028	54,063	2,217
2029	-	
2030	-	
Total	168,542	13,738

NOTE G – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make bond principal and interest payments relating to the bonds issued by the Shelby County School District Finance Corporation. The original amount of each issue, the issue date, and interest rates are summarized below:

Issue	Proceeds	Interest Rates
2012	5,010,000	0.70 - 2.55%
2013	18,590,000	2.00 - 3.125%
2014	3,405,000	1.00 - 2.50%
2016	8,020,000	2.00 - 3.00%
2016	31,555,000	1.00 - 4.00%
2018	35,355,000	1.60 - 3.60%
2021	13,700,000	0.20 - 2.10%
2025	35,080,000	2.95 - 4.26%

The District, through the General Fund (including utility taxes) and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued 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 entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission’s option, biannually. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. 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:

Fiscal Year Ending	DISTRICT		KENTUCKY SCHOOL FACILITY CONSTRUCTION COMMISSION		Total
	Principal	Interest	Principal	Interest	
	2026	4,786,364	4,078,084	608,636	
2027	4,873,902	3,990,313	626,098	178,421	9,668,734
2028	5,059,126	3,805,145	645,874	158,646	9,668,790
2029	5,248,697	3,613,443	666,303	138,216	9,666,658
2030	5,462,056	3,401,133	482,944	117,004	9,463,138
2031	5,618,217	3,251,133	496,783	103,166	9,469,300
2032	5,773,917	3,095,964	511,083	88,865	9,469,828
2033	5,934,085	2,935,745	525,915	74,035	9,469,780
2034	6,167,622	2,702,391	277,378	58,189	9,205,580
2035	6,354,345	2,513,991	285,655	49,912	9,203,903
2036	6,550,536	2,315,499	294,464	41,104	9,201,603
2037	6,764,705	2,102,919	285,295	31,946	9,184,865
2038	7,003,679	1,861,811	211,321	23,589	9,100,400
2039	7,276,045	1,593,655	188,955	16,444	9,075,099
2040	6,414,832	1,435,359	80,168	11,941	7,942,300
2041	6,512,475	1,214,815	82,525	9,585	7,819,400
2042	4,714,256	991,150	40,744	7,150	5,753,300
2043	4,902,626	802,580	42,374	5,520	5,753,100
2044	5,100,931	606,474	44,069	3,826	5,755,300
2045	4,634,058	389,684	45,942	1,952	5,071,636
2046	4,535,000	192,738	-	-	4,727,738
	119,687,474	46,894,026	6,442,526	1,315,394	174,339,421

The following is a summary of the changes in outstanding bonds during the fiscal year ended June 30, 2025:

Issue	Balance			Payments	Balance	
	June 30, 2024	Additions	Deductions		June 30, 2025	
2012	3,575,000	-	-	(15,000)	3,560,000	
2013	16,440,000	-	-	(215,000)	16,225,000	
2014	345,000	-	-	(345,000)	-	
2016	7,515,000	-	-	(75,000)	7,440,000	
2016	21,715,000	-	-	(3,765,000)	17,950,000	
2018	33,955,000	-	-	(310,000)	33,645,000	
2021	12,605,000	-	-	(375,000)	12,230,000	
2025	-	35,080,000	-	-	35,080,000	
	96,150,000	35,080,000	-	(5,100,000)	126,130,000	

Leased assets include vehicles and apple devices and are reported with other capital assets in Note E. The following is a summary of the upcoming payments for leased assets over the next five years:

	Principal	Interest
Lease payments due in fiscal year 2026	236,191	9,037
Lease payments due in fiscal year 2027	84,893	8,636
Lease payments due in fiscal year 2028	45,753	4,128
Lease payments due in fiscal year 2029	11,139	1,897
Total	377,976	23,698

The District also has the following lines of credit:

Amazon	\$150,000
John Deere	\$7,500
Kroger	2,000
Lowe's	20,700
Fifth Third	750,000
Wright Express	12,100
	<u>\$942,300</u>

NOTE H – LONG TERM LIABILITY ACTIVITY

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	96,150,000	35,080,000	5,100,000	126,130,000	5,395,000
Add: Bond Premium	1,290,665	-	261,427	1,029,238	
Less: Bond Discount	(1,059,428)	-	(69,259)	(990,169)	
Net Revenue Bond Payable	96,381,237	35,080,000	5,292,168	126,169,069	
Lease Liabilities	614,017	-	236,041	377,976	245,229
Net Pension Liability	22,650,751	-	3,104,786	19,545,965	-
Net OPEB Liability	12,099,632	565,911	1,835,543	10,830,000	-
SBITA Liability	-	168,542	-	168,542	56,090
Compensated Absences	641,599	885,729	-	1,527,328	221,046
Total Governmental Activities	132,387,236	36,700,182	10,468,538	158,618,880	522,365
Proprietary Activities:					
Net Pension Liability	1,770,544	-	(242,692)	1,527,852	-
Total Long-Term Liabilities	134,157,780	36,700,182	10,225,846	160,146,732	522,365

NOTE I – EMPLOYEE COMPENSATED ABSENCES

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

The entire compensated absence liability is reported on the entity-wide financial statements. For governmental fund financial statements, the current portion of unpaid accumulated sick leave is the amount expected to be paid using expendable available financial resources. These amounts are recorded in the accumulated sick leave payable account in the General Fund. The noncurrent portion of the liability is not reported in the governmental fund financial statements.

A summary of the changes in the estimated accumulated unpaid sick leave benefits during the fiscal year ended June 30, 2025 is as follows:

	Current Portion	Long-Term Portion	Total
Beginning Balance	202,129	439,470	641,599
Net Increase (Decrease)	<u>18,917</u>	<u>866,812</u>	<u>885,729</u>
Ending Balance	<u>221,046</u>	<u>1,306,282</u>	<u>1,527,328</u>

NOTE J – CONTINGENCIES

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

NOTE K – INSURANCE, RISK MANAGEMENT AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance.

The District has purchased certain policies which are retrospectively rated including Workers’ Compensation insurance.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2025 the following interfund receivables and payables are included in the financial statements:

General Fund	Receivable	\$43,385
Special Revenue Fund	Payable	\$43,385

NOTE M – DEFICIT OPERATING/FUND BALANCES

The following funds had operations that resulted in a current year operating loss, resulting in a corresponding reduction to fund balance (net position):

District Activity Fund	(187,613)
------------------------	-----------

The current year operating loss was planned for this fund and did not adversely impact the District’s financial position.

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss.

