

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

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December 17, 2025

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Wayne County School District
Monticello, Kentucky

Report on the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of Financial Statement

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 54 through 57, and 60 through 62 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 Wayne County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Sincerely,

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

Certified Public Accountants

WAYNE COUNTY SCHOOL DISTRICT – MONTICELLO, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2025

The discussion and analysis of Wayne County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to review the School District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in the Statement No. 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$10,062,005. This reflects an increase in cash from 2024 of \$1,727,028.
- The general fund had a decrease in fund balance of \$139,943 for the year. All governmental funds combined had an increase in fund balance of \$527,867 for the year.
- The food service fund ended the school year with an increase in net position of \$87,196. This is attributable to an increase in federal and state food service grants.

USING THIS ANNUAL REPORT

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

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

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

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

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

The government-wide financial statements can be found on pages 11-12 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. There is a state mandated uniform accounting system and chart of accounts for all Kentucky public school districts utilizing the Enterprise ERP (MUNIS) administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. The proprietary funds are our food service and childcare operations. The only fiduciary funds are agency funds. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 71 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$29,547,583 as of June 30, 2025.

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

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

Net Position for the periods ending June 30, 2025 and 2024
(Table 1)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and Other Assets	9,382,563	9,594,150	1,962,346	1,846,297	11,344,909	11,440,447
Capital Assets	62,726,344	59,391,445	1,213,244	1,266,397	63,939,588	60,657,842
Total Assets	72,108,907	68,985,595	3,175,590	3,112,694	75,284,497	72,098,289
Deferred Outflows	6,076,255	8,129,198	164,131	247,101	6,240,386	8,376,199
Current Liabilities	3,908,937	2,484,040	24,015	3,003	3,932,952	2,487,043
Non-Current Liabilities	38,509,507	41,657,714	511,308	574,321	39,020,815	42,232,035
Total Liabilities	42,418,444	45,901,762	535,323	577,324	42,953,767	46,479,086
Deferred Inflows	8,754,881	10,680,049	268,652	345,348	9,023,533	11,025,397
Net Position						
Investment in capital assets (net of debt)	36,295,339	31,825,392	1,198,399	1,266,397	37,493,738	33,091,789
Restricted	4,748,761	4,253,271	1,398,648	1,243,454	6,147,409	5,496,725
Unrestricted	(14,032,263)	(15,545,681)	(61,301)	(72,828)	(14,093,564)	(15,618,509)
Total Net Position	27,011,837	20,532,982	2,535,746	2,437,023	29,547,583	22,970,005

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2025, net of interfund transfers and bond proceeds, were \$50,565,447.
- General fund budgeted revenue compared to actual revenue varied from line item to line item with the ending total actual balance being \$10,828,518 more than budgeted or approximately 48%.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending total actual balance being \$7,081,436 more than budgeted or approximately 27%.

Summary of Changes in Net Position for the periods ending June 30, 2025 and 2024
(Table 2)

REVENUES:	Governmental Activities		Business-type Activities		Total	
					Primary Government	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for Services	679,468	678,373	268,820	248,906	948,288	927,279
Operating grants and contributions	10,267,825	23,145,808	3,170,897	3,224,420	13,438,722	26,370,228
Capital grants and contributions	161,802	3,216,463	-	-	161,802	3,216,463
General revenues:						
Property taxes	4,387,398	4,379,739	-	-	4,387,398	4,379,739
Motor vehicle taxes	964,515	904,975	-	-	964,515	904,975
Utility taxes	1,265,459	1,164,276	-	-	1,265,459	1,164,276
Other taxes	231,002	243,640	-	-	231,002	243,640
Investment earnings	38,229	54,350	6,257	6,504	44,486	60,854
State and formal grants	28,802,744	15,527,124	-	-	28,802,744	15,527,124
Loss Compensation	-	-	-	-	-	-
Gain (loss) on asset disposal	(13,937)	(343,497)	-	(134,497)	(13,937)	(477,994)
Miscellaneous	476,203	426,699	(141,235)	(106,422)	334,968	320,277
Total Revenues	47,260,708	49,397,950	3,304,739	3,238,911	50,565,447	52,636,861
EXPENSES:						
Program Activities:						
Instruction	22,705,444	21,562,328	-	-	22,705,444	21,562,328
Student Support	2,188,974	2,303,159	-	-	2,188,974	2,303,159
Instructional staff support	3,392,334	3,717,644	-	-	3,392,334	3,717,644
District administrative support	1,222,204	770,673	-	-	1,222,204	770,673
School administrative support	1,812,345	1,872,882	-	-	1,812,345	1,872,882
Business support	428,822	513,550	-	-	428,822	513,550
Plant operation and maintenance	4,253,331	3,159,071	-	-	4,253,331	3,159,071
Student transportation	3,082,541	2,938,061	-	-	3,082,541	2,938,061
Community service activities	486,451	561,266	-	-	486,451	561,266
Site Improvement	-	301,849	-	-	-	301,849
Interest cost	838,788	928,773	-	-	838,788	928,773
Depreciation*		1,618,136				1,618,136
Other	415,865	335,978	-	-	415,865	335,978
Business-type Activities:						
Daycare		193,134	181,910	193,134	181,910	181,910
Food service		3,012,882	3,081,963	3,012,882	3,081,963	3,081,963
Depreciation*			111,992			111,992
Total Expenses	40,827,099	40,583,370	3,206,016	3,375,865	44,033,115	43,959,235
Change in Net Position	6,433,609	8,814,580	98,723	(136,954)	6,532,332	8,677,626

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs, if any.

Governmental Activities

Instruction comprises 56% of governmental program expenditures. Support services make up 40% of government expenses. Interest costs and other account for the remaining 4%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Cost of Governmental Activities (Table 3)

	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
Instruction	22,705,444	21,562,328	15,798,796	7,812,169
Support Services	16,380,551	15,275,040	13,538,555	3,955,642
Other	902,316	1,199,093	(296,333)	515,204
Interest Costs	838,788	928,773	676,986	(358,426)
Total Expenses	<u>40,827,099</u>	<u>38,965,234</u>	<u>29,718,004</u>	<u>11,924,589</u>

Business-Type Activities

The business-type activities are the food service and day care operations. These programs had total revenue of \$3,304,739 and expenses of \$3,206,016 for fiscal year 2025. Of the revenues, \$268,820 was charges for services, and \$3,170,897 was from State and Federal grants. Business activities receive no support from tax revenues. The School District will continue to monitor the charges and costs of these activities.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$53,723,277 and expenditures and other financing uses of \$53,195,410.

General Fund-Budget Highlights

The School 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 most significant budgeted fund is the General Fund. 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. It is the District's practice to not include state on-behalf payments in the budget.

Capital Assets and Debt Administration
Capital Assets

At the end of fiscal year 2025 the School District had \$63,555,323 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal year 2025 and 2024 balances.

Capital Assets at June 30, 2025 and 2024
Net of Depreciation
(Table 4)

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	2,045,892	2,045,892			2,045,892	2,045,892
Construction in Progress	731,330	17,818,336			731,330	17,818,336
Buildings and Improvements	56,145,751	37,335,632	848,137	886,319	56,993,888	38,221,951
Technology	64,586	134,568	-		64,586	134,568
Vehicles	3,004,805	2,035,877	100,535	135,004	3,105,340	2,170,881
General equipment	364,559	177,869	249,728	245,075	614,287	422,944
Total	<u>62,356,923</u>	<u>59,548,174</u>	<u>1,198,400</u>	<u>1,266,398</u>	<u>63,555,323</u>	<u>60,814,572</u>

Debt

At June 30, 2025, the School District had \$23,950,000 in bonds outstanding; of this amount \$6,179,373 is to be paid from the SFCC funding provided by the State of Kentucky. Additionally, the School District has \$2,476,262 in capital lease obligations. Principal and interest totaling \$2,938,085 are due within one year.

District Challenges for the Future

Wayne County School District continues to be financially sound. However, the current state and national financial climate requires the District to remain prudent. The District has been required to provide financial support for unfunded mandates imposed by the state and federal government. Also, the state administered employee pension plans continue to be underfunded. This places a large possible future liability on all Kentucky School Districts.

Wayne County Schools will continue to use careful planning and monitoring of finances to provide a quality education for students and a secure financial future for the school district.

Future Budgetary Implications

In Kentucky, the public schools' fiscal year is July 1 – June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2025 – 2026 with a contingency greater than the required minimum of 2%.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Stefanie Neal, Finance Officer, 150 Cardinal Way, Monticello, Kentucky, 42633, (606) 348-8484.

