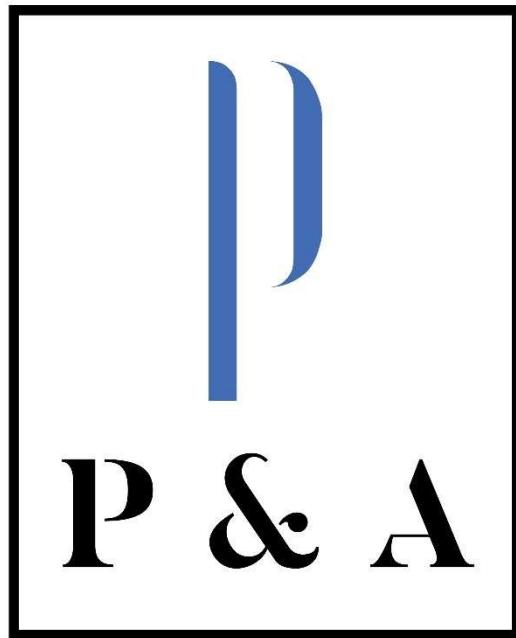


**SOMERSET INDEPENDENT SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2025



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report

Kentucky State Committee for School District Audits
Board of Education of the Somerset Independent School District
Somerset, KY

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, including Appendix II Instructions for Submissions of the 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 Somerset Independent School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note III, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025, which represents a change in accounting principle. Our opinions are 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 Somerset Independent 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 the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Somerset Independent 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 Somerset Independent 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-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB information 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 Somerset Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, student activity fund schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

Supplementary Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2026, on our consideration of the Somerset Independent 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 Somerset Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit preformed in accordance with *Government Auditing Standards* in considering the Somerset Independent School District's internal control over financial reporting and compliance.

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

January 16, 2026

Management Discussion and Analysis

As management of the Somerset Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

Financial Highlights

- In the government-wide statements, the assets and deferred inflows of the District exceeded its total liabilities and deferred inflows on June 30, 2025 by \$28,265,545. Of this amount, \$(4,204,709) represents the District's investment in capital assets, \$24,962,207 is restricted for capital projects, \$2,292,151 is restricted for other purposes in the governmental and business-type activities, and the unrestricted net position of \$5,215,896. The negative balance of the investment in capital assets is due to the timing of the bond issuance during the fiscal year.
- The District's ending net position increased by \$3,542,847, primarily because of decreases in liabilities related to NPL and OPEB liabilities.
- The general fund received \$20,115,794 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, motor vehicle and utilities taxes.
- General fund SEEK revenue for the year totaled \$6,874,524 compared to \$6,176,899 in the prior year. This represents a \$697,625 increase from the previous years' funding.
- The District levied tax rates of 77.4 cents for real estate, 78.6 cents tangible, and 56.8 cents motor vehicle per \$100 in assessed value and 3% for utility tax.

Governmental Activities

- The governmental activities include the following funds: general, special revenue, student activity, capital outlay, facility support program, construction, and debt service. The Statement of Activities reflects revenues of \$28,663,733 and expenditures of \$24,507,240. Of the revenues, \$34,339 related to charges for services, \$11,510,038 from operating grants and contributions, \$306,011 from capital grants and contributions and the remaining \$16,813,345 was related to general revenues and transfers.

Business-Type Activities

- The business-type activities are food service, daycare services and athletic facilities. The Statement of Activities reflects revenues of \$1,738,354 and expenses of \$2,352,000 for the fiscal year 2025. Of the revenues, \$237,359 related to charges for services, \$1,475,020 from operating grants and contributions, \$25,975 related to general revenues and transfers.

Overview of the Financial Statements

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

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

The Statement of Net Position presents information on all the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District at year-end with the difference reported as net position. Over time, increases

Management Discussion and Analysis (continued)

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

In both statements, the District's activities are shown in one category as governmental activities. The governmental activities of the District include services related to K-12 education. These activities are primarily supported through property taxes, Support Education Excellence in Kentucky (SEEK) funding, and other intergovernmental revenues.

The government-wide financial statements begin on page 10 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 the funds of the District can be divided into three categories: governmental funds, proprietary fund, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. 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 eight 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, special revenue fund, district activity fund, school activity fund, capital outlay fund, facilities Support Program of Kentucky (FSPK) fund, school construction fund and the debt service fund.

Proprietary funds. The District maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the enterprise fund to accounts for its operations for food services and day care programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary funds. Fiduciary fund is used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the district's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District currently has no fiduciary funds.

Management Discussion and Analysis (continued)

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements start on page 23 of this report.

Other information

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information. This information starts on page 54 of this report.

The District adopts an annual appropriated budget for each of its governmental funds. A budgetary comparison statement has been provided for the general and special revenue fund.

Government-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 and deferred outflows exceeded liabilities and deferred inflows by \$28,151,103 for governmental activities and \$114,442 for business-type activities at the close of the fiscal year.

	Governmental Activities		Business-type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets				
Current and other assets	\$42,044,544	\$ 23,417,448	\$ 898,021	\$ 901,511
Net capital assets	28,915,551	28,561,661	118,360	136,974
Total assets	70,960,095	51,979,109	1,016,381	1,038,485
Deferred Outflows of Resources				
Deferred pension differences and made after measurement date	2,499,638	3,590,426	308,151	59,867
Deferred saving from refunding bonds	1,268	1,521	-	-
Total deferred outflows of resources	2,500,906	3,591,947	308,151	59,867
Total assets and deferred outflows of resources	73,461,001	55,571,056	1,324,532	1,098,352
Liabilities				
Current liabilities	1,648,737	2,158,271	8,664	66,082
Non-current liabilities:				
Debt service due in more than one year	34,303,863	16,981,449	47,875	-
Net pension liability	3,414,226	4,398,416	420,900	155,188
Other post-employment benefits liability	2,076,923	2,903,000	256,039	43,522
Total liabilities	41,443,749	26,441,136	733,478	264,792
Deferred Inflows of Resources				
Deferred inflows of resources - pensions	931,701	1,194,870	114,858	42,159
Deferred inflows of resources - OPEB	2,934,448	3,940,440	361,754	63,313
Total deferred inflows of resources	3,866,149	5,135,310	476,612	105,472
Total liabilities and deferred inflows of resources	45,309,898	31,576,446	1,210,090	370,264
Net position				
Net Investment in Capital Assets	(4,323,069)	12,176,149	118,360	136,974
Restricted	24,962,207	2,820,886	-	-
Other	2,296,069	2,117,283	(3,918)	591,114
Unrestricted	5,215,896	6,880,292	-	-
Total net position	\$28,151,103	\$ 23,994,610	\$ 114,442	\$ 728,088

Management Discussion and Analysis (continued)

A significant portion of the District's net position reflects its net investment in capital assets (e.g., buildings, vehicles, and equipment.) The District used the capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

There were decreases in the deferred outflows of resources by \$842,757, a decrease in the net pension liability by \$718,478, a decrease in the other post-employment benefit liability of \$613,560 and a decrease of \$898,021 reported in deferred inflows. These changes are from the calculation of the pension liability for the District's proportionate share of the pension and other post-employment benefit liabilities.

Changes in net position. The District's net position increased by \$3,542,847 from the prior fiscal year.

Somerset Independent School District Comparative Statement of Activities

	June 30, 2025	June 30, 2024	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 271,698	\$ 729,924	\$ (458,226)
Operating grants and contributions	12,985,058	12,054,339	930,719
Capital grants and contributions	306,011	1,086,267	(780,256)
General revenues			
Property taxes	6,473,805	6,382,851	90,954
Motor vehicle taxes	499,633	465,820	33,813
Franchise taxes	243,821	-	243,821
Utility taxes	978,424	1,061,042	(82,618)
State formula grants	6,874,524	6,176,899	697,625
Other local revenue	601,784	107,823	493,961
Unrestricted investment earnings	1,167,329	1,242,480	(75,151)
Total revenues	<u>30,402,087</u>	<u>29,307,445</u>	<u>1,094,642</u>
Expenses			
Instruction	14,413,644	14,625,844	(212,200)
Support services	4,036,990	3,814,257	222,733
Plant operations and maintenance	2,640,544	1,065,787	1,574,757
Student transportation	1,007,624	517,813	489,811
Community Services Operations	227,008	347,627	(120,619)
Debt Service	674,497	591,491	83,006
Depreciation	1,525,547	1,518,934	6,613
Food service operations	2,055,248	1,231,591	823,657
Day care operations	251,068	33,557	217,511
Athletic facility operations	27,070	126,639	(99,569)
Total Expenses	<u>26,859,240</u>	<u>23,873,540</u>	<u>2,985,700</u>
Change in net position	3,542,847	5,433,905	(1,891,058)
Net position - beginning, as previously reported	24,722,698	20,998,052	3,724,646
Change in accounting principle (GASB 101)	-	(1,708,708)	1,708,708
Error correction	-	(551)	551
Net position - ending	<u>\$ 28,265,545</u>	<u>\$ 24,722,698</u>	<u>\$ 3,542,847</u>

Management Discussion and Analysis (continued)

As noted earlier, the District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the WCBOE's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

Financial Highlights

General Fund Budget Highlights

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The State Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. The most significant budgeted fund is the General Fund.

A variance comparison is presented between the final budgeted amounts and the actual amounts. Revenues for the General Fund were budgeted at \$11,658,730 with actual amounts totaling \$20,115,794. Budgeted expenditures were \$25,158,730 compared to actual expenditures of \$18,209,685.

Capital Assets

At the end of the fiscal year 2025, the District had a total of \$29,033,911 in capital assets, net of depreciation of this amount \$28,915,551 in the governmental activities and \$118,360 the business-type activities. For the fiscal year, capital asset increases totaled \$514,595, depreciation totaled \$1,525,547 and construction in progress increased by \$1,347,036. At the end of the fiscal year 2024, the District had a total of \$25,698,635 in capital assets, net of depreciation of this amount \$28,561,661 in the governmental activities and \$136,974 the business-type activities. See detailed table in the notes to the financial statements.

Debt

At June 30, 2025, the District had \$32,978,530 in bonds outstanding, of this amount \$2,864,741 is to be paid from the Kentucky School Facilities Construction Commission funding provided by the State of Kentucky. A total of \$814,000 is due within one year. At June 30, 2024, the District had \$16,067,906 in bonds outstanding. See detailed table in the notes to the financial statements.

Request for Information

This financial report is designed to provide a general overview of the Somerset Independent School District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to tracy.mccrystal@somerset.kyschools.us .