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the fiscal year ended June 30, 2025:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Special Revenue	Matching funds	127,536
Financing	General	District Activity	Funding	22,342
Operating	General	Construction	Future Construction	4,704,610
Operating	General	Food Service	Administrative	101,621
Financing	FSPK	Debt Service	Debt Payments	7,341,150
Financing	FSPK	Construction	Future Construction	4,930,726
Financing	Capital Outlay	Construction	Funding	2,615,957
Operating	Food Service	General	Indirect Costs	304,457
Financing	Special Revenue	Debt Service	Debt Payments	79,635
Financing	Special Revenue	Special Revenue	Funding	202,227
Operating	Special Revenue	General	Indirect Costs	69,674
Operating	Daycare	General	Administrative	77,083
Financing	SCEF Operating	Trust	Funding	500
Operating	Daycare	General	Funding	115,126
				<hr/>
				\$20,692,644

NOTE P – ON-BEHALF PAYMENTS

The District receives on-behalf payments for fringe benefits from the Commonwealth of Kentucky. The following amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance/net position in each of the functions.

Additionally, the Commonwealth of Kentucky paid \$94,752 in technology related expenses and the School Facilities Construction Commission paid \$756,624 in debt service on-behalf of the District. These amounts are included as revenues and expenditures/expenses on the statement of activities, and the statement of revenues, expenditures, and changes in fund balance.

Instruction	\$13,984,189
Support Services	
Student	1,288,286
Instructional Staff	1,416,400
District Administration	147,651
School Administration	1,941,823
Business	341,091
Plant Operation and Maintenance	572,089
Student Transportation	428,544
Community Services	19,936
Food Service	<u>317,842</u>
 Total	 <u>\$20,457,851</u>

NOTE Q – TAX ABATEMENTS

During the fiscal year ended June 30, 2025, the District's property tax revenues were reduced by \$422,610 pursuant to agreements entered into by the Fiscal Court of Shelby County on May 1, 2008 and March 1, 2010. Under the agreement(s), payments in lieu of taxes are remitted to the District. The District received \$422,610 for in lieu of tax payment collections during the fiscal year ended June 30, 2025.

NOTE R – RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities was increased by \$2,290,122 Below are the details of the restatement:

	<u>Governmental Activities</u>
Net Position June 30, 2024	75,943,094
Understatement of Capital Assets	2,431,979
Understatement of Bond Discounts	1,059,428
Understatement of Bond Premiums	(1,290,665)
GASB 101 Implementation	(72,264)
Understatement of Deferred Outflows on Advance Refunding of Bonds	<u>161,643</u>
Beginning Net Position, as restated	<u>78,233,215</u>

NOTE S – COMMITMENTS

At June 30, 2025, the District had the following commitments for major construction projects:

- Simpsonville Elementary School vestibule project – approved project costs of \$4,151,788, estimated completion date of July 2026.

- Martha Layne Collins High School baseball/softball locker room addition – approved project costs of \$1,094,849, estimated completion date of February 2026.
- Heritage Elementary School major renovation - approved project costs of \$22,643,693, estimated completion date of November 2026.
- Milestone Athletic Complex bleacher addition - approved project costs of \$999,463, estimated completion date of February 2026.

NOTE T – RETIREMENT PLANS

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

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

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

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

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

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180

months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits

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

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

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

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

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

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

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

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

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

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

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

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

Medical Insurance Plan

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

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

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

At June 30, 2025, the District reported a liability of \$21,073,817 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 21,073,817
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>155,622,591</u>
	<u>\$ 176,696,408</u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.083434% percent.

For the year ended June 30, 2025, the District recognized pension expense of \$1,281,020 related to CERS and pension expense of \$10,114,961 related to TRS. The District also recognized revenue of \$10,114,961 for TRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	1,020,011	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,447,298	952,123
Change in proportion and differences between employer contributions and proportionate share of contributions	245,199	2,802,230
District contributions subsequent to the measurement date	2,481,297	1,255,366
Total	<u>5,193,805</u>	<u>5,009,719</u>

\$2,481,297 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	(1,378,370)
2027	(96,029)
2028	(520,852)
2029	(301,960)
2030	-

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

Teachers' Retirement System (TRS)

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

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

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

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

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real

rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

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

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

County Employees' Retirement System (CERS)

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

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

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

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

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

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

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>discount rate</u>	<u>1%</u> <u>Increase</u>
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	27,167,594	21,073,817	16,017,589
	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>discount rate</u>	<u>1%</u> <u>Increase</u>
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	-	-	-

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

NOTE Q – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers’ Retirement System of Kentucky

Plan description – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

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

Medical Insurance Plan

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

Benefits provided – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member’s supplement is based on a

contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

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

At June 30, 2025, the Shelby County School District reported a liability of \$10,830,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District’s proportion was .0485875 percent, compared to 0.516767 percent at June 30, 2023.

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	\$ 10,830,000
State’s proportionate share of the net OPEB liability associated with the District	<u>9,648,000</u>
Total	<u>\$ 20,478,000</u>

For the year ended June 30, 2025, the District recognized OPEB benefit of \$255,768 and revenue of \$898,771 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Differences between expected and actual experience	-	3,252,000
Changes of Assumptions	2,758,000	-
Net difference between projected and actual earnings on plan investments	-	348,000
Change in proportion and differences between employer contributions and proportionate share of contributions	3,369,000	5,328,000
District contributions subsequent to the measurement date	1,183,347	-
Total	<u>7,310,347</u>	<u>8,928,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,183,347 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

<u>Year ended June 30:</u>	
2026	(825,000)
2027	(130,000)
2028	(309,000)
2029	(786,000)
2030	(685,000)
Thereafter	(66,000)

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

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	5392% for FY 2024 with an ultimate rate of 4.50% by 2035

Municipal Bond Index Rate	3.94%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

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

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

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

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

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

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

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

	1% Decrease	Current discount rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share of net OPEB liability	14,388,000	10,830,000	7,882,000

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

	1% Decrease	Current trend rate	1% Increase
District's proportionate share of net OPEB liability	7,316,000	10,830,000	15,197,000

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

Life Insurance Plan

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

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

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

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

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB liability associated with the District	<u>220,000</u>
Total	<u>\$ 220,000</u>

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

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

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

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

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

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

County Employees' Retirement System of Kentucky

Plan description – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established

July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

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

Medical Insurance Plan

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

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

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

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

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

At June 30, 2025, the Shelby County District reported an asset of \$610,146 for its proportionate share of the collective net OPEB asset that reflected a reduction for state OPEB support provided

to the District. The collective net OPEB asset was measured as of June 30, 2024, and the total OPEB asset used to calculate the collective net OPEB benefit was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was 0.352726 percent, compared to 0.380587 percent at June 30, 2023.