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

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	8,305,285	1,756,720	10,062,005
Accounts Receivable:			
Taxes - Current	297,881		297,881
Taxes - Delinquent	9,062		9,062
Accounts	46,934	11,278	58,212
Intergovernmental - Federal	721,064	156,325	877,389
Prepaid Expenses	2,337		2,337
Inventories for Consumption		38,023	38,023
 Total Current Assets	 9,382,563	 1,962,346	 11,344,909
Noncurrent Assets			
Net OPEB Benefit - CERS	296,921	14,845	311,766
Right to Use SBIT Asset - Net of Amortization	72,500		72,500
Non-Depreciable Capital Assets - Note E	2,777,222		2,777,222
Depreciable Capital Assets - Net of Accumulated Depreciation - Note E	59,579,701	1,198,399	60,778,100
Total Noncurrent Assets	<u>62,726,344</u>	<u>1,213,244</u>	<u>63,939,588</u>
 TOTAL ASSETS	 72,108,907	 3,175,590	 75,284,497
Deferred Outflows Related to Pensions	2,400,333	119,268	2,519,601
Deferred Outflows Related to Other Post Employment Benefits	3,513,235	44,863	3,558,098
Deferred Outflows from Advanced Bond Refundings	162,687		162,687
 TOTAL ASSETS AND DEFERRED OUTFLOWS	 <u>78,185,162</u>	 <u>3,339,721</u>	 <u>81,524,883</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	239,684	24,015	263,699
Accrued Salaries & Compensated Absences - Note A & Note Q	79,280		79,280
Advances from Grantors	717,685		717,685
Bond Obligations - Note D	2,203,000		2,203,000
Lease Liabilities - Note F	389,102		389,102
Accrued Interest Payable	280,186		280,186
Total Current Liabilities	<u>3,908,937</u>	<u>24,015</u>	<u>3,932,952</u>
Noncurrent Liabilities:			
Bond Obligations - Note D	21,454,822		21,454,822
Lease Liabilities - Note F	2,087,160		2,087,160
Net Pension Liability	10,256,744	511,308	10,768,052
Net Other Post Employment Benefits Liability	4,021,000		4,021,000
Compensated Absences - Note A & Note Q	689,781		689,781
Total Noncurrent Liabilities	<u>38,509,507</u>	<u>511,308</u>	<u>39,020,815</u>
 TOTAL LIABILITIES	 42,418,444	 535,323	 42,953,767
Deferred Inflows Related to Pensions	2,190,291	109,171	2,299,462
Deferred Inflows Related to Other Post Employment Benefits	<u>6,564,590</u>	<u>159,481</u>	<u>6,724,071</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS	 <u>51,173,325</u>	 <u>803,975</u>	 <u>51,977,300</u>
NET POSITION:			
Net Investment in Capital Assets	36,295,339	1,198,399	37,493,738
Restricted for:			
Debt Service	10,429		10,429
Capital Projects	979		979
SFCC Escrow	4,137,397		4,137,397
School Activities	599,956		599,956
Food Service		1,398,648	1,398,648
Unrestricted	<u>(14,032,263)</u>	<u>(61,301)</u>	<u>(14,093,564)</u>
 TOTAL NET POSITION	 <u>27,011,837</u>	 <u>2,535,746</u>	 <u>29,547,583</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	 <u>78,185,162</u>	 <u>3,339,721</u>	 <u>81,524,883</u>

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

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

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	22,705,444	679,468	6,227,180		(15,798,796)		(15,798,796)
Support Services:							
Student Support Services	2,188,974		228,156		(1,960,818)		(1,960,818)
Staff Support Services	3,392,334		2,149,311		(1,243,023)		(1,243,023)
District Administration	1,222,204				(1,222,204)		(1,222,204)
School Administration	1,812,345		1,399		(1,810,946)		(1,810,946)
Business Support Services	428,822				(428,822)		(428,822)
Plant Operation & Maintenance	4,253,331		74,157		(4,179,174)		(4,179,174)
Student Transportation	3,082,541		388,973		(2,693,568)		(2,693,568)
Community Service Operations	486,451		626,154		139,703		139,703
Food Service Operations	346,429		469,543		123,114		123,114
Day Care Operations	69,436		94,093		24,657		24,657
Site Improvement			8,859		8,859		8,859
Interest on Long-Term Debt	838,788			161,802	(676,986)		(676,986)
TOTAL GOVERNMENTAL ACTIVITIES	40,827,099	679,468	10,267,825	161,802	(29,718,004)		(29,718,004)
BUSINESS-TYPE ACTIVITIES:							
Day Care	193,134	170,655	34,008			11,529	11,529
Food Service	3,012,882	98,165	3,136,889			222,172	222,172
TOTAL BUSINESS-TYPE ACTIVITIES	3,206,016	268,820	3,170,897	0	0	233,701	233,701
TOTAL SCHOOL DISTRICT	44,033,115	948,288	13,438,722	161,802	(29,718,004)	233,701	(29,484,303)
GENERAL REVENUES:							
Taxes:							
Property					4,387,398		4,387,398
Motor Vehicle					964,515		964,515
Utility					1,265,459		1,265,459
Other					231,002		231,002
State Aid - Formula Grants					28,802,744		28,802,744
Investment Earnings					38,229	6,257	44,486
Miscellaneous					334,968		334,968
Funds Transfer (Expense)					141,235	(141,235)	0
Gain (Loss) in Sale of Capital Assets					(13,937)		(13,937)
TOTAL GENERAL REVENUES & TRANSFERS					36,151,613	(134,978)	36,016,635
CHANGE IN NET POSITION							
NET POSITION - BEGINNING RESTATED - Note R					6,433,609	98,723	6,532,332
NET POSITION - ENDING					20,578,228	2,437,023	23,015,251
					27,011,837	2,535,746	29,547,583

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

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

	GENERAL FUND	SPECIAL REVENUE	BUILDING (FSPK) FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	3,504,029	52,495	4,097,517	979	650,265	8,305,285
Accounts Receivable:						
Taxes - Current	297,881					297,881
Taxes - Delinquent	9,062					9,062
Accounts	46,934					46,934
Intergovernmental - Federal		721,064				721,064
Prepaid Expenses		2,337				2,337
TOTAL ASSETS	3,857,906	775,896	4,097,517	979	650,265	9,382,563
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	181,473	58,211				239,684
Advances from Grantors		717,685				717,685
Total Liabilities	181,473	775,896	0	0	0	957,369
Fund Balance:						
Restricted for:						
Debt Service					10,429	10,429
Future Construction				979		979
SFCC Escrow			4,097,517		39,880	4,137,397
School Activities					599,956	599,956
Committed for:						
Compensated Absences	33,755					33,755
Assigned for:						
Purchase Obligations	363,043					363,043
Unassigned Fund Balance	3,279,635					3,279,635
Total Fund Balance	3,676,433	0	4,097,517	979	650,265	8,425,194
TOTAL LIABILITIES AND FUND BALANCES	3,857,906	775,896	4,097,517	979	650,265	9,382,563

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

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

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

TOTAL GOVERNMENTAL FUND BALANCE	8,425,194
 Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of Capital Assets	86,811,521
Accumulated Depreciation	<u>(24,454,598)</u>
Right to Use Asset - Net of Amortization	62,356,923
	72,500
Deferred Outflows on Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.	162,687
Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.	2,400,333
Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.	3,513,235
 Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds Payable	(23,950,000)
Unamortized Bond Premiums	(10,963)
Unamortized Bond Discounts	303,141
Lease Liabilities	(2,476,262)
Accrued Interest on Bonds	(280,186)
Net Pension Liability	(10,256,744)
Net Other Post Employment Benefits Liability	(3,724,079)
Compensated Absences	<u>(769,061)</u>
	(41,164,154)
Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.	(2,190,291)
Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds.	<u>(6,564,590)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>27,011,837</u>

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

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

	GENERAL	SPECIAL REVENUE	BUILDING (FSPK) FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes:						
Property	3,155,884		1,231,514			4,387,398
Motor Vehicle	964,515					964,515
Utility	1,265,459					1,265,459
Other	231,002					231,002
Earnings on Investments	37,847	15			367	38,229
Food Service		81				81
Intergovernmental - State	25,266,860	2,530,771	2,102,806		1,594,880	31,495,317
Intergovernmental - Federal	409,269	7,327,784				7,737,053
Student Activities		5,677			673,710	679,387
Other Sources	319,465	14,478			1,025	334,968
TOTAL REVENUES	31,650,301	9,878,806	3,334,320	0	2,269,982	47,133,409
EXPENDITURES:						
Instructional	17,531,413	4,594,420			628,015	22,753,848
Support Services:						
Student Support Services	2,123,684	168,334				2,292,018
Staff Support Services	1,896,406	1,585,764				3,482,170
District Administration	1,123,987					1,123,987
School Administration	1,888,879	1,032				1,889,911
Business Support Services	446,600					446,600
Plant Operation & Maintenance	3,767,602	54,713				3,822,315
Student Transportation	3,858,468	286,985				4,145,453
Food Service Operations		346,429				346,429
Day Care Operations	14	69,422				69,436
Community Service Operations	22,276	461,977				484,253
Site Improvement		6,536				6,536
Facilities Acquisition & Construction				3,584,083		3,584,083
Debt Service:						
Principal	357,402				2,183,000	2,540,402
Interest	66,860				788,302	855,162
TOTAL EXPENDITURES	33,083,591	7,575,612	0	3,584,083	3,599,317	47,842,603
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(1,433,290)	2,303,194	3,334,320	(3,584,083)	(1,329,335)	(709,194)
OTHER FINANCING SOURCES(USES):						
Proceeds from Capital Leases	1,095,826					1,095,826
Operating Transfers In - Note N	494,443	74,004		3,187,253	1,738,342	5,494,042
Operating Transfers Out - Note N	(296,922)	(2,377,198)	(2,238,894)		(439,793)	(5,352,807)
TOTAL OTHER FINANCING SOURCES(USES)	1,293,347	(2,303,194)	(2,238,894)	3,187,253	1,298,549	1,237,061
NET CHANGE IN FUND BALANCES	(139,943)	0	1,095,426	(396,830)	(30,786)	527,867
FUND BALANCES - BEGINNING RESTATED	3,816,376	0	3,002,091	397,809	681,051	7,897,327
FUND BALANCES - ENDING	3,676,433	0	4,097,517	979	650,265	8,425,194

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

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

NET CHANGES - GOVERNMENTAL FUNDS	527,867
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Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.