Financial Statements

SOMERSET INDEPENDENT SCHOOL DISTRICT

Statement of Net Position

June 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 41,818,306	\$ 848,239	\$ 42,666,545
Receivables			
Taxes - current	45,939	-	45,939
Accounts	44,273	-	44,273
Intergovernmental - state	1,229	-	1,229
Intergovernmental - federal	134,797	-	134,797
Funded OPEB asset	-	3,339	3,339
Inventory	-	46,443	46,443
Total capital assets, net of depreciation	28,915,551	118,360	29,033,911
Total assets	<u>70,960,095</u>	<u>1,016,381</u>	<u>71,976,476</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	815,424	100,524	915,948
Deferred outflows - OPEB contributions	1,684,214	207,627	1,891,841
Deferred saving from refunding bonds	1,268	-	1,268
Total deferred outflows of resources	<u>2,500,906</u>	<u>308,151</u>	<u>2,809,057</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>73,461,001</u>	<u>1,324,532</u>	<u>74,785,533</u>
LIABILITIES			
Accounts payable	138,977	2,136	141,113
Accrued interest payable	89,655	-	89,655
Unearned revenue	284,220	-	284,220
Long term liabilities:			
Due within one year			
Bond obligations	814,000	-	814,000
Lease obligations	57,750	-	57,750
Compensated absences	264,135	6,528	270,663
Due beyond one year			
Bond obligations	32,164,530	-	32,164,530
Lease obligations	202,340	-	202,340
Compensated absences	1,936,993	47,875	1,984,868
Net pension liability	3,414,226	420,900	3,835,126
Net OPEB liability	2,076,923	256,039	2,332,962
Total liabilities	<u>41,443,749</u>	<u>733,478</u>	<u>42,177,227</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	931,701	114,858	1,046,559
Deferred inflows of resources - OPEB	2,934,448	361,754	3,296,202
Total deferred inflows of resources	<u>3,866,149</u>	<u>476,612</u>	<u>4,342,761</u>
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	<u>45,309,898</u>	<u>1,210,090</u>	<u>46,519,988</u>
NET POSITION			
Net Investment in Capital Assets	(4,323,069)	118,360	(4,204,709)
Restricted for:			
Capital projects	24,962,207	-	24,962,207
Other	2,296,069	(3,918)	2,292,151
Unrestricted	5,215,896	-	5,215,896
TOTAL NET POSITION	<u>\$ 28,151,103</u>	<u>\$ 114,442</u>	<u>\$ 28,265,545</u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT							
					Governmental Activities	Business-type Activities	Total					
PRIMARY GOVERNMENT:												
Governmental activities:												
Instructional Support Services	\$ 14,413,644	\$ 34,339	\$ 8,869,209	\$ -	\$ (5,510,096)	\$ -	\$ -	\$ (5,510,096)				
Student	767,725	-	306,672	-	(461,053)	-	-	(461,053)				
Instructional Staff	786,598	-	411,285	-	(375,313)	-	-	(375,313)				
District Administration	823,390	-	140,784	-	(682,606)	-	-	(682,606)				
School Administration	1,109,638	-	307,542	-	(802,096)	-	-	(802,096)				
Business	549,639	-	144,886	-	(404,753)	-	-	(404,753)				
Plant operations and maintenance	2,640,544	-	529,381	-	(2,111,163)	-	-	(2,111,163)				
Student Transportation	1,007,624	-	573,271	-	(434,353)	-	-	(434,353)				
Community Services Operations	227,008	-	227,008	-	-	-	-	-				
Debt Service	674,497	-	-	306,011	(368,486)	-	-	(368,486)				
Depreciation	1,506,933	-	-	-	(1,506,933)	-	-	(1,506,933)				
Total governmental activities	24,507,240	34,339	11,510,038	306,011	(12,656,852)	-	-	(12,656,852)				
Business-type activities:												
Food service operations	2,055,248	44,365	1,467,997	-	-	(542,886)	-	(542,886)				
Day care operations	251,068	109,998	5,023	-	-	(136,047)	-	(136,047)				
Athletic facility operations	27,070	82,996	2,000	-	-	57,926	-	57,926				
Depreciation	18,614	-	-	-	-	(18,614)	-	(18,614)				
Total business-type activities	2,352,000	237,359	1,475,020	-	-	(639,621)	-	(639,621)				
Total primary government	\$ 26,859,240	\$ 271,698	\$ 12,985,058	\$ 306,011	\$ (12,656,852)	\$ (639,621)	\$ (13,296,473)					
General revenues												
Taxes:												
Property taxes				\$ 6,473,805	\$ -	\$ -	\$ 6,473,805					
Motor vehicle taxes				499,633	-	-	499,633					
Franchise taxes				243,821	-	-	243,821					
Utility taxes				978,424	-	-	978,424					
State formula grants				6,874,524	-	-	6,874,524					
Student activities				466,528	-	-	466,528					
Other local revenue				135,256	-	-	135,256					
Unrestricted investment earnings				1,141,354	25,975	-	1,167,329					
Total general revenues				16,813,345	25,975	-	16,839,320					
Change in net position				4,156,493	(613,646)	-	3,542,847					
Net position - beginning, as previously reported				25,660,347	771,610	-	26,431,957					
Change in accounting principle (GASB 101)				(1,665,186)	(43,522)	-	(1,708,708)					
Error correction				(551)	-	-	(551)					
Net position - beginning, as restated				23,994,610	728,088	-	24,722,698					
Net position - ending				\$ 28,151,103	\$ 114,442	-	\$ 28,265,545					

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

SOMERSET INDEPENDENT SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Total	
				Non-Major Funds	Total
ASSETS					
Cash and cash equivalents	\$ 14,372,396	\$ 189,256	\$ 23,232,614	\$ 4,024,040	\$ 41,818,306
Receivables					
Taxes-current	45,939	-	-	-	45,939
Accounts	10,678	31,911	-	1,684	44,273
Intergovernmental - state	-	1,229	-	-	1,229
Intergovernmental - federal	-	134,797	-	-	134,797
Total assets	<u>14,429,013</u>	<u>357,193</u>	<u>23,232,614</u>	<u>4,025,724</u>	<u>42,044,544</u>
LIABILITIES					
Accounts payable	65,942	72,973	-	62	138,977
Unearned revenue	-	284,220	-	-	284,220
Total liabilities	<u>65,942</u>	<u>357,193</u>	<u>-</u>	<u>62</u>	<u>423,197</u>
FUND BALANCE					
Restricted	-	-	23,232,614	4,025,662	27,258,276
Committed	150,609	-	-	-	150,609
Unassigned	14,212,462	-	-	-	14,212,462
Total fund balance	<u>14,363,071</u>	<u>-</u>	<u>23,232,614</u>	<u>4,025,662</u>	<u>41,621,347</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 14,429,013</u>	<u>\$ 357,193</u>	<u>\$ 23,232,614</u>	<u>\$ 4,025,724</u>	<u>\$ 42,044,544</u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2025

Total Fund Balances - Governmental Funds	\$ 41,621,347
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are not reported in the fund financial statement because they are not current financial resources, but they are reported in the statement of net position	28,915,551
Deferred outflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position.	
Pension contributions deferred outflows	815,424
OPEB contributions deferred outflows	1,684,214
Certain assets (obligations) are not a use of financial resources and therefore, are not reported in the government funds, but are presented in the statement of net position	
Net pension liability	(3,414,226)
Net OPEB liability	(2,076,923)
Deferred inflows of resources are not recorded in the governmental fund financials because they do not affect current resources but are recorded in the statement of net position	
Pension plan deferred inflows	(931,701)
OPEB plan deferred inflows	(2,934,448)
Certain liabilities (such as bond payable, the long-term portion of accrued sick leave, and other accrued liabilities) are not reported in the fund financial statement because they are not due and payable, but are presented in the statement of net position as follows:	
Bonds payable	(32,978,530)
Leases payable	(260,090)
Accrued interest	(89,655)
Accrued compensated absences	(2,201,128)
Deferred loss on refunding	1,268
Net position of governmental activities	<u>\$ 28,151,103</u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Construction Fund	Debt Service Fund	Non-Major Funds	Total Governmental Funds
REVENUES						
From Local Sources						
Taxes						
Property	\$ 5,527,140	\$ -	\$ -	\$ -	\$ 946,665	\$ 6,473,805
Motor vehicle	499,633	-	-	-	-	499,633
Franchise	243,821	-	-	-	-	243,821
Utilities	978,424	-	-	-	-	978,424
Earnings on investments	965,762	3,331	104,345	-	67,916	1,141,354
Tuition	34,339	-	-	-	-	34,339
Student activities	-	-	-	-	466,528	466,528
Other local revenue	40,395	39,869	-	-	54,992	135,256
Intergovernmental - state	11,754,026	914,319	-	-	1,232,564	13,900,909
Intergovernmental - federal	72,254	4,559,278	-	-	158,132	4,789,664
Total revenues	20,115,794	5,516,797	104,345	-	2,926,797	28,663,733
EXPENDITURES						
Instruction	10,974,663	4,310,311	-	-	538,419	15,823,393
Support services						
Student	722,706	44,324	-	-	695	767,725
Instructional staff	501,548	261,830	-	-	23,220	786,598
District Administration	823,390	-	-	-	-	823,390
School Administration	1,109,638	-	-	-	-	1,109,638
Business	549,639	-	-	-	-	549,639
Plant operation and maintenance	2,354,768	285,776	-	-	-	2,640,544
Student Transportation	791,044	417,809	-	-	-	1,208,853
Community Services Operations	-	227,008	-	-	-	227,008
Building improvements	-	-	1,347,034	-	-	1,347,034
Debt service						
Principal	363,586	-	-	-	793,000	1,156,586
Interest	18,703	-	-	-	532,773	551,476
Cost of issuance	-	-	123,021	-	-	123,021
Total expenditures	18,209,685	5,547,058	1,470,055	-	1,888,107	27,114,905
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,906,109	(30,261)	(1,365,710)	-	1,038,690	1,548,828
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	18,005,000	-	-	18,005,000
Bond discount	-	-	(357,322)	-	-	(357,322)
Operating transfers in	-	30,261	5,827,526	-	1,171,997	7,029,784
Operating transfers (out)	(5,030,261)	-	-	-	(1,999,523)	(7,029,784)
Total other financing sources and (uses)	(5,030,261)	30,261	23,475,204	-	(827,526)	17,647,678
NET CHANGE IN FUND BALANCE	(3,124,152)	-	22,109,494	-	211,164	19,196,506
FUND BALANCE - BEGINNING, as previously reported	17,487,223	-	-	1,860,196	3,077,973	22,425,392
Change within financial reporting entity (nonmajor to major fund)	-	-	1,123,120	-	(1,123,120)	-
Change within the financial reporting entity (major to nonmajor f	-	-	-	(1,860,196)	1,860,196	-
Error correction	-	-	-	-	(551)	(551)
FUND BALANCE - BEGINNING, as restated	17,487,223	-	1,123,120	-	3,814,498	22,424,841
FUND BALANCE - ENDING	\$ 14,363,071	\$ -	\$ 23,232,614	\$ -	\$ 4,025,662	\$ 41,621,347

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ 19,196,506
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Capital outlays	1,861,631
Depreciation Expense	(1,506,933)
Generally expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expense are recognized in the statement of activities when they are incurred for the following:	
Accrued interest	(5,683)
Amortization of bond costs	(84,334)
Governmental funds report CERS contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pension, and	
Pension Expense	917,774
OPEB Expense	1,070,866
Long-term debt proceeds are reported as other financing resources in funds, thereby increasing fund balances. In the statement of net position, however, issuing long-term debt increases liabilities and has no effect on net position. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	
Bond proceeds	(18,005,000)
Bond principal repaid	1,094,376
Lease principal repaid	57,516
Compensated absences	<u>(440,226)</u>
Change in net position of governmental	<u><u>\$ 4,156,493</u></u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Budget and Actual General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES				
From Local Sources				
Taxes				
Property	\$ 4,930,551	\$ 4,930,551	\$ 5,527,140	\$ 596,589
Motor vehicle	350,000	350,000	499,633	149,633
Franchise	250,000	250,000	243,821	(6,179)
Utilities	700,000	700,000	978,424	278,424
Tuition	35,000	35,000	34,339	(661)
Earnings on investments	500,213	200,213	965,762	765,549
Other local revenue	10,711	10,711	40,395	29,684
Intergovernmental - state	5,157,813	5,159,813	11,754,026	6,594,213
Intergovernmental - federal	22,442	22,442	72,254	49,812
Total Revenues	11,956,730	11,658,730	20,115,794	8,457,064
EXPENDITURES				
Instruction	9,821,803	9,135,240	10,974,663	(1,839,423)
Support Services				
Student	690,917	656,735	722,706	(65,971)
Instructional Staff	443,496	474,104	501,548	(27,444)
District Administration	1,277,367	1,147,407	823,390	324,017
School Administration	852,819	819,294	1,109,638	(290,344)
Business	625,608	549,652	549,639	13
Plant Operation and Maintenance	7,669,974	9,616,114	2,354,768	7,261,346
Student Transportation	1,091,250	954,391	791,044	163,347
Building acquisition and construction	2,000	-	-	-
Debt Service	55,869	381,300	382,289	(989)
Contingency	1,925,627	1,424,493	-	1,424,493
Total expenditures	24,456,730	25,158,730	18,209,685	6,949,045
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES				
	(12,500,000)	(13,500,000)	1,906,109	15,406,109
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	(5,030,261)	(5,030,261)
Total other financing sources and (uses)	-	-	(5,030,261)	(5,030,261)
NET CHANGE IN FUND BALANCE				
	(12,500,000)	(13,500,000)	(3,124,152)	10,375,848
FUND BALANCE - BEGINNING				
	12,500,000	13,500,000	17,487,223	3,987,223
FUND BALANCE - ENDING				
	\$ -	\$ -	\$ 14,363,071	\$ 14,363,071