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 asset	\$ 610,146
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 610,146</u>

For the year ended June 30, 2025, the District recognized OPEB benefit of \$1,771,987. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	338,502	4,800,647
Changes of Assumptions	552,866	430,522
Net difference between projected and actual earnings on plan investments	536,334	1,093,128
Change in proportion and differences between employer contributions and proportionate share of contributions	313,705	607,052
District contributions subsequent to the measurement date	165,395	-
Total	<u>1,906,802</u>	<u>6,931,349</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$165,394 resulting from District contributions of \$0 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$165,394, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2026	(2,152,945)
2027	(1,508,503)
2028	(1,408,638)
2029	(119,856)
2030	-
Thereafter	-

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Liquidity		
Core Bonds	10.00%	2.85%

Special 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		7.19%

Discount rate - The discount rate used to measure the total OPEB liability was 5.99%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

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

	1% Decrease	Current discount rate	1% Increase
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	824,986	(610,146)	(1,816,808)

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

	1% Decrease	Current trend rate	1% Increase
System's net pension liability	(1,467,937)	(610,146)	389,120

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

SUPPLEMENTARY INFORMATION

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Regulatory Basis			Favorable
	Original	Final		(Unfavorable)
Revenues:				
Local sources:				
Property taxes	\$ 31,254,451	\$ 32,144,194	\$ 30,428,018	\$ (1,716,176)
Motor vehicle taxes	2,940,661	2,752,115	3,122,882	370,767
Utility taxes	3,300,000	3,300,000	3,851,302	551,302
Earnings on investments	503,000	1,003,000	2,144,750	1,141,750
Other local	366,133	360,885	1,116,174	755,289
State sources	36,511,930	45,134,912	41,095,670	(4,039,242)
Federal sources	672,000	872,000	1,341,774	469,774
Total revenues	75,548,175	85,567,106	83,100,570	(2,466,536)
Expenditures:				
Instruction	44,200,569	51,683,920	46,216,505	5,467,415
Supporting services:				
Students	4,564,972	5,436,670	5,162,431	274,239
Instructional staff	5,154,125	5,937,413	5,708,809	228,604
District administration	1,614,787	1,978,315	2,225,863	(247,548)
School administration	5,208,957	6,341,469	5,978,348	363,121
Business support services	2,035,124	2,251,051	2,086,977	164,074
Operation and maintenance of facilities	8,032,908	10,345,655	10,213,717	131,938
Student transportation	3,973,146	5,269,529	4,792,060	477,469
Food services	127,582	117,081	134,832	(17,751)
Capital outlay	294,121	1,320,982	436,848	884,134
Contingency	16,253,082	18,977,188	-	18,977,188
Total expenditures	91,459,373	109,659,273	82,958,007	26,701,266
Excess (deficiency) of revenues over expenditures	(15,911,198)	(24,092,167)	142,563	24,234,730
Other financing sources (uses):				
Proceeds from disposal of real or personal property	-	1,059	17,769	16,710
Transfers in	265,235	267,692	579,313	311,621
Transfers (out)	(60,000)	(315,590)	(4,956,109)	(4,640,519)
Total other financing sources (uses)	205,235	(46,839)	(4,359,027)	(4,312,188)
Change in fund balances	(15,705,963)	(24,139,006)	(4,216,464)	19,922,542
Fund balances - beginning	15,705,963	24,139,006	26,913,245	2,774,239
Fund balances - ending	\$ -	\$ -	\$ 22,696,781	\$ 22,696,781

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With
	Regulatory Basis			Final Budget
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local sources:	\$ 209,758	\$ 233,735	\$ 204,427	\$ (29,308)
State sources	3,464,063	3,681,685	4,095,200	413,515
Federal sources	4,167,475	6,847,484	6,166,391	(681,093)
Total revenues	7,841,296	10,762,904	10,466,018	(296,886)
Expenditures:				
Instruction	5,656,374	7,665,987	6,919,012	746,975
Supporting services:				
Students	96,187	93,187	117,250	(24,063)
Instructional staff	1,052,327	1,684,594	1,666,091	18,503
District administration	-	-	-	-
School administration	42,955	42,955	48,203	(5,248)
Business support services	-	-	-	-
Operation and maintenance of facilities	106,838	122,213	255,081	(132,868)
Student transportation	107,463	107,463	141,461	(33,998)
Food services	-	4,122	4,122	-
Day care services	-	-	362,187	(362,187)
Community services	779,152	1,040,251	930,837	109,414
Total expenditures	7,841,296	10,760,772	10,444,244	316,528
Excess (deficiency) of revenues over expenditures	-	2,132	21,774	19,642
Other financing sources (uses):				
Transfers in	64,017	64,017	127,536	63,519
Transfers (out)	(64,017)	(66,149)	(149,310)	(83,161)
Total other financing sources (uses)	-	(2,132)	(21,774)	(19,642)
Change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For The Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
District's proportion of the net pension liability (asset)										
TRS	\$ 21,073,817	\$ 24,421,295	\$ 26,605,228	\$ 21,870,853	\$ 29,916,052	\$ 22,626,289	\$ 21,198,219	\$ 20,931,369	\$ 17,432,574	\$ 16,544,238
CERS	21,073,817	24,421,295	26,605,228	21,870,853	29,916,052	22,626,289	21,198,219	20,931,369	17,432,574	16,544,238
Total										
District's proportionate share of the net pension liability (asset)										
TRS	-	-	-	-	-	-	-	-	-	-
CERS	0.352380%	0.380601%	0.368034%	0.343030%	0.390044%	0.321714%	0.348065%	0.357599%	0.35406%	0.384790%
State's proportionate share of the net pension liability (asset) associated with the District										
TRS	\$ 155,622,591	\$ 168,393,416	\$ 176,848,986	\$ 137,197,013	\$ 154,061,901	\$ 146,508,276	\$ 133,481,744	\$ 280,579,526	\$ 313,466,377	\$ 255,658,927
District's covered employee payroll										
TRS	\$ 39,444,886	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791
CERS	12,593,774	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458
Total	52,038,660	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612	46,056,892	45,629,249
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll										
TRS	-	-	-	-	-	-	-	-	-	-
CERS	167.34%	123.82%	135.90%	124.23%	204.22%	150.69%	143.41%	155.52%	134.10%	134.83%

**SHELBY COUNTY PUBLIC SCHOOLS
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2025**

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

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

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

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

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

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

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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

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

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

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

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

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

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 20013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

2016

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

2017

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

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

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

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

2018

There were no changes in assumptions.