Depreciation Expense	(2,386,988)
Right to Use SBIT Asset	36,161
Amortization Expense	(35,213)
Capital Outlays	<u>5,209,673</u>
	2,823,633

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds

Proceeds from Capital Leases	(1,095,826)
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In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.

Cost Basis of Disposed of Assets	(13,937)
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond Principal Paid	2,183,000
Lease Liability Paid	<u>357,402</u>
	2,540,402

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

Amortization-Deferred Outflows on Advanced Bond Refundings	(27,115)
Amortization - Bond Premiums	1,709
Amortization - Bond Discount	(24,778)
District Pension Contributions	1,186,197
Cost of Benefits Earned Net of Employee Contributions - Pension	(700,396)
Accrued Interest Payable	66,558
District Other Post Employment Benefits Contributions	(449,250)
Cost of Benefits Earned Net of Employee Contributions - OPEB	1,842,065
Accrued Sick Leave	<u>(243,520)</u>
	1,651,470

CHANGES - NET POSITION GOVERNMENTAL FUNDS	<u>6,433,609</u>
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WAYNE COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

ENTERPRISE FUNDS

	FOOD SERVICE	DAY CARE	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents	1,755,161	1,559	1,756,720
Accounts Receivable	156,325	11,278	167,603
Inventories for Consumption	38,023		38,023
Total Current Assets	<u>1,949,509</u>	<u>12,837</u>	<u>1,962,346</u>
Noncurrent Assets:			
Net OPEB Benefit	12,968	1,877	14,845
Buildings & Improvements	1,721,119		1,721,119
Furniture & Equipment	944,287		944,287
Less: Accumulated Depreciation	<u>(1,467,007)</u>		<u>(1,467,007)</u>
Total Noncurrent Assets	<u>1,211,367</u>	<u>1,877</u>	<u>1,213,244</u>
TOTAL ASSETS	<u>3,160,876</u>	<u>14,714</u>	<u>3,175,590</u>
Deferred Outflows Related to Other Post Employment Benefits	39,388	5,475	44,863
Deferred Outflows Related to Pensions	<u>101,059</u>	<u>18,209</u>	<u>119,268</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>3,301,323</u>	<u>38,398</u>	<u>3,339,721</u>
LIABILITIES:			
Current Liabilities:			
Account Payable	23,408	607	24,015
Total Current Liabilities	<u>23,408</u>	<u>607</u>	<u>24,015</u>
Noncurrent Liabilities:			
Net Pension Liability	<u>446,398</u>	<u>64,910</u>	<u>511,308</u>
Total Noncurrent Liabilities	<u>446,398</u>	<u>64,910</u>	<u>511,308</u>
TOTAL LIABILITIES	<u>469,806</u>	<u>65,517</u>	<u>535,323</u>
Deferred Inflows Related to Other Post Employment Benefits	139,161	20,320	159,481
Deferred Inflows Related to Pensions	<u>95,309</u>	<u>13,862</u>	<u>109,171</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>704,276</u>	<u>99,699</u>	<u>803,975</u>
Net Position:			
Net Investment in Capital Assets	1,198,399	-	1,198,399
Restricted	1,398,648		1,398,648
Unrestricted		(61,301)	(61,301)
Total Net Position	<u>2,597,047</u>	<u>(61,301)</u>	<u>2,535,746</u>
TOTAL LIABILITIES AND NET POSITION	<u>3,301,323</u>	<u>38,398</u>	<u>3,339,721</u>

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

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

	<u>ENTERPRISE FUNDS</u>		
	FOOD SERVICE	DAY CARE	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	98,165		98,165
Charges for Services		170,655	170,655
TOTAL OPERATING REVENUES	<u>98,165</u>	<u>170,655</u>	<u>268,820</u>
OPERATING EXPENSES:			
Salaries & Benefits	1,207,225	183,150	1,390,375
Contract Services	45,783	60	45,843
Materials & Supplies	1,647,911	6,928	1,654,839
Depreciation - Note E	109,158		109,158
Other Operating Expenses	2,803	2,998	5,801
TOTAL OPERATING EXPENSES	<u>3,012,880</u>	<u>193,136</u>	<u>3,206,016</u>
OPERATING INCOME(LOSS)	(2,914,715)	(22,481)	(2,937,196)
NONOPERATING REVENUES(EXPENSES):			
Transfer Out to General Fund	(141,235)		(141,235)
Federal Grants	2,750,757		2,750,757
State Grants	246,203	34,008	280,211
Donated Commodities	139,929		139,929
Interest Income	6,257		6,257
TOTAL NONOPERATING REVENUE	<u>3,001,911</u>	<u>34,008</u>	<u>3,035,919</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	87,196	11,527	98,723
CAPITAL CONTRIBUTIONS	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	87,196	11,527	98,723
TOTAL NET POSITION - BEGINNING	<u>2,509,851</u>	<u>(72,828)</u>	<u>2,437,023</u>
TOTAL NET POSITION - ENDING	<u><u>2,597,047</u></u>	<u><u>(61,301)</u></u>	<u><u>2,535,746</u></u>

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

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

	FOOD SERVICE FUND	DAY SERVICE CARE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from:			
Lunchroom Sales	98,165		98,165
Other Activities		160,944	160,944
Cash Paid to/for:			
Employees	(1,036,899)	(159,296)	(1,196,195)
Supplies	(1,464,312)	(6,928)	(1,471,240)
Other Activities	(48,586)	(2,506)	(51,092)
Net Cash Provided (Used) by Operating Activities	(2,451,632)	(7,786)	(2,459,418)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:			
Transfer in (out) to/from General Fund	(141,235)		(141,235)
Interfund Payable Repaid			-
Federal Grants	2,595,852		2,595,852
State Grants	26,704	-	26,704
Net Cash Provided by Non-Capital and Related Financing Activities	2,481,321	-	2,481,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Equipment	(41,160)	-	(41,160)
Net Cash Used by Capital and Related Financing Activities	(41,160)	-	(41,160)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest Income	6,257		6,257
Net Cash Provided by Investing Activities	6,257	-	6,257
Net Increase (Decrease) in Cash and Cash Equivalents	(5,214)	(7,786)	(13,000)
Balances, Beginning of Year	1,760,375	9,345	1,769,720
Balances, End of Year	<u>1,755,161</u>	<u>1,559</u>	<u>1,756,720</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	(2,914,715)	(22,481)	(2,937,196)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities			
Depreciation	109,158	-	109,158
State On-Behalf Payments	219,499	34,008	253,507
Donated Commodities	139,929		139,929
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:			
Accounts Receivable		(9,711)	(9,711)
Deferred Outflows	75,250	7,620	82,870
Deferred Inflows	(67,110)	(9,586)	(76,696)
Net Pension Liability	(55,136)	(7,877)	(63,013)
Net Other Post Employment Benefits	(2,177)	(311)	(2,488)
Inventory	23,210	-	23,210
Accounts Payable	20,460	552	21,012
Net Cash Provided (Used) by Operating Activities	(2,451,632)	(7,786)	(2,459,418)
Schedule of Non-Cash Transactions:			
Donated Commodities	139,929	-	139,929
State On-Behalf Payments	219,499	34,008	253,507

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

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

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

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

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

Basis of Accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

Property Taxes

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

The property tax rates assessed for the year ended June 30, 2025, to finance the General Fund operations were \$0.440 per \$100 valuation for real property, \$0.486 per \$100 valuation for business personal property, and \$0.528 per \$100 valuation for motor vehicles.

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

Capital Assets

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Interfund Balances

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

Accumulated Compensated Absences

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

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

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated compensated absences payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

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

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Cash and Cash Equivalents

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

Inventories

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

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

The food service fund uses the specific identification method.