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Budget and Actual Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
From Local Sources				
Earnings on investments	\$ -	\$ -	\$ 3,331	\$ 3,331
Other local revenue	25,000	500	39,869	39,369
Intergovernmental - state	977,216	991,965	914,319	(77,646)
Intergovernmental - federal	1,794,811	1,763,018	4,559,278	2,796,260
Total Revenues	2,797,027	2,755,483	5,516,797	2,761,314
EXPENDITURES				
Instruction	2,142,607	2,086,732	4,310,311	(2,223,579)
Support Services				
Student	50,017	43,095	44,324	(1,229)
Instructional Staff	273,472	265,302	261,830	3,472
Plant Operation and Maintenance	82,000	117,500	285,776	(168,276)
Student Transportation	21,744	21,744	417,809	(396,065)
Food service	6,000	-	-	-
Community Services Operations	221,187	221,110	227,008	(5,898)
Total expenditures	2,797,027	2,755,483	5,547,058	(2,791,575)
EXCESS (DEFICIENCY) IN REVENUES OVER EXPENDITURES				
	-	-	(30,261)	(30,261)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	30,261	30,261
Total other financing sources and (uses)	-	-	30,261	30,261
NET CHANGE IN FUND BALANCE				
FUND BALANCE - BEGINNING	-	-	-	-
FUND BALANCE - ENDING	\$ -	\$ -	\$ -	\$ -

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2025

	Enterprise Funds			
	School Food Services	Day Care Services	Athletic Facility	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 616,145	\$ 225,415	\$ 6,679	\$ 848,239
Funded OPEB asset	3,202	137	-	3,339
Inventories for consumption	46,443	-	-	46,443
Total current assets	<u>665,790</u>	<u>225,552</u>	<u>6,679</u>	<u>898,021</u>
Noncurrent Assets				
General equipment	600,240	-	-	600,240
Accumulated depreciation	(481,880)	-	-	(481,880)
Total noncurrent assets	<u>118,360</u>	<u>-</u>	<u>-</u>	<u>118,360</u>
Total Assets	<u>784,150</u>	<u>225,552</u>	<u>6,679</u>	<u>1,016,381</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	86,220	14,094	210	100,524
Deferred outflows related to OPEB	178,082	29,111	434	207,627
Total deferred outflows of resources	<u>264,302</u>	<u>43,205</u>	<u>644</u>	<u>308,151</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>1,048,452</u>	<u>268,757</u>	<u>7,323</u>	<u>1,324,532</u>
LIABILITIES				
Current Liabilities				
Accounts payable	1,030	1,106	-	2,136
Compensated absences	5,549	914	65	6,528
Total current liabilities	<u>6,579</u>	<u>2,020</u>	<u>65</u>	<u>8,664</u>
Noncurrent liabilities				
Compensated absences	40,693	6,703	479	47,875
Net pension liability	361,006	59,015	879	420,900
Net OPEB liability	219,605	35,899	535	256,039
Total noncurrent liabilities	<u>621,304</u>	<u>101,617</u>	<u>1,893</u>	<u>724,814</u>
Total liabilities	<u>627,883</u>	<u>103,637</u>	<u>1,958</u>	<u>733,478</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	98,514	16,104	240	114,858
Deferred inflows related to OPEB	310,276	50,723	755	361,754
Total deferred inflows of resources	<u>408,790</u>	<u>66,827</u>	<u>995</u>	<u>476,612</u>
TOTAL LIABILITIES AND INFLOWS OF RESOURCES	<u>1,036,673</u>	<u>170,464</u>	<u>2,953</u>	<u>1,210,090</u>
NET POSITION				
Net Investment in capital assets	118,360	-	-	118,360
Restricted	(106,581)	98,293	4,370	(3,918)
Total net position	<u>\$ 11,779</u>	<u>\$ 98,293</u>	<u>\$ 4,370</u>	<u>\$ 114,442</u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds			
	School Food Services	Day Care Services	Athletic Facility	Total
OPERATING REVENUES				
Lunchroom sales	\$ 44,365	\$ -	\$ -	\$ 44,365
Child care	-	109,998	-	109,998
Athletic facilities	-	-	82,996	82,996
Total operating revenues	44,365	109,998	82,996	237,359
OPERATING EXPENSES				
Salaries & benefits	1,051,138	230,920	3,648	1,285,706
Purchased professional services	3,040	25	17,194	20,259
Other purchased services	5,785	-	-	5,785
Supplies	710,660	6,646	113	717,419
Property	64,362	-	-	64,362
Dues, Fees, and miscellaneous	15	13,477	6,115	19,607
Depreciation	18,614	-	-	18,614
Total operating expenses	1,853,614	251,068	27,070	2,131,752
Operating income (loss)	(1,809,249)	(141,070)	55,926	(1,894,393)
NONOPERATING REVENUES (EXPENSES)				
Federal grants	1,141,384	5,023	-	1,146,407
Federal donated commodities	97,288	-	-	97,288
State grants	9,077	-	-	9,077
State on-behalf payments	220,248	-	-	220,248
State on-behalf payments	(220,248)	-	-	(220,248)
Other local revenues	-	-	2,000	2,000
Earnings from investments	25,975	-	-	25,975
Total nonoperating revenues (expenses)	1,273,724	5,023	2,000	1,280,747
Income (loss) before operating transfers	(535,525)	(136,047)	57,926	(613,646)
Change in net position	(535,525)	(136,047)	57,926	(613,646)
NET POSITION - BEGINNING, as previously reported	584,298	240,433	(53,121)	771,610
Change in accounting principle (GASB 101)	(36,994)	(6,093)	(435)	(43,522)
NET POSITION - BEGINNING, as restated	547,304	234,340	(53,556)	728,088
NET POSITION - ENDING	\$ 11,779	\$ 98,293	\$ 4,370	\$ 114,442

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds			
	School Food Services	Day Care Services	Athletic Facility	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 44,365	\$ 109,998	\$ 82,996	\$ 237,359
Payments to suppliers	(689,406)	(20,363)	(76,543)	(786,312)
Payments to employees	<u>(1,271,386)</u>	<u>(230,920)</u>	<u>(3,648)</u>	<u>(1,505,954)</u>
Net cash provided (used) by operating activities	<u>(1,916,427)</u>	<u>(141,285)</u>	<u>2,805</u>	<u>(2,054,907)</u>
CASH FLOWS FROM NONCAPITAL FINANCIAL ACTIVITIES				
Operating grants and contributions	1,891,305	116,821	3,874	2,012,000
Net cash provided (used) by noncapital financing activities	<u>1,891,305</u>	<u>116,821</u>	<u>3,874</u>	<u>2,012,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	25,975	-	-	25,975
Net cash provided (used) by investing activities	<u>25,975</u>	<u>-</u>	<u>-</u>	<u>25,975</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	853	(24,464)	6,679	(16,932)
CASH AND CASH EQUIVALENTS - BEGINNING	615,292	249,879	-	865,171
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 616,145</u>	<u>\$ 225,415</u>	<u>\$ 6,679</u>	<u>\$ 848,239</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,809,249)	\$ (141,070)	\$ 55,926	\$ (1,894,393)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	18,614	-	-	18,614
Changes in assets and liabilities:				
Inventory	(13,442)	-	-	(13,442)
Account Payables	10,610	(215)	(53,121)	(42,726)
Federal donated commodities	97,288	-	-	97,288
On-behalf payments expenses	(220,248)	-	-	(220,248)
Net cash provided (used) by operating activities	<u>\$ (1,916,427)</u>	<u>\$ (141,285)</u>	<u>\$ 2,805</u>	<u>\$ (2,054,907)</u>
Schedule of non-cash transactions				
Federal donated commodities	\$ 97,288	-	\$ -	\$ 97,288
State on-behalf payments	<u>\$ 220,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,248</u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Position
For the Year Ended June 30, 2025

	Private Purpose Trust
ASSETS	
Cash and cash equivalents	\$ 56,804
Accounts Receivable	-
Total Assets	<u>56,804</u>
LIABILITIES	
Total Liabilities	-
NET POSITION	
Restricted for Permanent Fund	<u>56,804</u>
Total Net Position	<u>56,804</u>
TOTAL LIABILITIES & NET POSITION	<u><u>\$ 56,804</u></u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
 Statement of Changes in Net Position - Fiduciary Funds
 For the Year Ended June 30, 2025

	<u>Private</u> <u>Purpose Trust</u>
Additions	
Earnings on investments	\$ 2,672
Contributions	<u>27,650</u>
Total Additions	<u>30,322</u>
Deductions	
Community services	<u>20,000</u>
Total Deductions	<u>20,000</u>
Change in net position	10,322
Net position, beginning	<u>46,482</u>
Net position, ending	<u><u>\$ 56,804</u></u>

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

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements presented for the Somerset Independent School District (the District) are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The District's significant accounting and reporting policies are described below.

The Financial Reporting Entity

The Somerset Independent School District, a five-member group, is the level of government, which has oversight responsibilities over all activities related to elementary and secondary school education within the jurisdiction of the Somerset Independent School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, 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.

As required by GAAP, these financial statements present the primary government and its component unit, an entity for which the government is considered to be financially accountable. This component unit is reported on a blended basis. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from this unit is combined with data of the primary government. Separate financial statements are not issued for this component unit.

The District's reporting entity includes the following blended component unit:

The Somerset Independent School District Finance Corporation was formed in accordance with the provisions of KRS Sections 162.120 through 162.300 and Section 162.385, and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities on behalf of the Board of Education of the Somerset Independent School District. Under the provisions of existing Kentucky laws, the Corporation is permitted to act as an agency and instrumentality of the District for financing purposes. The Board serves as the Governing Board of the Corporation and all accounting and administrative functions are performed by the District, which records all activity of the Corporation as a blended component unit.

Basis of presentation and accounting

Government-wide

The District's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements report information about the reporting entity as a whole. Fiduciary activities of the District are not included in these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through property taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services rendered.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenue for the business-type activities and for each function of the District's governmental activities. Program revenues includes (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including property taxes and general state aid, are presented as general revenues.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the District's assets and long-term liabilities are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability incurred.

Certain eliminations have been made a prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Fund Financial Statements

The fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific district functions or activities. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. Funds are organized into three categories: governmental, proprietary, and fiduciary. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increase (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally collected 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the District are taxes and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Governmental Funds:

General Fund – accounts for the general operating costs for the District and provides supports services to other funds. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

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

Construction Fund -The Construction Fund accounts for and reports proceeds from sales of bonds and other revenues to be used for authorized construction.

Non-Major Governmental Funds

Student Activity Fund –The Student Activity Fund is a special revenue fund type and is used to account for funds student activity that are legally restricted to expenditures for specified purposes imposed by external parties, enabling legislation, or by board action.

Capital Outlay Fund – The Support Education Excellence in Kentucky (SEEK) 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).

Facility Support Program (FSPK) fund - The Facility Support Program of Kentucky (FSPK) 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.

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expense and Changes in Net position, and a Statement of Cash Flows. The District does not have an internal service fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) are included in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period earned while expenses are recognized in the period the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

Day Care Services Fund – is used to account for and report the activities of the day care programs where a fee is charged for participating.

Athletic Facilities Fund – is used to account for and report the activities of the athletic facilities fund where a fee is charged for participating and the proceeds are used to maintain the athletic facilities of the district.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position and a Statement of Changes in Net Position. Fiduciary Funds are used to account for assets held by the District in a trustee capacity for the benefit of others and cannot be used to support district activities. The Fiduciary Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting. Fiduciary funds are purely custodial and do not involve measurement of results of operations.

Private Purpose Trust Fund

The Private Purpose Trust Fund is made up of funds donated to the District. Revenues generated by the trust fund are to be used to benefit specific students in the Somerset Independent School District. The balance in the fund as of June 30, 2025 was \$56,804.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicate the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period (60 days). Expenditures are recorded when the liability is incurred, except for unmatured interest on long-term debt which is recognized when due, other post-employment benefits, claims and judgments and compensated absences, which are recognized when expended. Revenues susceptible to accrual are interest, state and local shared revenue and federal and state grants. Expenditure-driven grants are recognized as revenue when qualifying expenditures have been incurred and all other grant requirements have been met.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Budgetary information**

The District's budgetary process accounts for transactions on a modified accrual basis of accounting which is consistent with the accounting principles generally accepted in the United States of America. State law requires the district to formally and publicly examine anticipated receipts and expenditures for the next fiscal year by January 31 (draft budget), adopt a tentative working budget on or before May 30 for the next fiscal year and a final working budget must be submitted to the Kentucky Department of Education (KDE) by September 30 for the current year with a recommended reserve of at least two percent of total budgeted expenditures in the general and school food service funds. The Special Revenue Fund and the Construction fund are multi-year funds. A fund is multi-year when budgeted amounts in that fund may be received and expended over a period extending beyond one fiscal year. A budget projection is created one time for a project (grant or a construction project) which is in the year of its inception. After a budget completion is processed on a project, that budget remains with the project over the lifetime of the project.