2019

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

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

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

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

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

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

2021, 2022, 2023 and 2024

There were no changes of assumptions for these years.

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

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

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

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

NOTE C – CHANGES OF BENEFITS

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

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
For The Year Ended June 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contributions										
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS	2,481,297	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969
Total	2,481,297	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969
Contributions in relation to the contractually required contribution										
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS	2,481,297	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969
Total	2,481,297	3,065,676	2,859,614	2,178,413	2,252,273	1,996,388	1,689,394	1,653,985	1,462,426	1,444,969
Contribution deficiency (excess)										
TRS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRS	-	-	-	-	-	-	-	-	-	-
Total	-									
District's covered employee payroll										
TRS	\$ 39,444,886	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916	\$ 33,057,511	\$ 33,358,791
CRS	12,593,774	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696	12,999,381	12,270,458
Total	52,038,660	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612	46,056,892	45,629,249
Contributions as a percentage of covered employee payroll										
TRS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CRS	19.70%	15.54%	14.61%	12.37%	15.37%	13.30%	11.43%	12.29%	11.25%	11.78%

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For The Year Ended June 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
District's proportion of the net OPEB liability (asset)								
CERS	\$ (610,146)	\$ (525,464)	\$ 7,262,451	\$ 6,565,587	\$ 9,543,506	\$ 5,409,589	\$ 6,179,630	\$ 7,188,963
TRS - Medical Insurance	10,830,000	12,587,000	18,529,000	11,946,000	13,915,000	15,853,000	18,117,000	19,462,000
TRS - Life Insurance	-	-	-	-	-	-	-	-
Total	10,219,854	12,061,536	25,791,451	18,511,587	23,458,506	21,262,589	24,296,630	26,650,963
District's proportionate share of the net OPEB liability (asset)								
CERS	0.352726%	0.380587%	0.367986%	0.342949%	0.395226%	0.321631%	0.348054%	0.357599%
TRS - Medical Insurance	0.485875%	0.516767%	0.746393%	0.556742%	0.551345%	0.541645%	0.522146%	0.545479%
TRS - Life Insurance	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
State's proportionate share of the net OPEB liability (asset) associated with the District								
TRS - Medical Insurance	\$ 9,648,000	\$ 10,609,000	\$ 6,087,000	\$ 9,702,000	\$ 11,146,000	\$ 12,802,000	\$ 15,613,000	\$ 15,897,000
TRS - Life Insurance	220,000	263,000	303,000	129,000	337,000	297,000	268,000	213,000
Total	9,868,000	10,872,000	6,390,000	9,831,000	11,483,000	13,099,000	15,881,000	16,110,000
District's covered employee payroll								
TRS	\$ 39,444,886	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	12,593,774	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total	52,038,660	56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll								
CERS	-4.84%	-2.66%	37.10%	37.30%	65.15%	36.03%	41.80%	53.42%
TRS - Medical Insurance	27.46%	34.41%	49.69%	31.71%	40.08%	46.09%	54.08%	59.15%
TRS - Life Insurance	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 OPEB liability								
CERS	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.40%
TRS - Medical Insurance	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.54%	21.18%
TRS - Life Insurance	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	74.97%	79.99%

*Note: The schedule is intended to show information for the last 10 fiscal years.
Additional years will be displayed as they become available.*

**SHELBY COUNTY PUBLIC SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2025**

TEACHERS' RETIREMENT SYSTEM

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

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

2021

Health Trust and Life Trust

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

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

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

2022

There were no changes in assumptions.

2023

There were no changes in assumptions

2024

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

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

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

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

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

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

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

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

2018

There were no changes in assumptions.

2019

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

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

The inflation rate changed to 2.3% from 3.25%.

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

2020

There were no changes in assumptions.

2021

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

2022

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

2023

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

2024

There were no changes in assumptions.

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

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

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

NOTE C – CHANGES OF BENEFITS

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

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
For The Year Ended June 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contributions								
CERS	\$ -	\$ -	\$ 424,409	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	1,183,347	979,188	990,369	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-	-	-	-
Total	1,183,347	979,188	1,414,778	1,405,286	1,455,741	1,464,077	1,409,319	1,392,017
Contributions in relation to the contractually required contribution								
CERS	\$ -	\$ -	\$ 424,409	\$ 417,065	\$ 482,027	\$ 520,926	\$ 479,212	\$ 456,933
TRS - Medical Insurance	1,183,347	979,188	990,369	988,221	973,714	943,151	930,107	935,084
TRS - Life Insurance	-	-	-	-	-	-	-	-
Total	1,183,347	979,188	1,414,778	1,405,286	1,455,741	1,464,077	1,409,319	1,392,017
Contribution deficiency (excess)								
CERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TRS - Medical Insurance	-	-	-	-	-	-	-	-
TRS - Life Insurance	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-
District's covered employee payroll								
TRS	\$ 39,444,886	\$ 36,574,409	\$ 37,285,618	\$ 37,676,040	\$ 34,721,896	\$ 34,394,925	\$ 33,497,542	\$ 32,903,916
CERS	12,593,774	19,722,752	19,576,461	17,604,435	14,649,132	15,015,178	14,782,050	13,458,696
Total		56,297,161	56,862,079	55,280,475	49,371,028	49,410,103	48,279,592	46,362,612
Contributions as a percentage of covered employee payroll								
TRS	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
CERS	0.00%	0.00%	2.17%	2.37%	3.29%	3.47%	3.24%	3.40%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

School	Due To		Revenues	Expenditures	Due To	
	Student Groups July 1, 2024	\$			Student Groups June 30, 2025	\$
Clear Creek Elementary	\$ 8,786	\$ 12,176	\$ (12,298)	8,664		
Heritage Elementary	26,358	3,463	(7,096)	22,725		
Painted Stone Elementary	18,547	12,767	(15,937)	15,377		
Simpsonville Elementary	7,740	17,269	(13,209)	11,800		
Southside Elementary	6,030	17,225	(13,809)	9,446		
Wright Elementary	26,081	23,402	(16,422)	33,061		
East Middle	76,078	164,698	(159,261)	81,515		
West Middle	86,009	100,773	(106,677)	80,105		
Marnel C. Moorman School	34,434	121,071	(110,650)	44,855		
Martha Layne Collins High	251,373	455,250	(453,441)	253,182		
Shelby County High	254,904	588,096	(578,437)	264,563		
Totals	\$ 796,340	\$ 1,516,190	\$ (1,487,237)	\$ 825,293		