Investments

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	\$ 33,755	Long-Term Compensated Absences

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

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

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

Net Position

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

Operating Revenues and Expenses

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

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

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

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

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

Postemployment Benefits Other Than Pensions

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Changes in Accounting Principle

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

NOTE B – ESTIMATES

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

NOTE C – CASH AND CASH EQUIVALENTS

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

At year-end, the carrying amount of the District's total cash and cash equivalents was \$10,062,005. Of the total cash balance, \$500,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Bank Balance	Book Balance
Monticello Bank	11,427,341	9,682,882
First Southern Bank	<u>384,116</u>	<u>379,123</u>
	<u>11,811,457</u>	<u>10,062,005</u>
Breakdown per financial statements:		
Governmental Funds		8,305,285
Proprietary Funds		<u>1,756,720</u>
Total Cash		<u>10,062,005</u>

NOTE D – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Wayne County School District Finance Corporation in the original amount aggregating \$41,065,000.

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

2006B	254,000	4.125%
2007	2,740,000	4.00%
2012-REF	6,830,000	2.00%
2015-REF	2,980,000	2.25% - 2.50%
2015	3,210,000	2.25% - 3.30%
2018	14,210,000	3.00% - 3.75%
2020	8,620,000	3.00%
2021R	1,796,000	1.00% - 1.45%
2024	425,000	4.00% - 5.00%

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

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

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2024, for debt service (principal and interest) are as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Year	Principal	Interest	Participation	District's Portion
2025-2026	2,203,000	735,085	1,286,498	1,651,587
2026-2027	1,538,000	679,308	568,396	1,648,911
2027-2028	1,516,000	635,168	498,929	1,652,239
2028-2029	1,557,000	591,847	502,363	1,646,484
2029-2030	1,604,000	546,537	501,723	1,648,814
2030-2031	1,657,000	499,048	502,026	1,654,022
2031-2032	1,649,000	449,439	447,496	1,650,943
2032-2033	1,579,000	399,113	325,189	1,652,923
2033-2034	1,630,000	346,365	323,904	1,652,461
2034-2035	1,691,000	291,219	325,608	1,656,611
2035-2036	1,617,000	232,990	192,391	1,657,599
2036-2037	1,673,000	176,519	192,428	1,657,091
2037-2038	1,734,000	118,253	192,422	1,659,831
2038-2039	1,585,000	60,825	156,050	1,489,775
2039-2040	601,000	24,350	33,100	592,250
2040-2041	27,000	5,800	32,800	-
2041-2042	28,000	4,450	32,450	-
2042-2043	30,000	3,050	33,050	-
2043-2044	<u>31,000</u>	<u>1,550</u>	<u>32,550</u>	<u>-</u>
	<u>23,950,000</u>	<u>5,800,915</u>	<u>6,179,373</u>	<u>23,571,542</u>

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

	Beginning Balance - Restated	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bond Payable	26,133,000	0	2,183,000	23,950,000	2,203,000
Add: Bond Premium	12,674	0	1,711	10,963	1,709
Less: Bond Discount					
Beginning Restated	<u>(327,919)</u>	<u>0</u>	<u>(24,778)</u>	<u>(303,141)</u>	<u>(23,785)</u>
Net Revenue Bond Payable	25,817,755	0	2,159,933	23,657,822	2,180,924
Net Pension Liability	11,506,490	0	1,249,746	10,256,744	0
Lease Liabilities-Restated	1,736,756	1,107,718	368,212	2,476,262	389,102
Net OPEB Liability	4,679,000	0	658,000	4,021,000	0
Compensated Absences					
Restated	<u>525,541</u>	<u>424,428</u>	<u>180,908</u>	<u>769,061</u>	<u>79,280</u>
Total Governmental Activities:	<u>44,265,542</u>	<u>1,532,146</u>	<u>4,616,799</u>	<u>41,180,889</u>	<u>2,649,306</u>
Proprietary Activities:					
Net Pension Liability	<u>574,321</u>	<u>0</u>	<u>63,013</u>	<u>511,308</u>	<u>0</u>
Total Long-Term Liabilities:	<u>44,839,863</u>	<u>1,532,146</u>	<u>4,679,812</u>	<u>41,692,197</u>	<u>2,649,306</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - CAPITAL ASSETS

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

	BEGINNING BALANCE	ADDITIONS	RECLASSIFICATION	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:					
Non-Depreciable Assets:					
Land	2,045,892				2,045,892
Construction in Progress - Restated	17,818,336	3,585,062	(20,672,068)		731,330
Depreciable Assets:					
Buildings & Building Improvements	56,324,455		20,672,068	14,931	76,981,592
Technology Equipment	657,684	8,449		189,956	476,177
Vehicles	4,692,270	1,387,755		89,744	5,990,281
General Equipment	390,892	93,043		33,050	450,885
Leased Equipment - Restated	-	135,364			135,364
TOTAL AT HISTORICAL COST	81,929,529	5,209,673	-	327,681	86,811,521
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings & Building Improvements	18,988,823	1,853,488		6,470	20,835,841
Technology Equipment	523,116	77,192		188,717	411,591
Vehicles	2,656,393	418,827		89,744	2,985,476
General Equipment	213,023	30,739		28,814	214,948
Leased Equipment - Restated	-	6,742			6,742
TOTAL ACCUMULATED DEPRECIATION	22,381,355	2,386,988	-	313,745	24,454,598
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u>59,548,174</u>	<u>2,822,685</u>	<u>-</u>	<u>(13,936)</u>	<u>62,356,923</u>
PROPRIETARY ACTIVITIES:					
Depreciable Assets:					
Buildings & Building Improvements	1,721,119				1,721,119
Vehicles	172,345				172,345
General Equipment	730,782	41,160			771,942
TOTALS AT HISTORICAL COST	2,624,246	41,160	-	-	2,665,406
LESS ACCUMULATED DEPRECIATION FOR:					
Buildings & Building Improvements	834,800	38,182			872,982
Vehicles	37,342	34,469			71,811
General Equipment	485,707	36,507			522,214
TOTAL ACCUMULATED DEPRECIATION	1,357,849	109,158	-	-	1,467,007
PROPRIETARY ACTIVITIES CAPITAL NET	<u>1,266,397</u>	<u>(67,998)</u>	<u>-</u>	<u>-</u>	<u>1,198,399</u>
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:					
Instructional					1,214,426
Student Support Services					-
Staff Support Services					3,563
District Administration					118,914
School Administration					5,140
Business Support Services					-
Plant Operation & Maintenance					606,755
Student Transportation					435,992
TOTAL					<u>2,198</u>
					<u>2,386,988</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LEASE LIABILITIES PAYABLE

The District is committed under a noncancelable lease for copiers with an annual payment amount of \$2,651. The total lease liability measured at present value is \$11,892. The ending balance at June 30, 2025 is \$10,634. The assets and liabilities under lease are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of the assets under lease is included in depreciation expense for fiscal year 2025.

Year	Principal	Interest
2026	2,232	419
2027	2,331	320
2028	2,435	216
2029	2,543	108
2030	<u>1,093</u>	<u>12</u>
Total	<u>10,634</u>	<u>1,075</u>

The following assets and amortization have been recognized.

Copiers	\$11,892
Accumulated Amortization	(1,387)
Net Ending Balance	<u>10,505</u>

The District is the lessee of buses under leases expiring in various years through 2035. The assets and liabilities under lease are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under leases is included in depreciation expense for fiscal year 2025.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2025</u>
Buses	3,625,883
Accumulated Amortization	(1,140,393)
Total	<u>2,485,490</u>

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

<u>Year Ending June 30,</u>	<u>Lease Liabilities Payable</u>
2026	429,285
2027	423,175
2028	371,003
2029	364,627
2030	313,605
2031-2035	<u>762,072</u>
Net minimum lease payments	2,663,767
Amount representing interest	(323,921)
Present value of net minimum lease payments	<u>2,339,846</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The leases provide for the assets to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District is committed under a noncancellable lease for tractors with an annual payment amount of \$38,326. The total lease liability measured at present value is \$135,364. The ending balance at June 30, 2025 is \$125,782. The assets and liabilities under lease are recorded at the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of the assets under lease is included in depreciation expense for fiscal year 2025.

Year	Principal	Interest
2026	30,470	7,856
2027	32,615	5,711
2028	34,911	3,416
2029	<u>27,786</u>	<u>958</u>
Total	<u>125,782</u>	<u>1,075</u>

The following assets and amortization have been recognized.