Expenditure budgets are appropriated at the major function level for each fund. Appropriations may not legally be over-expended, except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance**Cash and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with a maturity of three months or less from the date of the acquisition. For the purposes of the statement of cash flows, the District defines cash and cash equivalents as amounts in demand deposits as well as short-term, highly liquid investments with original maturities of three months or less.

Deposits with Financial Institutions and Investments

The District's policy on investments primarily follow state statutes and regulations which authorize the District to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation.

Prepaid items

Prepaid items are charged to expenditure/expense at the time the items are used (consumption method).

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)****Inventory**

Inventory consists of food purchased by the District and commodities granted by the United States Department of Agriculture (USDA). The commodities are recognized as revenues and expenditures by the Food Service Fund when consumed. Any material commodities on hand at year end are recorded as inventory. All purchased inventory items are valued at the lower of cost or market (first-in, first-out) using the consumption method and commodities assigned values are based on information provided by the USDA.

Capital assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are expensed.

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

Building and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separated financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District reports three types of deferred outflows-contributions to the CERS pension system after the measurement period, contributions to the TRS medical insurance fund after the measurement period and the unrecognized portion of a deferred loss on the refinancing of long-term debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until the appropriate period. The District reports two types of deferred inflows – those related to the net difference projected and actual earnings on pension plan investments, and those related to the net difference projected and actual earnings on OPEB plan investments.

Pension obligations

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Kentucky Public Pension Authority (KPPA) – County Employees Retirement-Non-hazardous (CERS) and Teacher's Retirement System of the State of Kentucky (TRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. 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 related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS and TRS and additions to/deductions from fiduciary net position on the same basis as they are reported by these multiple-employer cost-sharing OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in the Note for Postemployment Benefits Other Than Pensions.

Net position flow assumptions

Net position is classified into the following categories:

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance (Continued)

Net position flow assumptions (Continued)

Unrestricted net position – consists of all other net position that is not included in the other categories previously mentioned.

When both restricted and unrestricted resources are available for use in a specific program or for specific purpose, the District's normal policy is to use restricted resources first to finance its activities.

Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in multiple classifications, the District uses the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Fund balance policies

Governmental fund equity is classified as fund balance. GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on purpose for which resources can be used:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid items as being non-spendable as they are not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of resources which are either.

1. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
2. Imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's Board of Directors, which is the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned: This classification includes spendable amounts for a specific purpose. The intent of an assigned fund balance is expressed by either the District's Board, or a subordinate high-level body, such as a finance committee, or an official, such as the superintendent, that has the authority to assign amounts to be used for assigned purposes.

Unassigned: This classification is the residual fund balance for the General Fund. It represents fund balance that has not been assigned, committed, or restricted.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and expenditures/expenses

Program revenues – amounts reported as program revenues include 1) charges to customers who purchase or use goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not property included amount program revenues are reported instead as general revenues.

Property taxes – Property taxes are levied each August on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 15, 2024 through April 15, 2025.

Grants – unreimbursed expenditures due from grantor agencies are reflected in the government-wide financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as restricted on the Balance Sheet and unearned revenue on the Statement of Net Position.

Compensated Absences

The Somerset Independent Board of Education recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example, paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences— *annual* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Annual Leave

The criteria for determining annual leave components is derived from negotiated agreements, board policies and State laws. Certain administrative employees who contribute to the Kentucky Teacher's Retirement System and who are employed for 240 or more days annually shall be granted ten days of annual leave each year. Compensation for accrued annual leave shall be made at the time of retirement at a rate not to exceed the daily salary rate calculated from the employee's last annual compensation. Classified employees who were employed full-time 12-month employees with contracts at 240 days may earn ten days of vacation per year if hired in the 12 month/240 day position before July 1, 2008. Classified 12 month/240 day employees hired on or after July 1, 2008 will not receive vacation leave. Classified vacation leave shall not accumulate from year to year.

Sick Leave

Full-time 10 month, classified and certified employees shall be entitled to ten (10) days; (11 month (215+ days) will receive eleven (11) days and 12 month (240+ days) will receive 12 days of sick leave with pay each school year. Sick leave days not taken during the school year in which they were granted shall accumulate without limitation to the credit of the classified or certified employee to whom they were granted.

The Board may compensate certified and classified employees only upon initial retirement, or their estate, for each unused sick day at a rate of 30% of the daily salary. This calculation is based on the employee's last annual salary.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Violations of legal or contractual provisions**

This District had no violations of legal or contractual provision in the fiscal year.

Cash deposits and cash equivalents

The Kentucky Revised Statutes authorize the District to invest money subject to its control in obligations of the United States; bonds or certificates of indebtedness of Kentucky and its agencies and instrumentalities; savings and loan associations insured by an agency of the United States up to the amount insured; and national or state banks chartered in Kentucky and insured by an agency of the United States providing such banks pledge as security obligations, as permitted by KRS 41.240(4), having a current quoted market value at least equal to uninsured deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

At year-end, the District's bank balances were collateralized by securities held by the pledging bank's trust department in the District's name and FDIC insurance. At year end, the carrying amount of the District's cash and cash equivalents, including the fiduciary fund balance was \$42,723,349. The bank balance for the same time was \$43,078,401.

Receivables

Amounts are aggregated into a single account receivable line in the Statement of Net Position and Balance Sheet. Below is the detail of receivable for the governmental funds:

Receivables	Special			Total
	General Fund	Revenue Fund	Student Activity Fund	
Taxes	\$ 45,939	\$ -	\$ -	\$ 45,939
Accounts	10,678	31,911	1,684	44,273
Intergovernmental-state	-	1,229	-	1,229
Intergovernmental-federal	-	134,797	-	134,797
Total Receivables	\$ 56,617	\$ 167,937	\$ 1,684	\$ 226,238

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Capital assets

The changes in capital assets for the year ended June 30, 2025, are as follows:

	Balance			Balance
	July 1, 2024	Increases	Decreases	June 30, 2025
<u>Governmental Activities:</u>				
Non-depreciable capital assets				
Land	\$ 850,337	\$ -	\$ -	\$ 850,337
Construction in progress	320,883	1,347,036	-	1,667,919
Total - Non-depreciable capital assets	<u>1,171,220</u>	<u>1,347,036</u>	<u>-</u>	<u>2,518,256</u>
Depreciable capital assets				
Land improvements	8,667,974	-	-	8,667,974
Buildings and Building Improvements	36,653,952	-	-	36,653,952
Technology equipment	1,907,976	-	-	1,907,976
Vehicles	2,361,298	201,229	188,900	2,373,627
General equipment	461,835	313,366	-	775,201
Lease obligations	47,040	-	-	47,040
Total - Depreciable capital assets	<u>50,100,075</u>	<u>514,595</u>	<u>188,900</u>	<u>50,425,770</u>
Less: Accumulated depreciation				
Land improvements	2,096,758	248,126	-	2,344,884
Buildings and building Improvements	16,877,002	1,059,690	-	17,936,692
Technology equipment	1,922,944	13	-	1,922,957
Vehicles	1,517,850	141,967	188,092	1,471,725
General equipment	285,672	47,729	-	333,401
Lease obligations	9,408	9,408	-	18,816
Total - Accumulated depreciation	<u>22,709,634</u>	<u>1,506,933</u>	<u>188,092</u>	<u>24,028,475</u>
Governmental Activities Capital Assets - net	<u>\$ 28,561,661</u>	<u>\$ 354,698</u>	<u>\$ 808</u>	<u>\$ 28,915,551</u>
<u>Business-Type Activities:</u>				
Depreciable capital assets				
Buildings	\$ 169,156	\$ -	\$ -	\$ 169,156
Technology equipment	15,846	-	-	15,846
General equipment	415,238	-	-	415,238
Total - Depreciable capital assets	<u>600,240</u>	<u>-</u>	<u>-</u>	<u>600,240</u>
Less: Accumulated depreciation				
Technology equipment	95,989	-	-	95,989
Vehicles	5,185	-	-	5,185
General equipment	362,092	18,614	-	380,706
Total - Accumulated depreciation	<u>463,266</u>	<u>18,614</u>	<u>-</u>	<u>481,880</u>
Business-Type Activities Capital Assets - net	<u>\$ 136,974</u>	<u>\$ (18,614)</u>	<u>\$ -</u>	<u>\$ 118,360</u>

*Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension obligations

The District participates in both the Teachers' Retirement System of the State of Kentucky (TRS) and the Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS) for non-hazardous duties 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 Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

Teacher's Retirement System of the State of Kentucky (TRS)

Plan Description

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 cost-sharing multiple-employer defined benefit 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 of Kentucky. KRS 161.250 provides that the general administration and management of TRS, and the responsibility for its proper operation, is vested in a board of trustees. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS covers positions requiring teaching certification or otherwise requiring a college degree as well as any person providing part-time or substitute teaching services that are the same or similar to those teaching services provided by full-time, certified teachers. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at: <https://trs.ky.gov/administration/financial-reports-information/>.

Pension Benefits

For members who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, members become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, members must either 1) attain age fifty-five (55), or 2) complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university members 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 members (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 is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefit.

Employees who retire July 1, 2004, or 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 members hired on or after that date. For members who enter TRS on or after January 1, 2022, TRS created a hybrid retirement plan with a foundational benefit which pays a lifetime retirement annuity.

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. When calculating the final average salary for employees entering the service on or after January 1, 2022, increases in compensation in the last five years prior to retirement are limited to the highest percentage increase generally available to the district's employees.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**Pension Benefits (Continued)**

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 benefits 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.

For members hired on or after January 1, 2022, new members must be age 57 and have 10 years of service or age 65 and 5 years of service. The annual foundational benefit for members is equal to service times a multiplier times final average salary. The multiplier for non-university members who are age 65 and over with 5-9.99 years of service is 1.90%. The multiplier for non-university members with 10-19.99 years of service who are age 57-60 is 1.70%, age 61 - 1.74%, age 62 - 1.78%, age 63 - 1.82%, age 64 - 1.86% and age 65 and over 1.90%. The multiplier for non-university members with 20-29.99 years of service who are age 57-60 is 1.95%, age 61 - 1.99%, age 62 - 2.03%, age 63 - 2.07%, age 64 - 2.11% and age 65 and over 2.15%. The multiplier for non-university members with 30 or more years of service who are age 57-60 is 2.20%, age 61 - 2.24%, age 62 - 2.28%, age 63 - 2.32%, age 64 - 2.36% and age 65 and over 2.40%. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service. The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Contributions

Contribution rates are established by Kentucky Revised Statutes ("KRS"). Non-university employees other than TRS 4 employees are required to contribute 12.855% of salary and TRS 4 members contribute 14.75% of salary to the retirement system and 2% of each is for the supplemental plan. The Commonwealth, as a non-employer contributing entity, pays matching contributions at the rate of 16.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008, and 16.105% 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. The required matching contribution for those employees classified as critical shortage is 28.79%. 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.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**Kentucky Public Pensions Authority (KPPA) - County Employees Retirement System (CERS)****Plan Description**

Under the provisions of KRS 61.645, the Board of Trustees of the Kentucky Public Pensions Authority (KPPA) administers CERS and has the authority to establish and amend benefit provisions. CERS was created by the Kentucky General Assembly pursuant to the provision of KRS 78.520. CERS is a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. KRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. CERS covers employees whose positions do not require a degree, substantially all full-time classified employees and these positions are considered non-hazardous. Copies of the TRS Comprehensive Annual Financial Report and Actuarial Valuations may be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

Pension Benefits

CERS provides retirement, health insurance, death and disability benefits to CERS 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 and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years' service and 65 years old
		Or age 57+ and sum of service years' equal 87
	Reduced retirement	Not available

Contributions

CERS pension benefits are grouped into three tiers, based on the hire date:

Tier 1 plan members who began participating prior to September 1, 2008, are required to contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Contributions (Continued)

Tier 2 plan members, who began participating on, or after, September 1, 2008, and before January 1, 2014, are required to contribute 6% (non-hazardous) or 9% (hazardous) of their annual credit compensation, while 1% of these contributions are deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(k) in the Pension Fund (See Kentucky Administrative Regulation 105 KAR 1:420 Employer's administrative duties). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30th on members' accounts as a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited.