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
MARTHA LAYNE COLLINS HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

Activity Account	Due To	Revenues	Expenditures	Due To
	Student Groups			Student Groups
	July 1, 2024			June 30, 2025
Academic Team	\$ 192	\$ 211	\$ -	\$ 403
After School Marching Band	5,000	11,930	(16,469)	461
AP Testing	13,475	2,638	(7,316)	8,797
Art Club	788	-	-	788
Band	5,858	1,640	(7,412)	86
Baseball	12,266	19,448	(30,118)	1,596
Bass Fishing	-	2,174	(1,441)	733
Beta Club	4,065	196	(623)	3,638
Bowling	551	-	-	551
Boys Basketball	4,894	1	(955)	3,940
Boys Golf	-	700	(50)	650
Boys Lacrosse	2,523	11,350	(2,515)	11,358
Boys Soccer	3,904	2,349	(5,279)	974
Boys Tennis	1,677	239	(1,238)	678
Boys Track	8,111	4,421	(1,133)	11,399
Boys Volleyball	520	2,013	(1,631)	902
Cheerleading	13,036	31,531	(38,996)	5,571
Chess Club	336	360	(582)	114
Choir	958	24,092	(20,154)	4,896
Class of 2024	11,399	-	(11,399)	-
Class of 2025	8,089	13,288	(21,377)	-
Class of 2026	-	38,773	(22,769)	16,004
Class of 2027	-	15	-	15
Class of 2028	-	40	-	40
Cross Country	6,876	1,218	(2,000)	6,094
Dance Team	3,684	-	-	3,684
Department Accounts	9,135	9,462	(11,616)	6,981
Drama Club	4,545	5,294	(3,514)	6,325
eSports	2,139	878	(161)	2,856
FCA	2,649	940	(938)	2,651
FFA	1,779	1,774	(1,059)	2,494
Football	9,036	142	(14,625)	(5,447)
General Athletic	26,774	164,942	(150,705)	41,011
Girls Basketball	1,594	8,302	(2,907)	6,989
Girls Golf	3,907	12,196	(9,186)	6,917
Girls Lacrosse	9,848	2,955	(6,140)	6,663
Girls Soccer	5,510	18,208	(23,589)	129
Girls Tennis	1,968	239	(1,273)	934
Girls Volleyball	3,612	10,371	(3,133)	10,850
In School Clubs	6,642	7,210	(5,734)	8,118
NHS	369	375	-	744
Odyssey of the Mind	5	-	-	5
Orchestra	1,257	50	-	1,307
Softball	9,880	8,052	(10,353)	7,579
Staff Account	36	1,242	(876)	402
Student Council	694	-	-	694
Student Recognition	7,991	19,609	(3,516)	24,084
Student Support	2,280	282	(300)	2,262
Student Support FRYSC	-	750	-	750
Swim Team	1,531	-	-	1,531
Talented and Gifted (TAG)	91	285	(159)	217
Vex Robotics	11,684	10,494	(8,208)	13,970
Winterguard	2,567	-	-	2,567
Yearbook	15,648	2,571	(1,992)	16,227
Totals	\$ 251,373	\$ 455,250	\$ (453,441)	\$ 253,182

**SHELBY COUNTY PUBLIC SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND DUE TO STUDENT GROUPS
SHELBY COUNTY HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

Activity Account	Due To Student Groups July 1, 2024	Revenues	Expenditures	Cash Balance June 30, 2025
Academic Team	\$ -	\$ 40	\$ -	\$ 40
AP Testing	1,840	6,609	(6,786)	1,563
Archery	772	7,778	(4,500)	4,393
Art Club	2,229	-	-	2,229
Art DAF	-	-	(75)	-
Athletic Gate DAF	-	40	(17,165)	-
Band	1,904	8,913	(7,506)	2,051
Baseball	13,609	6,427	(8,028)	12,008
Bass Fishing	4,490	9,043	(8,642)	4,891
Beta Club	4,644	202	(2,219)	4,041
Boys Basketball	785	18,207	(15,790)	552
Boys Golf	4,216	11,508	(15,463)	2,534
Boys Lacrosse	416	2,632	(1,632)	916
Boys Soccer	8,120	11,240	(6,200)	13,435
Boys Tennis	255	334	(426)	1,163
Boys Volleyball	-	529	-	529
Boys/Girls Track	11,678	30,599	(21,925)	16,102
Cheerleading	10,028	24,753	(24,724)	11,137
Choir	2,464	11,982	(9,440)	3,892
Class of 2025	5,160	1,308	(2,270)	228
Class of 2026	51	19,920	(19,392)	4,499
Class of 2027	82	530	-	612
Class of 2028	-	231	(231)	-
Cross Country	16,760	16,168	(17,785)	15,179
Dance Team	10,027	37,531	(39,218)	75
Department Accounts	19,808	29,159	(10,899)	14,064
Drama Club	14,697	32,637	(23,020)	22,900
E Sports	1,981	2,456	(158)	4,279
Farm	969	-	-	719
Football	2,735	14,118	(14,278)	1,075
Future Farmers of America	9,102	20,530	(9,508)	19,847
General	1,772	8,113	-	38
General Athletics	18,673	151,578	(148,786)	20,681
Girls Basketball	544	1,266	(239)	1,071
Girls Golf	5,111	9,824	(11,072)	1,463
Girls Lacrosse	2,308	5,367	(2,334)	4,716
Girls Soccer	4,745	1,701	(1,353)	5,093
Girls Tennis	356	310	(137)	1,529
In School Clubs	10,534	15,603	(16,234)	8,692
Instructional Field Trip	-	5,456	(4,093)	1,263
Music DAF	-	-	(2,214)	-
National Honor Society	727	1,620	(683)	1,589
ROTC (Reserve Officer)	14,170	5,844	(6,651)	13,259
Scholarships	4,308	4,000	(4,500)	3,808
School DAF	-	17,709	(53,150)	-
Softball	12,210	14,984	(3,456)	22,345
Staff Account	268	1,286	(1,621)	232
Start up Cash	200	-	-	200
Student Recognition	5,465	10,628	(17,580)	4,005
Student Support	6,441	257	(937)	2,811
Swim Team	9,168	672	(4,771)	3,125
Talented and Gifted (TAG)	4	-	-	4
Volleyball	2,858	5,816	(7,801)	373
Yearbook Club	6,220	638	(3,545)	3,313
Totals	\$ 254,904	\$ 588,096	\$ (578,437)	\$ 264,563