Tractors	\$135,364
Accumulated Amortization	<u>(3,384)</u>
Net Ending Balance	<u>131,980</u>

NOTE G – RETIREMENT PLANS

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Medical Insurance Plan

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

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

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

At June 30, 2025, the District reported a liability of \$10,768,052 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 10,768,052
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>57,906,000</u>
	<u><u>\$ 68,674,052</u></u>

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

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2024, the District's proportion was 0.180055% percent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2025, the District recognized pension benefit of \$877,053 related to CERS and \$3,763,703 related to TRS. The District also recognized revenue of \$3,763,703 for TRS support provided by the Commonwealth. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 521,193	\$ -
Changes of assumptions	-	486,505
Net difference between projected and actual earnings on pension plan investments	739,523	1,431,851
Changes in proportion and differences between District contributions and proportionate share of contributions	12,879	381,106
District contributions subsequent to the measurement date	<u>1,246,006</u>	<u>-</u>
Total	<u>\$ 2,519,601</u>	<u>\$ 2,299,462</u>

\$1,246,006 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	<u>Year ended June 30:</u>
2026	(656,991)
2027	51,557
2028	(266,139)
2029	(154,294)
2030	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Teachers' Retirement System (TRS)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

County Employees' Retirement System (CERS)

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	5.50%	6.50%	7.50%
District's proportionate share of net pension liability	13,881,778	10,768,052	8,184,480
TRS	6.10%	7.10%	8.10%
District's proportionate share of net pension liability	0	0	0

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Teachers' Retirement System of Kentucky

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

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

Medical Insurance Plan

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

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

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

At June 30, 2025, the Wayne County District reported a liability of \$4,021,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .180385 percent.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

District's proportionate share of the net OPEB liability	\$ 4,021,000
State's proportionate share of the net OPEB liability associated with the District	<u>3,582,000</u>
Total	<u><u>\$ 7,603,000</u></u>

For the year ended June 30, 2025, the District recognized OPEB expense of \$86,172 and revenue of \$333,698 for support provided by the State. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,207,000
Changes of assumptions	1,024,000	-
Net difference between projected and actual earnings on pension plan investments	-	129,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,129,000	2,021,000
District contributions subsequent to the measurement date	<u>449,250</u>	-
Total	<u>2,602,250</u>	<u>3,357,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$449,250 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:

Year ended June 30:	
2026	\$ (408,000)
2027	(106,000)
2028	(146,000)
2029	(275,000)
2030	(245,000)
Thereafter	(24,000)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Long-term investment rate of return net of OPEB plan investment expense, including inflation.	
Health Trust	7.10%
Life Trust	7.10%
Salary increases, including wage	
Inflation	3.00 – 7.50%
Inflation	2.50%
Real wage growth	0.25%
Wage Inflation	2.75%
Health Trust Health Care Cost Trends	
Medical Trend	6.50% for FY 2024 decreasing to an ultimate rate of 4.50% by FY 2031
Medicare Part B Premiums	3.92% for FY 2024 with an ultimate rate of 4.50% by 2035
Municipal Bond Index Rate	3.94%
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Health Trust	7.10%
Life Trust	7.10%
Year FNP is projected to be depleted	
Health Trust	N/A
Life Trust	N/A

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Discount rate (SEIR)- The discount rate used to measure the TOL at June 30, 2024 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2021.

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

	Current Discount		
	1% Decrease	Rate	1% Increase
TRS	6.10%	7.10%	8.10%
District's proportionate share			
of net OPEB liability	5,342,000	4,021,000	2,926,000

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

	Current Trend		
	1% Decrease	Rate	1% Increase
District's proportionate share			
of net OPEB liability	2,716,000	4,021,000	5,642,000

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Life Insurance Plan

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

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

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

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

District's proportionate share of the net OPEB liability	-0-
State's proportionate share of the net OPEB	
liability associated with the District	<u>82,000</u>

Total

\$ 82,000

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

County Employees' Retirement System of Kentucky

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

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

Medical Insurance Plan

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

At June 30, 2025, the Wayne County District reported an asset of \$311,766 for its proportionate share of the collective net OPEB asset that reflected a reduction for state OPEB support provided to the District. The collective net OPEB benefit was measured as of June 30, 2024, and the total OPEB asset used to calculate the collective net OPEB benefit was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2024, the District's proportion was .180232 percent, compared to .188270 percent at June 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

District's proportionate share of the net OPEB asset	\$ 311,766
State's proportionate share of the net OPEB liability associated with the District	<u>-0-</u>
Total	<u>\$ 311,766</u>

For the year ended June 30, 2025, the District recognized OPEB benefit of \$731,949. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 172,964	\$ 2,452,981
Changes of assumptions	282,497	219,984
Net difference between projected and actual earnings on pension plan investments	274,050	558,554
Changes in proportion and differences between District contributions and proportionate share of contributions	141,826	135,552
District contributions subsequent to the measurement date	<u>84,511</u>	-
Total	<u>955,848</u>	<u>3,367,071</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$84,511 resulting from District contributions of \$0 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$84,511, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ended June 30:	
2026	\$ (981,342)
2027	(750,030)
2028	(716,665)
2029	(47,697)
2030	-
Thereafter	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

	1% Decrease	Current Discount Rate	1% Increase
CERS	4.99%	5.99%	6.99%
District's proportionate share of net OPEB liability	421,542	(311,766)	(928,332)

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

	1% Decrease	Current Trend Rate	1% Increase
Systems' net pension liability	(750,070)	(311,766)	198,828

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

NOTE I – CONTINGENCIES

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE J – INSURANCE AND RELATED ACTIVITIES

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

NOTE K – RISK MANAGEMENT

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

NOTE L – DEFICIT OPERATING BALANCES

The District had no fund balances that were deficit at June 30, 2025. The following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

General Fund	1,433,290
District Activity	11,484
Debt Service	1,651,391
Construction Fund	3,584,083

NOTE M – COBRA

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

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	74,004
Operating	General	Construction	Construction	222,918
Operating	Building	Debt Service	Debt Service	1,651,758
Operating	Food Service	General	Indirect Costs	141,235
Operating	Capital Outlay	General	Operations	353,209
Operating	Special Revenue	Construction	Construction	2,377,199
Operating	Building	Construction	Construction	587,136
Operating	School Activity	District Activity	Operations	<u>86,583</u>
		Governmental Funds Transferred In		5,494,042
Operating	Food Service	General	Indirect Costs	<u>(141,235)</u>
		Proprietary Funds Transferred		<u>(141,235)</u>
		Total Transferred Funds		<u>5,352,807</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE O – SUBSEQUENT EVENTS

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

NOTE P – ON-BEHALF PAYMENT

For the year ended June 30, 2025, \$10,193,161 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$3,763,703
Teachers Retirement System (GASB 75)	343,687
Health Insurance	5,012,435
Life Insurance	5,929
Administrative Fee	48,040
HRA/Dental/Vision	174,125
Federal Reimbursement	(539,335)
Technology	65,034
SFCC Debt Service Payments	<u>1,319,543</u>
 Total	 <u>\$10,193,161</u>

NOTE Q – EMPLOYEE COMPENSATED ABSENCES

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

	Current Portion	Long-Term Portion	Total
Beginning Balance - Restated	-0-	525,541	525,541
Net Increase (Decrease)	<u>79,280</u>	<u>164,240</u>	<u>243,520</u>
Ending Balance	<u>79,280</u>	<u>689,781</u>	<u>769,061</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – NET POSITION, AS RESTATED

The beginning net position of the Governmental Activities was increased by \$45,246 the General Fund was increased by \$136,342 and the Construction Fund was decreased by \$172,320. Below are the details of the restatement:

	Government <u>Activities</u>	General <u>Fund</u>	Construction <u>Fund</u>
Net Position June 30, 2024	\$ 20,532,982	\$ 3,680,034	\$ 570,129
Understatement of Tax Revenues	136,342	136,342	-0-
Overstatement Deferred Outflows	(23,268)	-0-	-0-
Understatement Accounts Payable	(172,320)	-0-	(172,320)
Understatement Capital Assets	172,320	-0-	-0-
Overstatement Right to Use Asset	(15,591)	-0-	-0-
Overstatement Lease Liability	14,544	-0-	-0-
Overstatement Bond Discounts	(3,002)	-0-	-0-
GASB 101 Retrospective Application	(135,330)		
Understatement of Subscription Asset	71,551	-0-	-0-
Beginning Net Position, As Restated	<u>\$ 20,578,228</u>	<u>\$ 3,816,376</u>	<u>\$ 397,809</u>