Tier 3 plan members, who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (non-hazardous) or 8% (hazardous) of their annual creditable compensation, and an additional 1% to the health insurance fund (401(h) account) which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the KPPA board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (non-hazardous) or 7.5% (hazardous) employer pay credit. Tier 3 accounts earn a base of 4% interest annually on both the member contributions and the employer pay credit balance. Interest is credited to a member's account each June 30, based on the account balance from the preceding June 30. New members do not see interest credited in their first year since there is no prior year balance. The base interest amount is 4%. Upside sharing interest is the additional interest credit that may be applied to a Tier 3 account. The rate for the year ended June 30, 2025, was 8.42%. The following conditions must be met before Upside Sharing Interest is credited:

- The system's Geometric Average Net Investment Return (GANIR) for the last five (5) years must exceed 4%
- The member must have been active and participating in the fiscal year
If the GANIR exceeds 4%, the member's account will be credited with 75% of the amount of return over 4%. It is applied to the account balance as of June 30 of the prior fiscal year.

The employer pay credit represents a portion of the employer contribution. CERS contribution rates for non-hazardous employees for pension 19.71%, insurance 0.00% for a combined total of 19.71%.

Funding for CERS is provided by members, who contribute 5.00% (6.00% for employees hired after September 1, 2008) of their salary through payroll deductions, and by employers of members. For the year ending June 30, 2025, employers were required to contribute 19.71% of the member's salary. During the year ending June 30, 2025, the District contributed \$466,934 to the CERS pension plan. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**Other Retirement Plans**

The District also offers employees the option to participate in defined contribution plans under Sections 403(B) and 401(K) of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum allowable by law. These plans are administered by an independent third-party administrator. The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until their termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, allows entities with little or no administrative involvement and who do not perform the investing function for these plans to omit plan assets and related liabilities from their financial statement statements. The District, therefore, does not report these assets and liabilities on its financial statements. Employee contributions made to the plan during the year total \$50,060. The District does not contribute to these plans.

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

On June 30, 2025, the District reported a liability 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 net CERS pension liability	\$ 3,835,126
Commonwealth's proportionate share of the net TRS pension liability associated with the District	<u>35,288,629</u>
Total proportionate share net pension liability - CERS/TRS	<u>\$ 39,123,755</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 portion 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. On June 30, 2024, the District's proportion was .064128%.

For the year ended June 30, 2025, the District recognized CERS pension expense of \$466,934 which is a \$371,739 increase in governmental funds and \$95,195 increase in proprietary funds and \$422,706 related to TRS as being paid. The adjusted pension expense recognized on the statement of activities, based on actuarial valuation for the year ended June 30, 2025, was (\$639,488) (a decrease of \$917,774 in governmental funds and an increase of \$278,286 in the business type activity funds). The District also recognized revenue of \$2,293,647 for TRS support provided by the Commonwealth.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 185,627	\$ -
Changes of assumptions	-	173,272
Net difference between projected and actual earnings on pension plan	263,387	509,965
Changes in proportion and difference between District contributions and proportionate share of contributions	-	363,322
District contributions subsequent to the measurement date	466,934	-
Totals	\$ 915,948	\$ 1,046,559

The amount reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date is \$466,934 and will be recognized as a reduction of the net pension liability in the year ending 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:

Fiscal Year Ending June 30:	
2025	\$ (402,679)
2026	(45,126)
2027	(94,787)
2028	(54,953)
2029	-
Thereafter	-

Actuarial assumptions

The actuarially determined contributions effective for fiscal year ending 2024 is based on the required contribution calculated with the June 30, 2022 actuarial valuation. Based on the June 30, 2024 actuarial valuation report, the actuarial methods and assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	2.30%	2.50%
Projected Salary Increases	3.30% to 10.30%, varies by service	3.00% to 7.50%
Investment rate of return, net of investment expense and inflation	6.50%	7.10%

For TRS, 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.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Pension liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

The target asset 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
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.7%	5.5%
Emerging Markets Equity	5.3%	6.1%
Fixed Income	15.0%	1.90
High Yield Bonds	2.0%	3.8%
Other Additional Categories	8.0%	3.6%
Real Estate	7.0%	3.2%
Private Equity	7.0%	8.0%
Cash	2.0%	1.6%
Total	<u>100.0%</u>	

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

For CERS, 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 estimate of arithmetic real rate of return for each major asset class.

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

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

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Discount Rate

For TRS, the discount rate used to measure the total pension liability was 7.10%. 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.

For CERS, the discount rate used to measure the total pension liability was 6.50% for fiscal year ending June 30, 2024. The single discount rate is based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the non-hazardous and hazardous pension plans' fiduciary net position and future contributions were separately projected and were each sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability of each plan.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 Legislative session) which limits the increases to the employer contribution rates to 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected contribution rates.

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:

	Current		
	1% Decrease	Discount Rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	\$ 4,944,104	\$ 3,835,126	\$ 2,914,967

Other postemployment benefit (OPEB) obligations

The District's employees are provided with two OPEB plans, based on each position's college degree requirement. TRS covers positions requiring teaching certification or otherwise requiring a college degree. The CERS covers employees whose position does not require a college degree or teaching certification. Retired district employees receive some health care benefit depending on their length of service. In accordance with Kentucky Revised Statutes, these benefits are provided and advance funded on an actuarially determined basis through the TRS and CERS plans. The TRS publicly available financial report may be obtained from <https://trs.ky.gov/administration/financial-reports-information/>. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/Employers/GASB/Pages/default.aspx>.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

TRS – OPEB

The Commonwealth of Kentucky (State) reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of the statutory requirement to contribute to the TRS Medical Insurance (Health Trust) and Life Insurance Plans (Life Trust). The following information is about the TRS plans:

TRS Medical Insurance Fund (Health Trust)

Plan description

In addition to the retirement annuity plan described previously, KRS 161.675 requires TRS to provide access to post-employment healthcare benefits for eligible employees and dependents. The TRS medical plan (Health Trust) is a cost-sharing multiple-employer defined benefit plan. The Health Trust is funded by employer and member contributions. Changes to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance (KDEI), and the General Assembly.

The TRS medical plan is funded by employee contributions to an account established pursuant to 26 U.S.C. sec. 401(h). Additional funding is derived from the Kentucky Teacher's' Retirement System insurance trust fund that went into effect on July 1, 2010. The insurance trust fund provides a trust separate from the account established pursuant to 26 U.S.C. sec. 401(h). The insurance trust fund includes employer and retired member contribution required under KRS 161.550 and KRS 161.675(4)(b)

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, 7.50% of the gross annual payroll of members is contributed. 3.75% is paid by member contributions and .75% from State appropriation and 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.

The CERS Non-hazardous Insurance Fund is a cost-sharing multiple-employer defined benefit Other Postemployment Benefits ("OPEB") plan for members that cover all regular full-time members employed in non-hazardous duty positions of any State department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

TRS Postemployment Life Insurance Benefits (Life Trust)

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

Benefits Provided

The TRS Life Insurance Plan provides a life insurance benefit of \$5,000 payable for members who retire based on service or disability. Active members may receive a \$2,000 lump sum payable. The benefit is payable 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 payroll of members is contributed by the state.

CERS – OPEB

Plan description

CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1, 2003. KPPA pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for both the member and dependent coverage.

Benefits provided

The percentage of premium subsidies for CERS ranges from 0% for less than 4 years of service to 100% for 20 years or more service. For members who initiated participation in CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KPPA health plans.

Members who began participating with KPPA on or after September 1, 2008 must have 180 months of service upon retirement to participate in the KPPA health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

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

Contributions

For the 2024 measurement period, CERS did not allocate any of the 19.71% actuarially required contribution rate paid by employers to be used for funding of the healthcare benefit. However, 1% of the tier 2 and 3 employee contributions of 6% are allocated to the health insurance plan.

On June 30, 2025, the amount recognized by the District as its proportionate share of the net OPEB liability, the related Commonwealth support, and the total portion of the net OPEB liability with the District were as follows:

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

Contributions (Continued)

District's proportionate share of the net TRS OPEB MIF liability	\$ 2,444,000
District's proportionate share of the net CERS OPEB MIF liability	<u>(111,038)</u>
Total district proportionate share	\$ 2,332,962
Commonwealth's proportionate share of the net TRS OPEB - MIF liability associated with the District	<u>2,177,000</u>
Total	<u>\$ 4,509,962</u>

For the year ended June 30, 2025, the District did not recognize CERS OPEB expense. The net OPEB liability for each plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. For the year ended June 30, 2025, based on actuarial valuation, the district recognized on the statement of activities adjusted total net OPEB expense of \$(686,691)(a decrease of \$1,070,866 in governmental funds and a decrease of \$278,286 in the business type activity funds).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,602	\$ 1,607,648
Changes of assumptions	722,614	78,349
Net difference between project and actual earnings on OPEB plan investments	97,605	276,933
Changes in proportion and difference between District contributions and proportionate share of contributions	756,143	1,333,272
District contributions subsequent to the measurement date	<u>253,877</u>	-
Totals	\$ 1,891,841	\$ 3,296,202

Of the total amount reported as deferred outflows of resources related to OPEB, \$253,877 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:

Fiscal Year Ending		
June 30:	TRS	CERS
2025	\$ (214,000)	\$ (390,974)
2026	(45,000)	(336,497)
2027	(54,000)	(281,234)
2028	(145,000)	(25,534)
2029	(140,000)	-
Thereafter	(26,000)	-

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)**

Actuarial assumptions for TRS are as follows:

Inflation	2.50%
Real wage growth	0.25%
Wage inflation	2.75%
Salary increases, including wage inflation	3.00%-7.50%

Long-term Investment Rate of

Return, net of OPEB plan
investment expense, including
inflation

Health Trust	7.10%
Life Trust	7.10%

Single Equivalent Interest Rate,

Net of OPEB plan investment

Expense, including price

Inflation

Health Trust	7.10%
Life Trust	7.10%

Health Trust Cost Trends

Medical Trend 6.50% for FYE 2024 decreasing to an ultimate rate of 4.50% by FYE 2031

Medicare Part B

Premiums 5.92% for FYE 2024 with an ultimate rate of 4.50% by FYE 2035

Actuarial assumptions for CERS are as follows:

Inflation	2.30%
Payroll growth	2.00%
Salary increases, including	3.30% to 10.30%, varies by service
Investment Return	6.25%

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation, and rates of plan election used in the June 30, 2023 valuation were based on the results of the most recent actuarial experience studies for the System, which covered the five-year period ending June 30, 2020, adopted by the Board on September 20, 2021.

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

The long-term expected rate of return on Health 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

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	Health Insurance Trust	
	Target Allocation	Real Rate of Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Other Additional Categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Total	<u>100.00%</u>	

Asset Class	Life Insurance Trust	
	Target Allocation	Real Rate of Return
U.S. Equity	40.00%	5.20%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Other Additional Categories	5.00%	4.00%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
Total	<u>100.00%</u>	

Discount Rate--The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The 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.

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025**

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)****Discount Rate (Continued)**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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	<u>100.00%</u>	4.69%
Long-Term Inflation Assumption		2.50%
Expected Nominal Return for Portfolio		<u>7.19%</u>

For TRS, the discount rate used to measure the TOL at June 30, 2023 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, 2023. In addition to the actuarial methods and assumptions of the June 30, 2023 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The pre-65 retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the State or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 PMPM paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur mid-year.
- Future contributions to the Health Trust were based upon the contribution rates defined in statute and projected payroll of active employees. Per KRS 161.540(1)(c).3 and 161.550(5), when the Health Trust achieves a sufficient prefunded status, as determined by the retirement system's actuary, the following Health Trust statutory contributions are to be decreased, suspended, or eliminated:
 - Employee contributions
 - School District/University Contributions
 - State Contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

Discount Rate (Continued)

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if/when the Health Trust is projected to achieve a Funded Ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the Actuarially Determined Contribution (ADC), as determined by the prior year's valuation and in accordance with the Health Trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This may also include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.674(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidy attributable to coverage while participating in KEHP.
 - For the purposes of developing estimates for new entrants, active headcounts were assumed to remain flat for all future years.

Based on these assumptions, the Health Trust's FNP was not projected to be depleted.

Life Trust Discount rate.

The discount rate used to measure the TOL as of the Measurement Date was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2023. In addition to the actuarial methods and assumptions of June 30, 2023, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the Life Trust's cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the Valuation Date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%
- The employer will contribute the Actuarially Determined Contribution (ADC) in accordance with the Life Trust's funding policy determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not explicitly contribute to the plan.
- Cash flows occurred mid-year.

Based on the assumptions, the Life Trust's FNP was not projected to be depleted.

Long-term rate of return

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a long-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.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

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

Municipal bond rate

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate for the month of June.