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures
Cash expenditures			
<u>U.S.Department of Education</u>			
Kentucky Department of Education			
Title I Grants to Local Education Agencies	84.010	3100002	896,778
Title I Grants to Local Education Agencies	84.010	3100002	3,367
Title I Grants to Local Education Agencies	84.010	3100002	9,414
Title I Grants to Local Education Agencies	84.010	3100002	271,096
Title I Grants to Local Education Agencies	84.010	3100002	8,509
Title I, School Improvement	84.010	3100202	5,657
Title I, School Improvement	84.010	3100202	8,951
Title I, School Improvement	84.010	3100202	1,214,806
Title I, School Improvement	84.010	3100202	715,289
Title I, School Improvement	84.010	3100202	118,839
Subtotal			3,252,706
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313I	4,111
Title I Part D, Neglected and Delinquent Children and Youth	84.013	313G	35,005
Subtotal			39,116
Title IV Part A, Student Support	84.424A	3420002	10,761
Title IV Part A, Student Support	84.424A	3420002	61
Title IV Part A, Student Support	84.424A	3420002	24,997
Title IV Part A, Student Support	84.424A	3420002	30,094
Title IV Part A, Student Support	84.424A	3420002	30,073
Title IV Part A, Student Support	84.424A	3420002	31,068
Subtotal			127,054
Special Education Cluster (IDEA)			
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	1,462
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	286,400
Special Education - Grants to States (IDEA, Part B)	84.027	3810002	1,334,928
Special Education - Preschool Grants (IDEA, Preschool)	84.173	3800002	53,994
Subtotal			1,676,784
Vocational Education Basic	84.048	3710002	270
Vocational Education Basic	84.048	3710002	35,406
Subtotal			35,676
Supporting Effective Instruction	84.367	3230002	70,451
Supporting Effective Instruction	84.367	3230002	644
Supporting Effective Instruction	84.367	3230002	98,143
Supporting Effective Instruction	84.367	3230002	100,847
Subtotal			270,085

Title III, Part A Immigrant	84.365A	3960002	1,598
English Language Acquisition	84.365	3300002	28,396
English Language Acquisition	84.365	3300002	115,680
Subtotal			<u>144,076</u>
* Deeper Learning Grant	84.425U	563J	6,955
* GEER Private via CARES Act	84.425C	GEER-20	(376)
* ESSER II New Teacher	84.425D	4000002	(50)
* CRRSAA - ESSER Digital Learning Services	84.425D	4200002	1,024
* ARP ESSER	84.425U	4300002	6,816
* ARP ESSER	84.425U	4300002	3,114
* ARP ESSER III	84.425U	4300002	14,761
Subtotal			<u>32,244</u>
Prichard Committee			
Community Schools Initiative	84.215J	not provided	208,953
Community Schools Initiative	84.215J	not provided	1,326
Subtotal			<u>210,279</u>
Total U.S.Department of Education			5,789,618
Kentucky Cabinet for Health and Family Services			
* ARP Child Care Stabilization Fund	93.575	576I	362,187
Head Start	93.600	655K	3,975
Total U.S. Department of Health and Human Services			366,162
<u>U.S.Department of Agriculture</u>			
Kentucky Department of Education			
Child Nutrition Cluster			
National School Breakfast Program	10.553	7760005	1,255,142
National School Lunch Program	10.555	7750002	2,600,160
Summer Food Service Program for Children	10.559	7690024	36,479
Summer Food Service Program for Children	10.559	7740023	28,455
Subtotal			<u>3,920,236</u>
Commodities	10.565	not provided	251,745
Kentucky Department of Agriculture			
Local Food for Schools	10.185	not provided	4,122
Total U.S.Department of Agriculture			<u>4,176,103</u>
Total federal expenditures			<u><u>10,331,883</u></u>
* Funding for Covid-19			
See Notes to Schedule of Expenditures of Federal Awards			

SHELBY COUNTY PUBLIC SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2025

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shelby County School District (the "District") under programs of the federal government for the year ended June 30, 2025 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 – Food Donation

Nonmonetary assistance for food donation is reported in the Schedule at the fair market value of the commodities disbursed. These donations are received from the US Department of Agriculture via the Kentucky Department of Agriculture (KDA). The KDA has not provided a pass-through grant number.

Note 3 – Indirect Cost Rate

The District did not use the de minimis indirect cost rate of 10.0%.

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January 21, 2026

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

Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Shelby County School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Shelby County School District's basic financial statements, and have issued our report thereon dated January 21, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,

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

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

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January 21, 2026

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

Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Sincerely,

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

Certified Public Accountants

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) identified that are not
Considered to be material weakness(es)? yes none reported

An unmodified opinion was issued on compliance for all major programs.

Any audit findings disclosed that are required to be reported
in accordance with 2CFR 200.516(a)? yes no

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555 / 10.559	Child Nutrition Cluster
93.575	Covid 19 – Child Care and Development Block Grant

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

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

SHELBY COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For The Year Ended June 30, 2025

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

None were reported last year

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported last year

MANAGEMENT LETTER

MONTGOMERY & COMPANY, P.L.L.C

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January 21, 2026

MANAGEMENT LETTER

Members of the Board of Education
Shelby County School District
Shelbyville, Kentucky

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

Prior Year Recommendation – District:

2024-001 Prior Year Recommendation:

KRS 160.105 and 702 KAR 3:030 establishes requirements for insurance coverage for school buildings. Marnel C Moorman School was not insured adequately. It was insured at \$246.09/sq. ft. but it should have been \$354.16. I recommend the District review its insurance coverage for adequate coverage.

Current Year Status:

District insurance coverage deemed adequate.

2024-002 Prior Year Recommendation:

Payroll testing disclosed that four (4) Form I-9's did not list the documents used to verify the employee's status. Payroll testing also disclosed that one (1) employee did not have a Form W-4 on file. I recommend the District review its payroll files for compliance.

Current Year Status:

No instances noted during the current year audit.

Prior Year Recommendation – School Activity Funds:

2024-003 Prior Year Recommendation – Heritage Elementary School:

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the budget for 2023-24. I recommend the Principal not approve any fundraisers until the information is submitted.

Current Year Status:

No instances noted during the current year audit.

2024-004 Prior Year Recommendation – Heritage Elementary School:

Transfers Numbers 5 and 6 are not allowed. The Transfers were from General Account to Staff Account to cover negative balances for a total of \$41.25. The Principal should not approve purchases out of Staff Account unless there are funds to cover the purchase.

Current Year Status:

No instances noted during the current year audit.