NOTE S – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has recorded \$72,500 (\$135,976 net of \$63,476 accumulated amortization) as intangible right-to-use software in the Governmental Activities non-current assets on the statement of net position. Due to the implementation of GASB Statement No. 96, the arrangement for software meets the criteria of a SBITA; thus, requiring them to be recorded by the District as an intangible asset and if applicable SBITA liability. The assets will be amortized over the terms of the software agreements, 5 years. The subscription was fully paid at the time the software arrangement was entered into and thus no liability has been recorded.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	4,628,000	4,628,000	5,616,860	988,860
Other Local Sources	221,636	221,636	357,312	135,676
State Sources	16,647,854	16,647,854	25,266,860	8,619,006
Federal Sources	200,000	200,000	409,269	209,269
Other Sources	714,562	714,562	1,590,269	875,707
TOTAL REVENUES	22,412,052	22,412,052	33,240,570	10,828,518
EXPENDITURES:				
Instructional	11,951,432	11,951,432	17,531,413	(5,579,981)
Student Support Services	1,704,241	1,704,241	2,123,684	(419,443)
Staff Support Services	1,982,708	1,982,708	1,896,406	86,302
District Administration	762,107	762,107	1,123,987	(361,880)
School Administration	1,501,953	1,501,953	1,888,879	(386,926)
Business Support Services	319,578	319,578	446,600	(127,022)
Plant Operation & Maintenance	3,408,983	3,408,983	3,767,602	(358,619)
Student Transportation	3,241,905	3,241,905	3,858,468	(616,563)
Day Care Operations			14	(14)
Community Services Operations	7,250	7,250	22,276	(15,026)
Other	1,411,670	1,418,920	721,184	697,736
TOTAL EXPENDITURES	26,291,827	26,299,077	33,380,513	(7,081,436)
NET CHANGE IN FUND BALANCE	(3,879,775)	(3,887,025)	(139,943)	3,747,082
FUND BALANCES - BEGINNING	3,653,115	3,653,115	3,816,376	163,261
FUND BALANCES - ENDING	(226,660)	(233,910)	3,676,433	3,910,343

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

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Other Local Sources	27,132	27,132	15	(27,117)
State Sources	2,482,482	2,482,482	2,530,771	48,289
Federal Sources	4,115,592	4,115,592	7,327,784	3,212,192
Other Sources	74,005	74,005	94,240	20,235
TOTAL REVENUES	6,699,211	6,699,211	9,952,810	3,253,599
EXPENDITURES:				
Instructional	4,527,481	4,527,481	4,594,420	(66,939)
Student Support Services	122,728	122,728	168,334	(45,606)
Staff Support Services	1,319,884	1,319,884	1,585,764	(265,880)
District Administration	1,032	1,032	0	1,032
School Administration			1,032	(1,032)
Business Support Services			0	0
Plant Operation & Maintenance	112,599	112,599	54,713	57,886
Student Transportation	108,066	108,066	286,985	(178,919)
Food Service Operations			346,429	(346,429)
Day Care Operations	6,995	6,995	69,422	(62,427)
Site Improvement	6,536	6,536	6,536	0
Community Service Operations	459,689	459,689	461,977	(2,288)
Other			2,377,198	(2,377,198)
TOTAL EXPENDITURES	6,665,010	6,665,010	9,952,810	(3,287,800)
NET CHANGE IN FUND BALANCE	34,201	34,201	0	(34,201)
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	34,201	34,201	0	(34,201)

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

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

	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	97,719,676	124,049,724	125,049,725	54,079,748	53,860,962
TOTAL	97,719,676	124,049,724	125,049,725	54,079,748	53,860,962
District's covered-employee payroll	13,590,903	13,664,966	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	42.49%	57.04%	39.80%	59.30%	58.80%
	2021	2022	2023	2024	2025
District's proportion of net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	-	-	-	-	-
State of Kentucky's share of the net pension liability associated with the district	55,838,234	49,802,750	64,040,380	62,197,300	57,906,000
TOTAL	55,838,234	49,802,750	64,040,380	62,197,300	57,906,000
District's covered-employee payroll	\$ 14,073,109	\$ 13,914,867	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	58.27%	65.59%	56.41%	57.70%	60.36%

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

	2016	2017	2018	2019	2020
District's proportion of net pension liability	0.189450%	0.199558%	0.176990%	0.178240%	0.174890%
District's proportionate share of the net pension liability	8,145,278	9,825,462	10,359,886	10,855,054	12,299,740
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-
TOTAL	8,145,278	9,825,462	10,359,886	10,855,054	12,299,740
District's covered-employee payroll	6,165,539	5,770,459	5,848,861	5,562,805	5,132,192
District's proportionate share of the net pension liability as a percentage of its covered-payroll	178.70%	197.61%	240.40%	245.82%	278.87%
Plan fiduciary net position as a percentage of the total pension liability	63.46%	55.50%	53.30%	53.54%	50.45%
	2021	2022	2023	2024	2025
District's proportion of net pension liability	0.170984%	0.168146%	0.187180%	0.188270%	0.180550%
District's proportionate share of the net pension liability	13,114,331	10,720,626	13,531,267	12,080,811	10,768,052
State of Kentucky's share of the net pension liability associated with the district	-	-	-	-	-
TOTAL	13,114,331	10,720,626	13,531,267	12,080,811	10,768,052
District's covered-employee payroll	5,034,275	6,207,444	5,894,333	5,326,491	6,321,420
District's proportionate share of the net pension liability as a percentage of its covered-payroll	299.41%	250.13%	261.46%	221.09%	170.34%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	57.33%	52.42%	57.48%	61.61%

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,590,903	\$ 13,664,966	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 14,073,109	\$ 13,914,867	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

	2016	2017	2018	2019	2020
Contractually required contributions (actuarially determined)	\$ 765,760	\$ 804,979	\$ 846,915	\$ 902,287	\$ 990,513
Contributions in relation to the actuarially determined contributions	<u>765,760</u>	<u>804,979</u>	<u>846,915</u>	<u>902,287</u>	<u>990,513</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>				
Covered employee payroll	\$ 6,165,539	\$ 5,770,459	\$ 5,848,861	\$ 5,562,805	\$ 5,132,192
Contributions as a percentage of Covered employee payroll	12.42%	13.95%	14.48%	16.22%	19.30%
	2021	2022	2023	2024	2025
Contractually required contributions (actuarially determined)	\$ 971,615	\$ 1,314,116	\$ 1,379,274	\$ 1,243,203	\$ 1,246,006
Contributions in relation to the actuarially determined contributions	<u>971,615</u>	<u>1,314,116</u>	<u>1,379,274</u>	<u>1,243,203</u>	<u>1,246,006</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>				
Covered employee payroll	\$ 5,034,275	\$ 6,207,444	\$ 5,894,333	\$ 5,326,491	\$ 6,321,420
Contributions as a percentage of Covered employee payroll	19.30%	21.17%	23.40%	23.34%	19.71%

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

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

	2018	2019	2020	2021	2022
District's proportion of net OPEB liability	0.176990%	0.178230%	0.174840%	0.170935%	0.161070%
District's proportionate share of the net OPEB liability	3,558,145	3,164,420	2,940,730	4,127,560	3,218,324
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-	-	-
TOTAL	<u>3,558,145</u>	<u>3,164,420</u>	<u>2,940,730</u>	<u>4,127,560</u>	<u>3,218,324</u>
District's covered-employee payroll	5,848,861	5,562,805	5,132,192	5,034,275	6,207,444
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	60.83%	56.89%	57.30%	81.99%	51.85%
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%
	2023	2024	2025		
District's proportion of net OPEB liability	0.187170%	0.188270%	0.180232%		
District's proportionate share of the net OPEB liability	5,175,255	(259,938)	(311,766)		
State of Kentucky's share of the net OPEB liability associated with the district	-	-	-		
TOTAL	<u>5,175,255</u>	<u>(259,938)</u>	<u>(311,766)</u>		
District's covered-employee payroll	5,894,333	5,326,491	6,321,420		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	87.80%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	104.23%	104.89%		

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

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

	2018	2019	2020	2021	2022
District's proportion of net OPEB liability	0.2977%	0.2154%	0.2124%	0.2129%	0.2057%
District's proportionate share of the net OPEB liability	7,837,000	7,473,000	6,216,000	5,373,000	4,414,000
State of Kentucky's share of the net OPEB liability associated with the district	6,401,000	6,440,000	5,019,000	4,304,000	3,585,000
TOTAL	14,238,000	13,913,000	11,235,000	9,677,000	7,999,000
District's covered-employee payroll	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981	\$ 14,073,109	\$ 13,914,867
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	56.66%	52.44%	44.43%	38.18%	31.72%
Plan fiduciary net position as a percentage of the total OPEB liability	21.18%	25.50%	32.60%	39.05%	51.74%
	2023	2024	2025		
District's proportion of net OPEB liability	0.2738%	0.1921%	0.0034%		
District's proportionate share of the net OPEB liability	6,798,000	4,679,000	4,021,000		
State of Kentucky's share of the net OPEB liability associated with the district	2,233,000	3,944,000	3,582,000		
TOTAL	9,031,000	8,623,000	7,603,000		
District's covered-employee payroll	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	46.69%	32.11%	26.85%		
Plan fiduciary net position as a percentage of the total OPEB liability	47.76%	53.00%	59.81%		

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
District's proportionate share of the net OPEB liability	-	-	-	-	-
State of Kentucky's share of the net OPEB liability associated with the district	86,000	110,000	117,000	130,000	48,000
TOTAL	86,000	110,000	117,000	130,000	48,000
District's covered-employee payroll	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981	\$ 14,073,109	\$ 13,914,867
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	79.99%	75.00%	73.40%	71.57%	89.15%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
District's proportion of net OPEB liability	0.0000%	0.0000%	0.0000%		
District's proportionate share of the net OPEB liability	-	-	-		
State of Kentucky's share of the net OPEB liability associated with the district	111,000	98,000	82,000		
TOTAL	111,000	98,000	82,000		
District's covered-employee payroll	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015		
District's proportionate share of the net OPEB liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%		
Plan fiduciary net position as a percentage of the total OPEB liability	73.97%	76.90%	80.56%		