Periods of projected benefit payments

Projected future benefit payments for all current plan members were projected through 2123.

CERS

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

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

The proportionate share(s) of the Collective OPEB Amounts for employers that participate in these cost-sharing multiple employers plans were determined using the employers' actual contributions for the fiscal year ending June 30, 2024. This method is expected to be reflective of the employers' long-term contribution effort as well as be transparent to individual employers and their external auditors.

There were no non-employer contributions during fiscal year ending June 30, 2025.

Risk management

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

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-Term Debt

Bonds

The Kentucky School Facility Construction Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting the school construction needs. Through a “participation agreement” with the District, the Commission agreed to pay annual debt service requirements on behalf of the District.

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligation of the District, including amounts to be paid by the Commission, on June 30, 2025 for debt services are as follows:

	Interest Rates	Maturity Date	Original Issue	(Restated)				Due within one year
				Beginning Balance	Increases	Decreases	Ending Balance	
Governmental Activities:								
Revenue Bonds:								
Series 2007	4.00%	1/1/2027	\$ 577,000	\$ 118,000	\$ -	\$ 38,000	\$ 80,000	\$ 39,000
Series 2012 QZAB	3.70%	12/1/2035	4,532,163	4,532,163	-	-	4,532,163	-
Series 2013	2.35 - 3.90%	10/1/2033	3,730,000	2,715,000	-	215,000	2,500,000	225,000
Series 2015	2.50 - 3.50%	6/1/2035	3,960,000	2,870,000	-	220,000	2,650,000	225,000
Series 2018	3.00 - 3.40%	4/1/2038	6,475,000	5,290,000	-	260,000	5,030,000	265,000
Series 2019	2.00%	5/1/2025	1,810,000	315,000	-	315,000	-	-
Series 2025	4.50 - 4.625%	8/1/2048	18,005,000	-	18,005,000	-	18,005,000	-
Refunding Revenue Bonds:								
Series 2016R	2.60%	5/1/2030	615,000	375,000	-	60,000	315,000	60,000
Total Bonds			\$ 39,704,163	\$ 16,215,163	\$ 18,005,000	\$ 1,108,000	\$ 33,112,163	\$ 814,000
		Less: Discount	-	(147,257)	-	(13,624)	(133,633)	-
Total Bonds, net of discount			\$ 39,704,163	\$ 16,067,906	\$ 18,005,000	\$ 1,094,376	\$ 32,978,530	\$ 814,000
Other Liabilities								
Lease obligations				317,606	-	57,516	260,090	57,750
Compensated absences				1,760,902	440,226 *	-	2,201,128	264,135
Pension Liability				4,398,416	-	984,190	3,414,226	-
OPEB Liability				2,903,000	-	826,077	2,076,923	-
Total Other Liabilities				9,379,924	440,226	1,867,783	7,952,367	321,885
Total Governmental Activities Liabilities				\$ 25,595,087	\$ 18,445,226	\$ 2,975,783	\$ 41,064,530	\$ 1,135,885
Business-Type Activities:								
Compensated absences				43,522	10,881 *	-	54,403	6,528
Pension Liability				155,188	265,712	-	420,900	-
OPEB Liability				-	256,039	-	256,039	-
Total Business-Type Activities Liabilities				\$ 198,710	\$ 532,632	\$ -	\$ 731,342	\$ 6,528

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Financial Statements

Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

Long-Term Debt (Continued)

Bonds (Continued)

The future principal and interest payments on long-term debt are as follows:

Fiscal Year Ending	District		Kentucky School Facility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 744,019	\$ 854,900	\$ 69,981	\$ 26,653	\$ 814,000	\$ 881,553
2027	801,111	1,105,734	89,889	31,768	891,000	1,137,502
2028	824,903	1,080,655	50,097	28,480	875,000	1,109,135
2029	822,403	1,055,381	52,597	26,783	875,000	1,082,164
2030	851,918	1,029,467	53,082	25,003	905,000	1,054,470
2031	877,189	1,001,416	32,811	23,194	910,000	1,024,610
2032	910,871	971,535	34,129	21,876	945,000	993,411
2033	939,481	939,612	35,519	20,487	975,000	960,099
2034	973,033	906,350	36,967	19,039	1,010,000	925,389
2035	886,504	874,367	38,496	17,509	925,000	891,876
2036	3,457,921	839,078	2,034,242	15,916	5,492,163	854,994
2037	1,048,248	802,052	41,752	14,254	1,090,000	816,306
2038	1,091,517	761,434	43,483	12,522	1,135,000	773,956
2039	1,146,621	703,501	28,379	10,717	1,175,000	714,218
2040	1,205,315	650,583	29,685	9,410	1,235,000	659,993
2041	1,253,948	595,250	31,052	8,044	1,285,000	603,294
2042	1,312,519	537,504	32,481	6,615	1,345,000	544,119
2043	1,376,024	477,012	33,976	5,119	1,410,000	482,131
2044	1,439,459	413,664	35,541	3,555	1,475,000	417,219
2045	1,502,823	347,462	37,177	1,920	1,540,000	349,382
2046	1,581,595	277,075	23,405	541	1,605,000	277,616
2047	1,655,000	202,229	-	-	1,655,000	202,229
2048	1,735,000	123,835	-	-	1,735,000	123,835
2049	1,810,000	41,856	-	-	1,810,000	41,856
Totals	\$ 30,247,422	\$ 16,591,952	\$ 2,864,741	\$ 329,405	\$ 33,112,163	\$ 16,921,357

Lease Purchases

The District financed several buses under financing agreements issued by the Kentucky Interlocal School Transportation Association (KISTA). The following table summarizes the KISTA agreements outstanding as of June 30, 2025:

SOMERSET INDEPENDENT SCHOOL DISTRICT**Notes to the Financial Statements****Year Ended June 30, 2025****Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)****Long-Term Debt (Continued)**

Fiscal Year Ending June 30:	Leases Payable
2026	\$ 66,561
2027	53,673
2028	50,444
2029	42,424
2030	22,830
2031-2033	<u>56,223</u>
Net minimum lease payable	292,155
Amount representing interest	<u>(32,065)</u>
Present value of net minimum lease payments	<u>\$ 260,090</u>

Interfund transfers

Interfund transfers are used to fund operations in the various accounts. The composition of interfund transfers as of June 30, 2025 is as follows:

	Transfers In	Transfers Out
	From Other	To Other
	Funds	Funds
General Fund	\$ -	\$ 5,030,261
Special Revenue Fund	30,261	-
Capital Outlay Fund	-	154,947
Building Fund	-	1,844,576
Construction Fund	5,827,526	-
Debt Service Fund	<u>1,171,997</u>	
Total Transfers	<u>\$ 7,029,784</u>	<u>\$ 7,029,784</u>

Transfers were made between funds to cover operations, indirect costs, construction projects, and debt service payments.

On-Behalf payments

The Commonwealth of Kentucky makes payments on-behalf of the District for the employer's portion of health benefits, teacher's retirement, technology, and debt service.

Kentucky Teachers Retirement System	\$ 2,502,527
Health, Life, Vision & Dental Insurance	2,531,451
Technology	43,748
Debt Service	147,879
Total On-Behalf	<u>\$ 5,225,605</u>

SOMERSET INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
Year Ended June 30, 2025

Note III – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

New Accounting Pronouncements - Adopted

The GASB issued *Statement No. 101 – Compensated Absences* to better meet the needs of financial statement users by updating the recognition and measurement guidance for compensated absences by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement required retroactive recognition of the value of all types of leave and related liabilities. Therefore, net position has been restated for FY 2024.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes to or within the financial reporting entity and changes in accounting principles resulted in adjustments to and restatements of beginning net position and fund net position. There was also an immaterial error correction from the prior year. The adjustments and restatements are as follows:

	Reporting Units Affected By Adjustments To and Restatements of Beginning Balance								Government-Wide	
	Funds									
	Student Activity Fund	Debt Service Fund	Major Governmental	Nonmajor Governmental	School Food Service Fund	Day Care Services Fund	Activity Facilities Fund	Governmental Activities		
6/30/2024, as previously reported	\$ 257,087	\$ 1,860,196	\$ 19,347,419	\$ 3,077,973	\$ 584,298	\$ 240,433	\$ (53,121)	\$ 25,660,347	\$ 771,610	
Change from non-major to major fund	-	-	1,123,120	(1,123,120)	-	-	-	-	-	
Change from major to non-major fund	-	-	(1,860,196)	1,860,196	-	-	-	-	-	
Change in accounting principle (GASB 101)	-	-	-	-	(36,994)	(6,093)	(435)	(1,665,186)	(43,522)	
Error correction	(551)	-	-	(551)	-	-	-	(551)	-	
6/30/2024, as adjusted or restated	<u>\$ 256,536</u>	<u>\$ 1,860,196</u>	<u>\$ 18,610,343</u>	<u>\$ 3,814,498</u>	<u>\$ 547,304</u>	<u>\$ 234,340</u>	<u>\$ (53,556)</u>	<u>\$ 23,994,610</u>	<u>\$ 728,088</u>	

Commitments and 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 advances, 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 pogroms.

The district also had construction commitments for on-going projects at June 30, 2025.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of Net Pension Liability – TRS and CERS
For the Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)
Teacher's Retirement System of the State of Kentucky (TRS)										
District's proportion of the net pension liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of pension liability associated with the District	35,288,629	38,617,683	37,906,183	28,872,321	32,150,424	32,038,457	31,178,999	61,529,291	66,738,389	51,343,361
Total	\$ 35,288,629	\$ 38,617,683	\$ 37,906,183	\$ 28,872,321	\$ 32,150,424	\$ 32,038,457	\$ 31,178,999	\$ 61,529,291	\$ 66,738,389	\$ 51,343,361
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Plan fiduciary net position as a percentage of the total pension liability	60.36%	57.68%	56.41%	65.59%	58.27%	58.80%	59.30%	39.80%	35.22%	42.49%
County Employee Retirement System (CERS)										
District's proportion of the net pension liability	0.064128%	0.070970%	0.073770%	0.080000%	0.700000%	0.700000%	0.700000%	0.700000%	0.700000%	0.700000%
District's proportionate share of the net pension liability	\$ 3,835,126	\$ 4,553,604	\$ 5,333,061	\$ 5,051,598	\$ 5,363,190	\$ 5,001,128	\$ 4,377,650	\$ 4,148,473	\$ 3,330,825	\$ 2,863,921
State's proportionate share of the net pension liability	-	-	-	-	-	-	-	-	-	-
Total	\$ 3,835,126	\$ 4,553,604	\$ 5,333,061	\$ 5,051,598	\$ 5,363,190	\$ 5,001,128	\$ 4,377,650	\$ 4,148,473	\$ 3,330,825	\$ 2,863,921
District's covered-employee payroll	\$ 2,371,865	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's proportionate share of its covered-employee payroll	161.69%	221.05%	261.19%	249.61%	298.83%	135.50%	118.14%	107.21%	88.64%	76.87%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.48%	52.42%	57.33%	58.27%	50.45%	53.54%	53.30%	59.00%	59.97%

Note: Schedule is intended to show information for the last 10 fiscal years. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions TRS and CERS - Pension
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Teacher's Retirement System of the State of Kentucky (TRS)										
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694	\$ 11,321,645	\$ 11,076,722
District's contributions as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
County Employee Retirement System (CERS)										
Contractually required contribution	\$ 466,934	\$ 442,559	\$ 520,083	\$ 432,257	\$ 390,588	\$ 346,382	\$ 385,109	\$ 257,968	\$ 322,459	\$ 276,209
Contributions in relation to the contractually required contribution	466,934	442,559	520,083	432,257	390,588	346,382	385,109	257,968	322,459	276,209
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,371,865	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517	\$ 3,757,553	\$ 3,725,574
District's contributions as a percentage of its covered-employee payroll	19.69%	21.48%	25.47%	21.36%	21.76%	9.38%	10.39%	6.67%	8.58%	7.41%

Note: Schedule is intended to show information for the last 10 fiscal years. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Pension
For the Year Ended June 30, 2025

TRS

Changes of benefit terms

A new benefit tier was added for members joining the System on and after January 1, 2022. A description of the benefit provisions applicable to these members can be found in Schedule D of the actuary report found at <https://trs.ky.gov/wp-content/uploads/2024/06/TRS-GASB-68-Report-2022-Actuary.pdf>.

Changes of assumptions

- In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.
- In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.
- In 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 change to the Pub2010 Mortality Table (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%.