2024-005 Prior Year Recommendation – Heritage Elementary School:

Testing disclosed one Disallowed Expenditure. According to the Red Book, attendance incentives for compulsory instructional day are not allowed, unless the incentives are considered instructional, Fourteen (14) perfect attendance trophies were purchased. The Principal should not approve such purchases.

Current Year Status:

No instances noted during the current year audit.

2024-006 Prior Year Recommendation – Heritage Elementary School:

According to the Red Book, “at a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than \$100.” October 5, 2023, a Thursday receipt of \$40.00 was not deposited until October 16, 2023. I recommend the Principal monitor deposits to correct this problem.

Current Year Status:

No instances noted during the current year audit.

2024-007 Prior Year Recommendation – Heritage Elementary School:

According to the Red Book, “The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated.” One (1) of the six (6) expenditures tested had invoice dates prior to the purchase order date. I recommend the Principal not approve any purchase order for items already purchased. This is a repeat from the past two years 2023 003

Current Year Status:

No instances noted during the current year audit.

2024-008 Prior Year Recommendation – Heritage Elementary School:

According to the Red Book, “At; the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account ‘sweeping’ 86 your funds to the district.” The school issued only four transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month. This is a repeat from last year 2023-004

Current Year Status:

No instances noted during the current year audit.

2024-009 Prior Year Recommendation – Painted Stone Elementary School:

According to the Red Book, a Fundraiser Approval should be done prior to any fundraiser. The school did not use the Fundraiser Approval form. I recommend the Principal remind staff to submit the Fundraiser Approval form prior to a fundraiser.

Current Year Status:

No instances noted during the current year audit.

2024-010 Prior Year Recommendation – Simpsonville Elementary School:

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement. I recommend the Principal not approve any fundraisers until the information is submitted.

Current Year Status:

No instances noted during the current year audit.

2024-011 Prior Year Recommendation – Southside Elementary School:

According to the Red Book, "at a minimum, deposits shall be made on the last workday of the week, even if the deposit amount is less than \$100." January 5, 2024, a Friday receipt of \$56.00 was not deposited until January 10, 2024, the next Wednesday. January 12, 2024, a Friday receipt of \$92.00 was not deposited until January 18, 2024, the next Thursday. I recommend the Principal monitor deposits to correct this problem.

Current Year Status:

No instances noted during the current year audit.

2024-012 Prior Year Recommendation – Southside Elementary School:

The Red Book requires a vendor invoice or a standard invoice for all purchases. One (1) out of 5 checks tested did not have an invoice. I recommend the Principal not sign a check without a proper invoice.

Current Year Status:

No instances noted during the current year audit.

2024-013 Prior Year Recommendation – Southside Elementary School:

The school used student funds to provide medical assistance. Student funds should be used for student purposes only. I recommend the Principal seek other sources for this type of payment. This is a repeat from last year 2023-010

Current Year Status:

No instances noted during the current year audit.

2024-014 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, Transfers shall be signed by the Sponsor of the remitting activity account and the Principal. There were two (2) transfers with no signatures. I recommend the Principal monitor transfers for proper signatures.

Current Year Status:

No instances noted during the current year audit.

2024-015 Prior Year Recommendation – Wright Elementary School:

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement. I recommend the Principal not approve any fundraisers until the information is submitted.

Current Year Status:

No instances noted during the current year audit.

2024-016 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, "a pre-numbered receipt shall be issued to the payer immediately any time money is received..." It appears this may not be happening. There were numerous dates

changed on the multiple receipt form. The Person Remitting Money date was changed to match the receipt date. Dates should not be changed on multiple receipt forms. The Principal should monitor documentation for changes made to forms.

Current Year Status:

No instances noted during the current year audit.

2024-017 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, a Fundraiser Approval should be done prior to any fundraiser. The school did not use the Fundraiser Approval form. I recommend the Principal remind staff to submit the Fundraiser Approval form prior to a fundraiser.

Current Year Status:

No instances noted during the current year audit.

2024-018 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, a Purchase Order should be approved prior to obligating the school. One (1) out of six expenditures tested has an invoice date prior to the PO date. The Principal should not approve purchase orders after the purchase has been made.

Current Year Status:

No instances noted during the current year audit.

2024-019 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, every expenditure should have a vendor invoice or a standard invoice. Testing disclosed one (1) out of six (6) expenditures did not have an invoice. The Principal should not sign a check for payment without an invoice.

Current Year Status:

No instances noted during the current year audit.

2024-020 Prior Year Recommendation – Wright Elementary School:

According to the Red Book, "At the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued two transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month This is a repeat from last year 2023-011..

Current Year Status:

No instances noted during the current year audit.

2024-021 Prior Year Recommendation – Marnel C Moorman School:

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The PTO did not submit the annual financial statement, officers, or proof of insurance. I recommend the Principal not approve any fundraisers until the information is submitted.

Current Year Status:

No instances noted during the current year audit.

2024-022 Prior Year Recommendation – Marnel C Moorman School:

According to the Red Book, all school level checks should contain the signatures of an authorized school administrator and the school treasurer. There were three (3) checks with only the school

treasurer's signature. I recommend that checks be reviewed for two (2) signature prior to releasing the check.

Current Year Status:

No instances noted during the current year audit.

2024-023 Prior Year Recommendation – East Middle School:

According to the Red Book, operating costs such as school forms are to be purchased from District Activity Funds and not School Activity Funds. The school purchased Purchase Order forms from School Activity Funds. The Principal should not approve operating costs from School Activity Funds.

Current Year Status:

No instances noted during the current year audit.

2024-024 Prior Year Recommendation – West Middle School:

According to the Red Book, "A pre-numbered receipts shall be issued to the payer immediately any time money is received..." This is not being done. Each teacher/sponsor turning in money should receive a pre-numbered receipt. I recommend the treasurer issue receipts as required by the Red Book. This is a repeat from last year 2023-015

Current Year Status:

No instances noted during the current year audit.

2024-025 Prior Year Recommendation – West Middle School:

An overpayment was made to an employee on March 22, 2024 of \$56.00. The overpayment was not paid back to the school until July 23, 2024. This should have been paid back sooner. I recommend the Principal and Bookkeeper follow up on payments that should be received.

Current Year Status:

No instances noted during the current year audit.

2024-026 Prior Year Recommendation – Shelby County High School:

There are two (2) transfers from school activity funds to the District Activity Funds that do not appear to be appropriate. Transfer 191 from Farm Activities to District Activity Funds for \$19,000, and Transfer 101 from General Activities to District Activity Funds. I recommend the Principal only approve transfers to District Activity Funds within the 60 day window and from proper sources.