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 83,292	\$ 96,114	\$ 123,906	\$ 160,904	\$ 186,511
Contributions in relation to the actuarially determined contributions	<u>83,292</u>	<u>96,114</u>	<u>123,906</u>	<u>160,904</u>	<u>186,511</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,848,861	\$ 5,562,805	\$ 5,132,192	\$ 5,034,275	\$ 6,207,444
Contributions as a percentage of Covered employee payroll	4.70%	5.26%	4.76%	4.76%	5.78%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 217,790	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	<u>217,790</u>	<u>-</u>	<u>-</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 5,894,333	\$ 5,326,491	\$ 6,321,420		
Contributions as a percentage of Covered employee payroll	3.39%	0.00%	0.00%		

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ 414,931	\$ 427,491	\$ 419,669	\$ 422,193	\$ 417,446
Contributions in relation to the actuarially determined contributions	<u>414,931</u>	<u>427,491</u>	<u>419,669</u>	<u>422,193</u>	<u>417,446</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981	\$ 14,073,109	\$ 13,914,867
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%	3.00%	3.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ 436,796	\$ 437,117	\$ 449,250		
Contributions in relation to the actuarially determined contributions	<u>436,796</u>	<u>437,117</u>	<u>449,250</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015		
Contributions as a percentage of Covered employee payroll	3.00%	3.00%	3.00%		

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contributions	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>				
Covered employee payroll	\$ 13,831,026	\$ 14,249,707	\$ 13,988,981	\$ 14,073,109	\$ 13,914,867
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
	<u>2023</u>	<u>2024</u>	<u>2025</u>		
Contractually required contributions (actuarially determined)	\$ -	\$ -	\$ -		
Contributions in relation to the actuarially determined contributions	-	-	-		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
Covered employee payroll	\$ 14,559,863	\$ 14,570,581	\$ 14,975,015		
Contributions as a percentage of Covered employee payroll	0.00%	0.00%	0.00%		

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

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

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

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

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

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

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

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

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

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

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

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

NOTE C – CHANGES OF BENEFITS

There were no changes in benefits for TRS pension.

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

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2015

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

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

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

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

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

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

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

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

2016

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

2017

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

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

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

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

2018

There were no changes in assumptions.

2019

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

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

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

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

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

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

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

2021, 2022, 2023 and 2024

There were no changes of assumptions for these years.

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

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

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

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

NOTE C – CHANGES OF BENEFITS

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

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

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

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

2021

Health Trust and Life Trust

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

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

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

2022

There were no changes in assumptions.

2023

There were no changes in assumptions

2024

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

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

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

NOTE C – CHANGES OF BENEFITS

There were no changes of benefits.

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

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

2017

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

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

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

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

2018

There were no changes in assumptions.

2019

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

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

The inflation rate changed to 2.3% from 3.25%.

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

2020

There were no changes in assumptions.

2021

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

2022

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

2023

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

2024

There were no changes in assumptions.

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

COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

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

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

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

NOTE C – CHANGES OF BENEFITS

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

OTHER SUPPLEMENTARY INFORMATION

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents	220,671	379,285	39,880	10,429	650,265
Accounts Receivable	<hr/>	<hr/>	<hr/>	<hr/>	-
TOTAL ASSETS	<u>220,671</u>	<u>379,285</u>	<u>39,880</u>	<u>10,429</u>	<u>650,265</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	<hr/>	<hr/>	<hr/>	<hr/>	0
Total Liabilities	<hr/>	<hr/>	<hr/>	<hr/>	0
Fund Balances:					
Restricted for:					
Debt Service				10,429	10,429
SFCC Escrow			39,880		39,880
School Activities	<u>220,671</u>	<u>379,285</u>			599,956
Total Fund Balances	<u>220,671</u>	<u>379,285</u>	<u>39,880</u>	<u>10,429</u>	<u>650,265</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>220,671</u>	<u>379,285</u>	<u>39,880</u>	<u>10,429</u>	<u>650,265</u>

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

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

	DISTRICT ACTIVITY FUND	SCHOOL ACTIVITY FUND	SEEK CAPITAL OUTLAY FUND	DEBT SERVICE FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Intergovernmental - State			275,336	1,319,544	1,594,880
Student Activities	2,204	671,506			673,710
Earnings on Investments				367	367
Other Sources	1,025				1,025
TOTAL REVENUES	3,229	671,506	275,336	1,319,911	2,269,982
EXPENDITURES:					
Instructional	14,683	613,332			628,015
Debt Service:					
Principal			2,183,000		2,183,000
Interest			788,302		788,302
TOTAL EXPENDITURES	14,683	613,332	0	2,971,302	3,599,317
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES					
	(11,454)	58,174	275,336	(1,651,391)	322,056
OTHER FINANCING SOURCES(USES):					
Operating Transfers In	86,584			1,651,758	1,738,342
Operating Transfers Out		(86,584)	(353,209)		(439,793)
TOTAL OTHER FINANCING SOURCES(USES)	86,584	(86,584)	(353,209)	1,651,758	1,298,549
NET CHANGE IN FUND BALANCES	75,130	(28,410)	(77,873)	367	(30,786)
FUND BALANCES - BEGINNING RESTATED	145,541	407,695	117,753	10,062	681,051
FUND BALANCES - ENDING	220,671	379,285	39,880	10,429	650,265

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

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

	FUND BALANCE JULY 1, 2024	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2025
Wayne County High School	203,317	424,753	437,835	190,235
Bell Elementary	62,360	71,187	79,667	53,880
Wayne County Middle School	120,185	104,535	105,383	119,337
Monticello Elementary	7,914	53,097	48,820	12,191
Walker Early Learning Center	13,919	17,934	28,211	3,642
Total Activity Funds (Due to Student Groups)	<hr/> 407,695	<hr/> 671,506	<hr/> 699,916	<hr/> 379,285

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

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

	CASH BALANCE JULY 1, 2024	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2025	ACCOUNTS RECEIVABLE JUNE 30, 2025	ACCOUNTS PAYABLE JUNE 30, 2025	FUND BALANCE JUNE 30, 2025
FACULTY COKE FUND	662	671	785	548			548
GUIDANCE COUNSELOR	1,169	119	508	780			780
PICTURE COMMISSION	1,724	9,875	9,732	1,867			1,867
OFFICE	1,256	4,246	3,083	2,419			2,419
YOUTH SERVICE CENTER	281	100	135	246			246
CHROMEBOOKS	9,415	19,137	27,607	945			945
CHANGE	0	3,000	3,000	0			0
ARBITER PAY	1,000	27,450	31,100	(2,650)			(2,650)
COMMUNITY BASED INST	3,251	626	303	3,574			3,574
COKE FUND	3,465	1,010	1,615	2,860			2,860
DRIVER PERMITS	1,949	1,507	1,325	2,131			2,131
CLASS OF 2023	1,370	0	1,370	0			0
CLASS OF 2022	169	0	169	0			0
PROM	8,112	7,655	6,048	9,719			9,719
BETA CLUB	3,646	1,579	1,974	3,251			3,251
DECA	60	0	-	60			60
FCA	2,921	2,665	1,051	4,535			4,535
FCCLA	804	1,846	2,121	529			529
FCA-ROTC	3,704	3,376	3,422	3,658			3,658
FFA	1,517	14,146	15,354	309			309
WCHS GREEN TEAM	0	50	-	50			50
GIFTED AND TALENTED	420	1,180	1,094	506			506
RELAY FOR LIFE	1,811	0	256	1,555			1,555
EDUCATORS RISING	0	1,002	912	90			90
TRI-M	476	0	-	476			476
TSA	1,811	1,259	1,888	1,182			1,182
TARS	4,713	0	-	4,713			4,713
STUDENT GOVERNMENT	2,017	1,053	2,069	1,001			1,001
YOUNG DEMOCRATS	543	0	-	543			543
TECH DESIGN CLASS	100	0	-	100			100
JAG	2,991	3,663	6,211	443			443
PEP CLUB	1,832	6,514	6,579	1,767			1,767
KINDNESS CLUB	221	0	26	195			195
DRAMA	0	806	9	797			797
NATL. ENG. HONOR SOC.	0	326	-	326			326
HOME EC.	96	0	-	96			96
ACADEMIC TEAM	4,165	1,375	375	5,165			5,165
ARCHERY	6,438	15,178	15,013	6,603			6,603
BAND	796	25,695	24,419	2,072			2,072
BASEBALL	14,099	10,437	20,382	4,154			4,154
BOYS BASKETBALL	11,782	33,926	35,608	10,100			10,100