CERS

Changes of Benefit Terms

2023 None

2022 None

2021 None

2020 None

2019 None

2018 None

2017 None

2016 None

Somerset Independent School District

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Pension

For the Year Ended June 30, 2025

(Continued)

CERS (Continued)

Changes of Assumptions

2023 The health care trend rates, as well as the morbidity factors, were updated to reflect future anticipated experience.

2022 None

2021 Pension and OPEB - the salary increase assumption changed from 3.30% - 10.30% to 3.30% - 11.55% OPEB - single discount rate changed from 5.68% to 5.34%

2020 Pension and OPEB - the salary increase assumption changed from 3.05% to 3.30% - 10.30% OPEB - single discount rate changed from 5.85% to 5.68%

2019 Pension and OPEB - the salary increases assumption was changed from 2.00% to 3.05% OPEB, the single discount rate changed from 5.84% to 5.85%

2018 Pension and OPEB - the assumed investment return was changed from 7.50% to 6.25%; the assumed inflation assumption was changed from 3.25% to 2.40%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service; and the payroll growth assumption (applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%. OPEB - the single discount rate changed from 6.89 to 5.84%.

2017 None

2016 Pension -the assumed investment rate of return was decreased from 7.75% to 7.50%; the assumed rate of inflation was reduced from 3.50% to 3.25%; the assumed rate of wage inflation was reduced from 1.00% to 0.75%; payroll growth assumption was reduced from 4.50% to 4.00%; and the assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Life Insurance Plan Changes of Benefit Terms

2023 None

2022 Benefit change due to the benefit tier that was added for members joining the system after January 1, 2022.

2021 None

2020 None

2019 None

2018 None

Changes of Assumptions

2022 The municipal bond index rate increased from 2.19% to 3.37%.

2021 The municipal bond index rate decreased from 3.50% to 2.19%

2020 The municipal bond index rate decreased from 3.89% to 3.50%

2019 The municipal bond index rate increased from 3.56% to 3.89%

2018 None

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the District's Proportionate Share of the Net OPEB Liability Medical & Life Insurance Plans - TRS – OPEB
For the Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
MEDICAL INSURANCE PLAN								
District's proportion of the collective OPEB liability	0.109632%	0.119171%	0.161747%	0.120000%	0.155258%	0.010000%	0.010000%	0.010000%
District's proportionate share of the collective net OPEB liability	\$ 2,444,000	\$ 2,903,000	\$ 4,015,000	\$ 2,541,000	\$ 3,070,000	\$ 3,670,000	\$ 4,267,000	\$ 4,301,000
State's proportionate share of the collective net OPEB liability associated with the District	2,177,000	2,446,000	1,319,000	2,063,000	2,459,000	2,964,000	3,678,000	3,513,000
Total	\$ 4,621,000	\$ 5,349,000	\$ 5,334,000	\$ 4,604,000	\$ 5,529,000	\$ 6,634,000	\$ 7,945,000	\$ 7,814,000
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	25.71%	33.41%	32.58%	21.60%	33.59%	34.34%	38.85%	38.79%
Plan fiduciary net position as a percentage of the total OPEB	59.81%	52.97%	47.75%	51.74%	39.05%	32.58%	25.50%	21.20%
LIFE INSURANCE PLAN								
District's proportion of the collective OPEB liability	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%	0.000000%
District's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability associated with the District	50,000	61,000	66,000	27,000	74,000	69,000	63,000	47,000
Total	\$ 50,000	\$ 61,000	\$ 66,000	\$ 27,000	\$ 74,000	\$ 69,000	\$ 63,000	\$ 47,000
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	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	80.56%	76.91%	73.97%	89.15%	71.57%	73.40%	75.00%	80.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Contributions - TRS – OPEB
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
MEDICAL INSURANCE PLAN								
Contractually required contribution	\$ 253,877	\$ 227,654	\$ 131,815	\$ 249,071	\$ 242,209	\$ 214,827	\$ 219,077	\$ 233,703
Contributions in relation to the contractually required contribution	<u>253,877</u>	<u>227,654</u>	<u>131,815</u>	<u>249,071</u>	<u>242,209</u>	<u>214,827</u>	<u>219,077</u>	<u>233,703</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's contributions as a percentage of it's covered-employee payroll	2.67%	2.62%	1.07%	2.12%	2.65%	2.01%	1.99%	2.11%
LIFE INSURANCE PLAN								
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>							
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 9,504,735	\$ 8,689,957	\$ 12,324,243	\$ 11,766,070	\$ 9,139,880	\$ 10,686,578	\$ 10,983,190	\$ 11,086,694
District's contributions as a percentage of it's covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of District's Proportionate Share of the Net OPEB Liability – CERS
For the Year Ended June 30, 2025

	Reporting Fiscal Year (Measurement Date) 2025 (2024)	Reporting Fiscal Year (Measurement Date) 2024 (2023)	Reporting Fiscal Year (Measurement Date) 2023 (2022)	Reporting Fiscal Year (Measurement Date) 2022 (2021)	Reporting Fiscal Year (Measurement Date) 2021 (2020)	Reporting Fiscal Year (Measurement Date) 2020 (2019)	Reporting Fiscal Year (Measurement Date) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)
HEALTH INSURANCE PLAN								
District's proportion of the collective OPEB liability	0.064191%	0.070964%	0.073760%	0.800000%	0.700000%	0.700000%	0.700000%	0.700000%
District's proportionate share of the collective net OPEB liability	\$ (111,038)	\$ (97,978)	\$ 1,455,664	\$ 1,516,493	\$ 1,687,993	\$ 1,195,719	\$ 1,276,192	\$ 1,424,810
State's proportionate share of the collective net OPEB liability associated with the District	-	-	-	-	-	-	-	-
Total	\$ (111,038)	\$ (97,978)	\$ 1,455,664	\$ 1,516,493	\$ 1,687,993	\$ 1,195,719	\$ 1,276,192	\$ 1,424,810
District's covered-employee payroll	\$ 2,371,865	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	-4.68%	-4.76%	71.29%	74.93%	94.05%	32.40%	34.44%	36.82%
Plan fiduciary net position as a percentage of the total OPEB	104.89%	60.95%	62.91%	58.41%	51.67%	60.44%	57.62%	52.39%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions OPEB Liability – CERS
For the Year Ended June 30, 2025

HEALTH INSURANCE PLAN	2025	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ -	\$ 59,151	\$ 282,999	\$ 118,018	\$ 96,331	\$ 85,424	\$ 94,305	\$ 83,733
Contributions in relation to the contractually required contribution	-	59,151	282,999	118,018	96,331	85,424	94,305	83,733
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,371,865	\$ 2,059,983	\$ 2,041,839	\$ 2,023,771	\$ 1,794,725	\$ 3,690,807	\$ 3,705,438	\$ 3,869,517
District's contributions as a percentage of it's covered-employee payroll	0.00%	2.87%	13.86%	5.83%	5.37%	2.31%	2.55%	2.16%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available. Amounts presented for each fiscal year is determined as of June 30.

See the accompanying notes to the required supplementary information.

**Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION**

**Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2025**

TRS

Note I - Changes of Benefit Terms

Health and Life Trust

June 30, 2024 (Valuation Date: June 30, 2023)

- None

June 30, 2023 (Valuation Date: June 30, 2022)

- None

June 30, 2022 (Valuation Date: June 30, 2021)

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

June 30, 2021 (Valuation Date: June 30, 2020)

- None

June 30, 2020 (Valuation Date: June 30, 2019)

- None

June 30, 2019 (Valuation Date: June 30, 2018)

- None

June 30, 2018 (Valuation Date: June 30, 2017)

Health Trust

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

- Life Trust - none

Somerset Independent School District
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information – OPEB
For the Year Ended June 30, 2025
(Continued)

Note II - Changes to assumptions or other inputs

Health Trust

The changes adopted by the Board on September 20, 2021, include various demographic and economic assumptions summarized below:

- Price Inflation changed assumed rate from 3.00% to 2.50%,
- Wage Inflation changed assumed rated from 3.50% to 2.75%,
- Assumed investment rate of return changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10% for both.
- Assumed Salary Scale adjusted to reflect a decrease of 0.25% in merit and promotion for all ages.
- Assumed rate of mortality have been revised to the Pub-2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with the MP-2020 improvement scale with various set-forwards, set-backs, and adjustments.
- Assumed rate of Withdrawal, Disability, Retirement, and Mortality have been adjusted to more closely reflect experience, and
- Assumed rates of member and spousal participation have been adjusted to more closely reflect experience.

Life Trust

None

CERS

2023 Single discount rates of 5.99% for the CERS non-hazardous insurance plan and 6.02% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2023. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2023.

2022 Single discount rates of 5.97% for the CERS non-hazardous insurance plan and 5.93% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2022. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 3.86%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2022.

2021 Single discount rates of 5.20% for the CERS non-hazardous insurance plan and 5.05% for the CERS hazardous insurance plan were used to measure the total OPEB liability as of June 30, 2021. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 1.92%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2021.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Student Activity Fund	Capital Outlay Fund	Program (FSKP) Fund	Facility Support	Debt Service Fund	Total Non-Major Funds
				Program (FSKP) Fund		
ASSETS						
Cash and cash equivalents	\$ 237,837	\$ -	\$ 1,729,593	\$ 2,056,610	\$ 4,024,040	
Receivables						
Taxes-current	-	-	-	-	-	-
Accounts	1,684	-	-	-	-	1,684
Intergovernmental - state	-	-	-	-	-	-
Intergovernmental - federal	-	-	-	-	-	-
Total assets	239,521	-	1,729,593	2,056,610	4,025,724	
LIABILITIES						
Accounts payable	62	-	-	-	-	62
Unearned revenue	-	-	-	-	-	-
Total liabilities	62	-	-	-	-	62
FUND BALANCE						
Restricted	239,459	-	1,729,593	2,056,610	4,025,662	
Committed	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balance	239,459	-	1,729,593	2,056,610	4,025,662	
TOTAL LIABILITIES AND FUND BALANCE	\$ 239,521	\$ -	\$ 1,729,593	\$ 2,056,610	\$ 4,025,724	

SOMERSET INDEPENDENT SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2025

	Student Activity Fund	Capital Outlay Fund	Construction Fund	Facility Support Program (FSKP) Fund	Debt Service Fund	Total Non-Major Funds
REVENUES						
From Local Sources						
Taxes						
Property	\$ -	\$ -	\$ -	\$ 946,665	\$ -	\$ 946,665
Motor vehicle	-	-	-	-	-	-
Franchise	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Earnings on investments	23,737	-	-	-	44,179	67,916
Tuition	-	-	-	-	-	-
Student activities	466,528	-	-	-	-	466,528
Other local revenue	54,992	-	-	-	-	54,992
Intergovernmental - state	-	154,947	-	929,738	147,879	1,232,564
Intergovernmental - federal	-	-	-	-	158,132	158,132.00
Total revenues	<u>545,257</u>	<u>154,947</u>	<u>-</u>	<u>1,876,403</u>	<u>350,190</u>	<u>2,926,797</u>
EXPENDITURES						
Instruction	538,419	-	-	-	-	538,419
Support services						
Student	695	-	-	-	-	695
Instructional staff	23,220	-	-	-	-	23,220
District Administration	-	-	-	-	-	-
School Administration	-	-	-	-	-	-
Business	-	-	-	-	-	-
Plant operation and maintenance	-	-	-	-	-	-
Student Transportation	-	-	-	-	-	-
Community Services Operations	-	-	-	-	-	-
Building improvements	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	793,000	793,000
Interest	-	-	-	-	532,773	532,773
Cost of issuance	-	-	-	-	-	-
Total expenditures	<u>562,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,773</u>	<u>1,888,107</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,077)	154,947	-	1,876,403	(975,583)	1,038,690
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-
Operating transfers in	-	-	-	-	1,171,997	1,171,997
Operating transfers (out)	-	(154,947)	-	(1,844,576)	-	(1,999,523)
Total other financing sources and (uses)	<u>-</u>	<u>(154,947)</u>	<u>-</u>	<u>(1,844,576)</u>	<u>1,171,997</u>	<u>(827,526)</u>
NET CHANGE IN FUND BALANCE	(17,077)	-	-	31,827	196,414	211,164
FUND BALANCE - BEGINNING, as previously reported	257,087	-	1,123,120	1,697,766	-	3,077,973
Change within financial reporting entity (nonmajor to major fund)	-	-	(1,123,120)	-	-	(1,123,120)
Change within the financial reporting entity (major to nonmajor fund)	-	-	-	-	1,860,196	1,860,196
Error correction	(551)	-	-	-	-	(551)
FUND BALANCE - BEGINNING, as restated	256,536	-	-	1,697,766	1,860,196	4,025,662
FUND BALANCE - ENDING	\$ 239,459	\$ -	\$ -	\$ 1,729,593	\$ 2,056,610	\$ 4,025,662