Current Year Status:

No instances noted during the current year audit.

2024-027 Prior Year Recommendation – Shelby County High School:

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged A(including athletic events, dances, concerts, plays, prom, or season passes)." April 11, 2024 receipt number 24366 was for Prom Tickets, a multiple receipt form was used instead of the ticket sale form. April 11, 2024 receipt number 24365 was for admission to Footloose play, a multiple receipt form was used instead of the ticket sale form. I recommend the Principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged. This is a repeat from last year 2023-027

Current Year Status:

No instances noted during the current year audit.

2024-029 Prior Year Recommendation – Shelby County High School:

According to the Redbook, Booster Clubs are to submit to the Principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Athletics

Boosters, Band Boosters, JROTC Boosters, and PTSO did not submit the annual financial statement. In addition, the PTSO did not submit their federal identification number or proof of insurance. I recommend the Principal not approve any fundraisers until the information is submitted. This is a repeat from last year 2023-029

Current Year Status:

No instances noted during the current year audit.

2024-030 Prior Year Recommendation – Shelby County High School:

According to the Red Book, "The Donation Acknowledgment Form (Form F-SA-18), when the monetary value is at least \$250 according to IRS guidelines, shall be completed stating the purpose of and any restrictions on the donation received." There were three (3) donations made on September 7, 2023 to Cross Country that were over \$250 that did not have the Donation Acknowledgment Form completed. The Principal should remind staff of the requirement and follow Red Book procedures. This is a repeat from last year 2023-033

Current Year Status:

No instances noted during the current year audit.

2024-031 Prior Year Recommendation – Shelby County High School:

According to the Red Book, "At the end of each month, the school treasurer will write one check to the district office for the total monies transferred into a DAF activity fund account. The check will zero out any balance that was initially transferred to the DAF activity fund account 'sweeping' your funds to the district." The school issued only six transfers during the year. The school treasurer should follow Red Book requirements and sweep DAF accounts each month. This is a repeat from last year 2023-034

Current Year Status:

No instances noted during the current year audit.

2024-032 Prior Year Recommendation – Shelby County High School:

According to the Red Book, the Principal shall review the bank statement, sign and date the front page after review. There were four (4) bank statements not dated and one (1) not signed. The principal should sign and date the bank statement after reviewing each month.

Current Year Status:

No instances noted during the current year audit.

2024-033 Prior Year Recommendation – Matha Layne Collins High School:

According to the Red Book, "Pre- numbered tickets shall be used with ALL events for which admission is charged (including athletic events, dances, concerts, plays, prom, or season passes)." A multiple receipt form was used instead of the ticket sale form. I recommend the principal remind all teachers/sponsors that the ticket sale form is to be used for all events where admission is charged. This is a repeat from last year 2023-022

Current Year Status:

No instances noted during the current year audit.

2024-034 Prior Year Recommendation – Matha Layne Collins High School:

According to the Redbook, Booster Clubs are to submit to the principal each year, their officers, budget, insurance, annual financial statement and federal identification number. The Athletics 92 Boosters did not submit a budget. The Band Boosters did not submit officers, budget or insurance. JROTC Boosters and PTSO did not submit the officers, budget, insurance and annual financial statement. The Robotics & Engineering Boosters did not submit their officers and budget. I recommend the principal not approve any fundraisers until the information is submitted.

Current Year Status:

No instances noted during the current year audit.

2024-035 Prior Year Recommendation – Matha Layne Collins High School:

Board policy requires all donations over \$1,000 to be approved by the Board. There was one donation of \$4,000 not approved by the board. I recommend the principal have all donations over \$1,000 approved by the Board as required.

Current Year Status:

No instances noted during the current year audit.

2024-036 Prior Year Recommendation – Matha Layne Collins High School:

One fundraiser tested had only a 4.5% profit (\$187). The fundraiser approval form did not record an anticipated profit for the event. I recommend the Principal review the anticipated profit of fundraisers before approving the fundraiser. According to the Red Book, "Fundraising activities shall require less effort (cost less) than the expected revenue to be generated, including the effort required to administer the fundraiser (record-keeping, counting money, making bank deposits, etc.) unless the value of the instructional purpose outweighs the cost of administration."

Current Year Status:

No instances noted during the current year audit.

Current Year Recommendation – School Activity Funds:

2025-1 Current Year Recommendation – Shelby County High School:

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." One instance was noted during current year's testing of a purchase order dated after the invoice date. We recommend the principal reminds all staff that purchase orders must be approved prior to obligating the school. This is a repeat of the previous two audits -- 2023-028, 2024-028.

Management's Response:

Management has adopted the following action plan:

- 1) Immediate Staff Reminder: I will communicate to staff (in printed communication and staff meetings) that purchase orders must be approved prior to any obligation of school funds.
- 2) Process Reinforcement: No purchases or commitments will proceed without a fully approved purchase order. And the bookkeeper will verify PO approval dates before processing any payment.
- 3) Training & Monitoring: We will conduct a brief refresher training for sponsors on Redbook compliance and monthly internal checks will be added to confirm adherence to this process.
- 4) Documentation: A compliance checklist will be posted in the workroom and shared digitally to reinforce expectations.

2025-2 Current Year Recommendation – East Middle School:

According to the Redbook, "The purchase order shall be prepared and approved by the sponsor and principal before the payment is obligated." One instance was noted during current year testing of a purchase order dated after the invoice date. We recommend the principal reminds all staff that purchase orders must be approved prior to obligating the school.

Management's Response:

On November 18, 2025, during a school-wide Faculty Meeting, the Principal reminded the staff of our procedures in this area. He referenced the beginning of the year training and the Staff Handbook, which clearly outlines the procedures of purchase orders mandatorily being approved prior to obligating the school.

Current Year Recommendation – District:

2025-3 Current Year Recommendation

During current year’s testing, it is noted that multiple employee benefit payroll liability accounts are not being reconciled. We recommend that management reconcile the employee benefit payroll liability accounts monthly and promptly address any discrepancies that may exist between employee withholdings and vendor payments.

Management’s Response:

The District recognizes that the payroll liability accounts for state benefits carry an unreconciled balance at year end. Benefit rates are appropriately and timely updated in Munis by payroll staff. However, billing issues from the state, timing differences due to employee movement, and dock days cause reconciliation issues that require significant human resources to track each month for a district of this size. The District is committed to assigning additional staff time to these benefit reconciliations to ensure all refunds and vendor payments are accurate and timely.

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

Sincerely,

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

Certified Public Accountants