BOYS GOLF	4,025	3,711	3,801	3,935	3,935
BOWLING	1,424	8,885	7,276	3,033	3,033
BOYS SOCCER	3,780	7,472	12,134	(882)	(882)
CHEERLEADER	54	5,141	4,700	495	495
CROSS COUNTRY	5,321	14,145	15,151	4,315	4,315
DANCE TEAM	2,346	9,417	8,985	2,778	2,778
FISHING TEAM	5,678	2,816	1,044	7,450	7,450
FOOTBALL	8,237	54,168	57,471	4,934	4,934
GIRLS BASKETBALL	1,509	29,813	27,384	3,938	3,938
JROTC	4,609	12,065	11,864	4,810	4,810
GIRLS SOCCER	2,769	9,772	7,999	4,542	4,542
TENNIS BOYS	1,000	2,668	1,901	1,767	1,767
TENNIS GIRLS	1,847	4,605	4,150	2,302	2,302
TRACK	1,419	2,375	1,098	2,696	2,696
VOLLEYBALL	0	12,800	12,468	332	332
WRESTLING	677	23,431	21,113	2,995	2,995
GIRLS SOFTBALL	5,814	7,832	7,780	5,866	5,866
E-SPORTS	48	2,982	3,429	(399)	(399)
TRAP SHOOTING	6,615	2,142	5	8,752	8,752
GIRLS GOLF	197	5,514	3,891	1,820	1,820
ANNUAL	8,463	24,228	19,757	12,934	12,934
LIBRARY	272	26	-	298	298
GREENHOUSE	1,802	1,980	1,926	1,856	1,856
VIDEO PRODUCTION	1,759	0	-	1,759	1,759
MARK HODGES SCH.	604	50	-	654	654
JD ROGERS SCHOLARSHIP	28,475	0	3,000	25,475	25,475
V-BALL COACHES ASSOC.	941	700	300	1,341	1,341
ART CLUB	254	555	553	256	256
STEM CLUB	0	549	494	55	55
PLTW	757	0	-	757	757
AMERICAN WOODMARK SCH.	1,500	2,000	2,000	1,500	1,500
SPORTS MARKETING	335	2,296	1,475	1,156	1,156
OAF SWEEP ACCOUNT	0	27,567	27,567	0	0
	203,317	483,177	496,259	190,235	186,219
Interfund Transfers	0	(58,424)	(58,424)	0	0
Total	203,317	424,753	437,835	190,235	190,235

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

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL ALN NUMBER</u>	<u>PASS THROUGH NUMBER (if applicable)</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>				
Passed-Through Department of Education				
Title I Part A- Grants to Local Educational Agencies	84.010	3100002-23		41,250
Title I Part A- Grants to Local Educational Agencies	84.010	3100002-24		567,789
Title I Part A- Grants to Local Educational Agencies	84.010	3100002-25		<u>1,300,136</u>
Title I Part A				1,909,175
Title I Part D - Neglected & Delinquent	84.013	3100102-25		48,896
Title I Part D - Neglected & Delinquent	84.013	3100102-24		<u>13,803</u>
Title I Part D Total				62,699
Title II- Supporting Effective Instruction State Grants	84.367	3230002-24		60,262
Title II- Supporting Effective Instruction State Grants	84.367	3230002-25		<u>166,580</u>
Title II- Supporting Effective Instruction State Grants Total				226,842
English language Acquisition State Grants	84.365	2024		16,188
English language Acquisition State Grants	84.365	2025		<u>7,588</u>
English language Acquisition State Grants Total				23,776
IDEA - Special Education - Grants to State	84.027	3810002-24		824,118
IDEA - Special Education - Preschool Grants	84.173	3800002-24		1,738
IDEA - Special Education - Preschool Grants	84.173	3800002-25		<u>58,618</u>
Special Education Cluster				884,474
Striving Readers Comprehensive Literacy Program	84.371C	446KA		131,866
21st Century Learning Center	84.287	3400002-23		22,144
21st Century Learning Center	84.287	3400002-24		<u>180,675</u>
21st Century Learning Center Total				202,819
Migrant Education - State Grant Program	84.011	3110002-23		19,747
Migrant Education - State Grant Program	84.011	3110002-24		33,668
Migrant Education - State Grant Program	84.011	3110002-25		<u>82,308</u>
Migrant Education Total				135,723
Title V - Rural and Low Income Schools	84.358	3140002-23		40,850
Title V - Rural and Low Income Schools	84.358	3140002-24		34,581
Title V - Rural and Low Income Schools	84.358	3140002-25		<u>2,863</u>
Title V - Rural and Low Income Schools Total				78,294
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425U	4300005		2,705,635
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425W	4300005		<u>8,359</u>
COVID-19-Education Stabilization Total				2,713,994
Perkins Voc.	84.048	3710002-24		2,557
Perkins Voc.	84.048	3710002-25		<u>36,318</u>
Perkins Voc. Total				38,875

Title IV, Part A-Student Support and Academic Enrichment	84.424	342002-23	45,989
Title IV, Part A-Student Support and Academic Enrichment	84.424	342002-24	57,810
Title IV, Part A-Student Support and Academic Enrichment	84.424	342002-25	7,152
Title IV Total			<u>110,951</u>
Passed Through Berea College			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379K	22,815
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KL	6,440
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KR	42,984
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379KS	10,296
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379L	25,226
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LC	3,563
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LL	4,874
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LR	2,981
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334A	379LS	<u>193,535</u>
Gaining Early Awareness and Readiness for Undergraduate Programs Total			<u>312,714</u>
Total U.S. Department of Education			<u>6,832,202</u>
<u>U.S. Department of Health and Human Services</u>			
COVID-19 - Child Care and Development Block Grant	93.575	Direct	63,313
Total U.S. Department of Health and Human Services			<u>63,313</u>
<u>U.S. Department of Defense</u>			
Junior Reserve Officers Training Corps	12.556	Direct	83,562
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.555	7750002-24	352,059
National School Lunchroom	10.555	7750002-25	1,354,314
School Breakfast Program	10.553	7760005-24	182,612
School Breakfast Program	10.553	7760005-25	698,890
Summer Food Service Program	10.559	7690024-24	16,744
Summer Food Service Program	10.559	7740023-24	163,579
Fresh Fruits and Vegetables Program	10.582	7720012-24	10,031
Fresh Fruits and Vegetables Program	10.582	7720012-25	<u>99,881</u>
Child Nutrition Cluster			<u>2,878,110</u>
Pass-Through State Department of Agriculture			
State Administration for Child Expenses	10.560	7700001-24	8,773
Child & Adult Care Food Program	10.558	7790021-24	7,877
Child & Adult Care Food Program	10.558	7790021-25	47,516
Child & Adult Care Food Program	10.558	7800016-24	533
Child & Adult Care Food Program	10.558	7800016-25	<u>3,218</u>
Child & Adult Care Food Program Total			<u>59,144</u>
Pass-Through State Department of Agriculture			
Food Distribution	10.565	057502-10	<u>139,929</u>
Total U.S. Department of Agriculture			<u>3,085,956</u>
Total Federal Financial Assistance			<u>10,065,033</u>

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – FOOD DISTRIBUTION

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

NOTE D – DE MINIMIS COST RATE

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

NOTE E – SUBRECIPIENTS

There were no subrecipients during the fiscal year.

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of audit issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

_____ Yes No

Federal Awards

Internal control over major programs?

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559/10.582	Child Nutrition Cluster
84.425U/84.425W	Elementary and Secondary School Emergency Relief

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

Auditee qualified as low-risk auditee? Yes _____ No

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

There were no prior year audit findings.

MONTGOMERY & COMPANY, P.L.L.C

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December 17, 2025

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

Members of the Board of Education
Wayne County School District
Monticello, Kentucky

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Sincerely,

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

Certified Public Accountants

MONTGOMERY & COMPANY, P.L.L.C

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December 17, 2025

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

Members of the Board of Education
Wayne County School District
Monticello, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibility for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Sincerely,

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

Certified Public Accountants

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December 17, 2025

MANAGEMENT LETTER

Members of the Board of Education
Wayne County School District
Monticello, Kentucky

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

Prior Year Recommendations - School Activity Funds:

2024-1 Prior Year Recommendations

The deposit slips do not indicate that a second person is verifying the deposit at Walker Early Learning Center.

Current Year Status:

No instances noted during current year testing.

Prior Year Recommendation - District:

None.

Current Year Recommendations - School Activity Funds:

None.

Current Year Recommendations - District:

None.

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

Sincerely,

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

Certified Public Accountants

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December 17, 2025

Members of the Board of Education
Wayne County School District
Monticello, Kentucky

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

Significant Audit Matters:

Qualitative Aspects of Accounting Practices

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

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

We were not engaged to report on the budgetary comparison information on pages 54 and 55, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 56-57 and 60-62, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 58-59 and 63-65,

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

Restriction on Use

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

Sincerely,

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

Certified Public Accountants