SOMERSET INDEPENDENT SCHOOL DISTRICT

Schedule of Student Activity
For the Year Ended June 30, 2025

School	(Restated)				CASH BALANCES June 30, 2025
	CASH BALANCES July 1, 2024	RECEIPTS	DISBURSEMENTS		
Somerset High School	\$ 166,194	\$ 432,003	\$ 448,691	\$ 149,506	
Meece Middle School	70,098	80,943	80,574	70,467	
Hopkins Elementary	20,244	32,311	33,069	19,486	
Total School Activity Funds	\$ 256,536	\$ 545,257	\$ 562,334	\$ 239,459	

SOMERSET INDEPENDENT SCHOOL DISTRICT

Schedule of Student Activity – Somerset Independent High and Middle School
For the Year Ended June 30, 2025

Activity	CASH BALANCES		RECEIPTS AND TRANSFERS		DISBURSEMENTS AND TRANSFERS		CASH BALANCES	
	July 1, 2024	20	\$	-	\$	-	\$	20
ACADEMIC TEAM	\$	20	\$	-	\$	-	\$	20
BAND	-		200		-		200	
RHO KAPPA	-		585		500		85	
BRUCE HANSFORD	1,375		100		-		1,475	
ART CLUB	374		-		-		374	
CHORUS	41		597		342		296	
CLASS OF 2027	1,009		2,915		3,412		512	
CLASS OF 2026	450		16,696		11,528		5,618	
CLASS OF 2028	-		5,743		4,028		1,715	
CLASS OF 2029	-		-		-		-	
CLASS OF 2025	7,330		2,236		9,566		-	
DECA	355		38,883		29,428		9,810	
FCA	283		1,146		1,106		323	
DRAMA	386		33,774		33,225		935	
FCCLA	121		5,866		4,587		1,400	
DANCE TEAM	5,514		25,220		23,487		7,247	
HOMESPUN	1,860		29		-		1,889	
JAG	1,727		11,548		10,156		3,119	
E-TEAM	39		-		-		39	
NHS	127		480		566		41	
MCALPIN SCHOLARSHIP	-		1,000		1,000		-	
KAY JAMISON SCHOLARSHIP	-		2,000		500		1,500	
WILSON SCHOLARSHIP	1,000		1,000		1,000		1,000	
S RADMANESH SCHOLARSHIP	692		-		-		692	
KATHY HALL SCHOLARSHIP	100		-		25		75	
PSAT	239		-		-		239	
HONORS NIGHT	3,047		3,460		4,000		2,507	
BILL ADAMS SCHOLARSHIP	653		-		50		603	
AP EXAMS	14,299		2,958		4,690		12,567	
SCIENCE CLUB	54		-		-		54	
ACT	181		-		-		181	
C&M PING SCHOLARSHIP	4,000		1,500		5,000		500	
STUDENT COUNCIL	241		-		-		241	
YEARBOOK	14,005		4,376		5,524		12,857	
Y-CLUB	1,952		2		-		1,954	
ATHLETICS IN MOTION	1		1,632		1,452		181	
BETA CLUB	1,148		2,025		2,008		1,165	
ATHLETICS	9,550		116,045		125,039		556	
HALL OF FAME	4,199		1,871		2,658		3,412	
ATHLETIC PROGRAM	-		5,930		5,930		-	

SOMERSET INDEPENDENT SCHOOL DISTRICT

Schedule of Student Activity – Somerset Independent High and Middle School

For the Year Ended June 30, 2025

(Continued)

Activity	CASH BALANCES July 1, 2024	RECEIPTS AND TRANSFERS	DISBURSEMENTS AND TRANSFERS	CASH BALANCES June 30, 2025
CHIP SHARPE SCHOLARSHIP	280	-	-	280
JEFF PERKINS SCHOLARSHIP	1,325	-	-	1,325
ATHLETIC CHANGE	-	31,000	31,000	-
HELPING HANDS	430	74	-	504
TSA	882	4,080	4,800	162
EV TEAM	18,372	15,392	28,009	5,755
FBLA	345	-	-	345
FLOWER FUND	559	96	285	370
BANK INTEREST	12,183	8,223	6,157	14,249
PRINCIPAL'S OFFICE	2,367	300	391	2,276
STUDENT ACTIVITY	2,383	10	727	1,666
STUDENT VENDING	2,796	481	784	2,493
GUIDANCE	12	-	10	2
TEACHER VENDING	1,133	310	68	1,375
STUDENT FEES	-	1,140	1,140	-
COMPUTER RELATED	-	165	165	-
DISTRICT ACTIVITY FUNDS	-	1,305	1,305	-
FOOTBALL TEAM	-	4,200	4,200	-
GIRLS SOCCER TEAM	-	580	580	-
BOYS SOCCER TEAM	-	1,000	1,000	-
BOYS BASKETBALL TEAM	-	1,350	1,350	-
GIRLS BASKETBALL TEAM	-	220	-	220
BASEBALL TEAM	-	-	-	-
SOFTBALL TEAM	320	-	320	-
TRACK TEAM	9,706	8,573	6,812	11,467
BOYS GOLF TEAM	6,722	10,161	5,497	11,386
GIRLS GOLF TEAM	1,659	-	752	907
TENNIS TEAM	-	7,187	7,179	8
VOLLEYBALL TEAM	3,317	13,135	10,931	5,521
SWIM TEAM	639	4,518	609	4,548
TRAP SHOOTING TEAM	3,350	-	-	3,350
CROSS COUNTRY TEAM	5,043	4,814	6,805	3,052
CHEER TEAM	13,414	29,636	42,443	607
BASS FISHING TEAM	491	1,704	1,268	927
WRESTLING TEAM	2,094	1,704	2,469	1,329
ESPORTS TEAM	-	-	-	-
Subtotal	166,194	441,175	457,863	149,506
Interfund Transfers		(9,172)	(9,172)	
Total	\$ 166,194	\$ 432,003	\$ 448,691	\$ 149,506

SOMERSET INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE	FEDERAL ASSISTANCE LISTING	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>UNITED STATES DEPARTMENT OF AGRICULTURE</u>				
Child Nutrition Cluster -				
Passed Through Kentucky Department of Education:				
School Breakfast Program	10.553	7760005-25 7760005-24		\$ 189,090 56,843 <u>245,933</u>
Passed Through Kentucky Department of Education:				
Summer Food Service Program for Children	10.559	7690024-24 7690024-25 7740023-25 7740023-24		454 237 2,285 4,395 <u>7,371</u>
Passed Through Kentucky Department of Education:				
National School Lunch Program	10.555	7750002-25 7750002-24		682,129 204,037 <u>886,166</u>
Non-Cash Assistance (Commodities)				
National School Lunch Program	10.555	4001105		<u>97,288</u>
TOTAL CHILD NUTRITION CLUSTER				
Passed Through Kentucky Department of Education:				
Child and Adult Care Food Program	10.558	7790021-25 7790021-24		4,441 582 <u>5,023</u>
Passed Through Kentucky Department of Education:				
State Administrative Expenses for Child Nutrition	10.560	7700001-24		<u>1,914</u>
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE				
				<u>1,243,695</u>

The accompanying notes are an integral part of this schedule.

SOMERSET INDEPENDENT SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2025
 (Continued)

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE/SUBTITLE	FEDERAL ASSISTANCE LISTING	PASS THROUGH ENTITY IDENTIFYING NUMBER	PROVIDED TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>UNITED STATES DEPARTMENT OF EDUCATION</u>				
Special Education Cluster -				
Passed Through Kentucky Department of Education:				
Special Education Grants to States	84.027A	3810002-23 3810002-25		104,392 398,227 <u>502,619</u>
Passed Through Kentucky Department of Education:				
Special Education Preschool Grants	84.173A	3800002-25 3800002-24		5,445 17,991 <u>23,436</u>
TOTAL SPECIAL EDUCATION CLUSTER				<u>526,055</u>
Passed Through Kentucky Department of Education:				
Title I Grants To Local Educational Agencies	84.010	3100002-23 3100002-24 3100002-25		55,018 382,480 <u>666,608</u> <u>1,104,106</u>
Passed Through Kentucky Department of Education:				
Career and Technical Education -- Basic Grants to States	84.048	3710002-23 3710002-24 3710002-25		1,767 2,086 <u>25,865</u> <u>29,718</u>
Passed Through Appalachian Education Service Agency				
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	Unassigned		258,432
Passed Through Kentucky Department of Education:				
Rural Education	84.358B	3140002-23 3140002-24		39,567 32,243 <u>71,810</u>
Passed Through Kentucky Department of Education:				
English Language Acquisition State Grants	84.365A	3300002-24		3,926
Passed Through Kentucky Department of Education:				
Supporting Effective Instruction State Grant	84.367	3230002-23 3300002-24 3230002-25		42,341 76,440 <u>3,600</u> <u>122,381</u>
Passed Through Kentucky Department of Education:				
Student Support and Academic Enrichment Program	84.424A 84.424A	3420002-23 3420002-24		30,554 52,879 <u>83,433</u>
Passed Through Kentucky Department of Education:				
Education Stabilization Fund Plan Act of 2021 (ARP)	84.425U	4300002-21		2,400,173
Passed Through Kentucky Department of Education:				
Education Stabilization Fund				
American Rescue Plan-Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP-HCV)	84.425W	4980002-21		<u>4,243</u>
Total Education Stabilization Fund				<u>2,404,416</u>
TOTAL UNITED STATES DEPARTMENT OF EDUCATION				<u>4,604,277</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	<u>\$ 5,847,972</u>

The accompanying notes are an integral part of this schedule.

SOMERSET INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards **Year Ended June 30, 2025**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Somerset Independent School District under the programs of the federal government for the year ended June 30, 2025. The information in the 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 Somerset Independent School 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. Significant Accounting Policies

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

Note 3. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. For the year ended June 30, 2025, the District received food commodities totaling \$97,288.

Note 4. Indirect Cost Rate

The Somerset Independent School District has not elected to use the 10-percent de minimis cost rate allowed under Uniform Guidance.



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

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

Kentucky State Committee for School District Audits
Board of Education of the Somerset Independent School District
Somerset, KY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II Instructions for Submissions of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Somerset Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Somerset Independent School District's basic financial statements, and have issued our report thereon dated January 16, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Somerset Independent 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 Somerset Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Somerset Independent 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Somerset Independent 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*.

Report on Compliance and Other Matters (Continued)

We did not note any matters during the current audit that were required to be reported to management of the Somerset Independent School District. However, we did issue a separate management letter dated January 16, 2026, which addresses the status of matters that were reported in the prior year management letter.

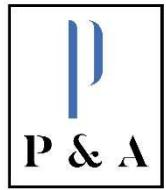
Purpose of This Report

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.

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

January 16, 2026



PATRICK & ASSOCIATES, LLC

124 Candlewood Drive
Winchester, KY 40391

Independent Auditor's Report On Compliance for Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance

Kentucky State Committee for School District Audits
Board of Education of the Somerset Independent School District
Somerset, KY

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Somerset Independent 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 the Somerset Independent School District's major federal programs for the year ended June 30, 2025. The Somerset Independent 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, the Somerset Independent 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 States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract, Including Appendix II – Instruction for Submission of the 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 the Somerset Independent 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 the Somerset Independent 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 the Somerset Independent School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Somerset Independent 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*, Uniform Guidance, and the Independent Auditor's Contract, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Somerset Independent 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*, Uniform Guidance, and the Independent Auditor's Contract, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Somerset Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Somerset Independent 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 the Somerset Independent 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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.

Patrick & Associates, LLC

Patrick & Associates, LLC
Winchester, Kentucky

January 16, 2026

Schedule of Findings and Questioned Costs

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None Reported
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed that were not considered to be material weaknesses?	None Reported
What type or report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it relates to major programs that are required to be reported as described in Uniform Guidance?	No
Major Programs	Education Stabilization Fund [Federal Assistance Numbers 84.425U and 84.425W]
Dollar threshold of Type A and B programs?	\$750,000
Did the auditee qualify as low-risk?	Yes

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No major federal award findings

SUMMARY SCHEDULE – PRIOR YEAR AUDIT FINDINGS

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no prior year findings

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no prior year findings.